

5. Primary stakeholders

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5. 1. Materiality analysis

In 2016 BBVA has taken a great step forward in materiality analysis to make it more solid and ensure that the focus is on the most relevant aspects for both the stakeholders and the BBVA business. This involved carrying out a review of the material issues based on the data collected from a variety of sources, providing a broad information base that is auditable and objective, ensuring that the analysis is more robust than in previous years.

During this process, analysis has been conducted on the current and emerging issues from the perspective of different stakeholders and BBVA's strategy. The tools used were the E-Revalue data analysis platform Datamaran, as well as other usual sources used in previous years.

Stakeholder input

The **priorities** of stakeholders have been obtained by analyzing two information groups. First, the data has been gathered directly from the stakeholders themselves:

- Direct opinions of customers and non-customers from countries where we operate, are collected through surveys. These surveys measure the key factors to ensure that consumers trust banks, in particular BBVA, as well as the relative importance of each of these factors (source: RepTrak).
- Direct opinions of employees are identified through very similar methods to the above, and carried out in the Group's main countries (source: RepTrak.).
- Investors and analysts' opinions are gathered through surveys answered by BBVA's Investor Relations unit. It reflects the issues relevant to this group and distinguishes between institutional investors and other shareholders. In addition, an analysis of sustainability - oriented priorities is being carried out based on specialized sources such as the Principles for Responsible Investment (PRI) and the Sustainable Investment and Finance Association (SIF).
- The main concerns, demands and requirements of the NGOs most active in the financial sector are analyzed through their campaigns, reports, policies and news.

As well as the above, information has been gathered from other sources contained in the E-Revalue data analysis platform Datamaran, to complete and consolidate the opinion of stakeholders, such as:

- Regulatory analysis to identify the main laws and directives that impact the financial sector in all the regions where BBVA operates. An inquiry has been carried out of both mandatory regulations and recommendations issued by institutions, as well as emerging issues that have arisen from the regulatory changes that took place in recent years.
- Analysis of the latest news related to issues relevant to the financial sector in the online media and social networks like Twitter.
- Series of benchmarking exercises on the reports published by other banks in 2016, as well as the documents from different companies presented before the Securities & Exchange Commission of the U.S. Government (SEC) for the financial sector in BBVA's key markets, including annual sustainability and integrated reports.
- Trend analysis of the sector based on the reports developed by the financial institutions and expert consultants over the last two years, in relation to the way banks offer services to customers.

Sources used in the materiality analysis

Sources of materiality analysis based on stakeholders' surveys and analysis included in Datamaran (the same number of documents in English and Spanish have been analyzed)

Customers/non-customers and employees

RepTrack surveys in the key geographical areas of BBVA:

4,500 customer and non-customer surveys

6,000 employee surveys

Analysts and investors

Department of Investor Relations surveys for investors and analysts

9 sustainability investment reports

NGO

19 NGO documents

Regulator

264 regulatory documents

News feeds and social networks

153 news feeds analyzed, considering:

2,300 news feeds written in English and 2,000 news feeds written in Spanish

30,000 tweets written in English and 10,000 tweets written in Spanish

Benchmark

88 competitors' reports coming from 36 banks

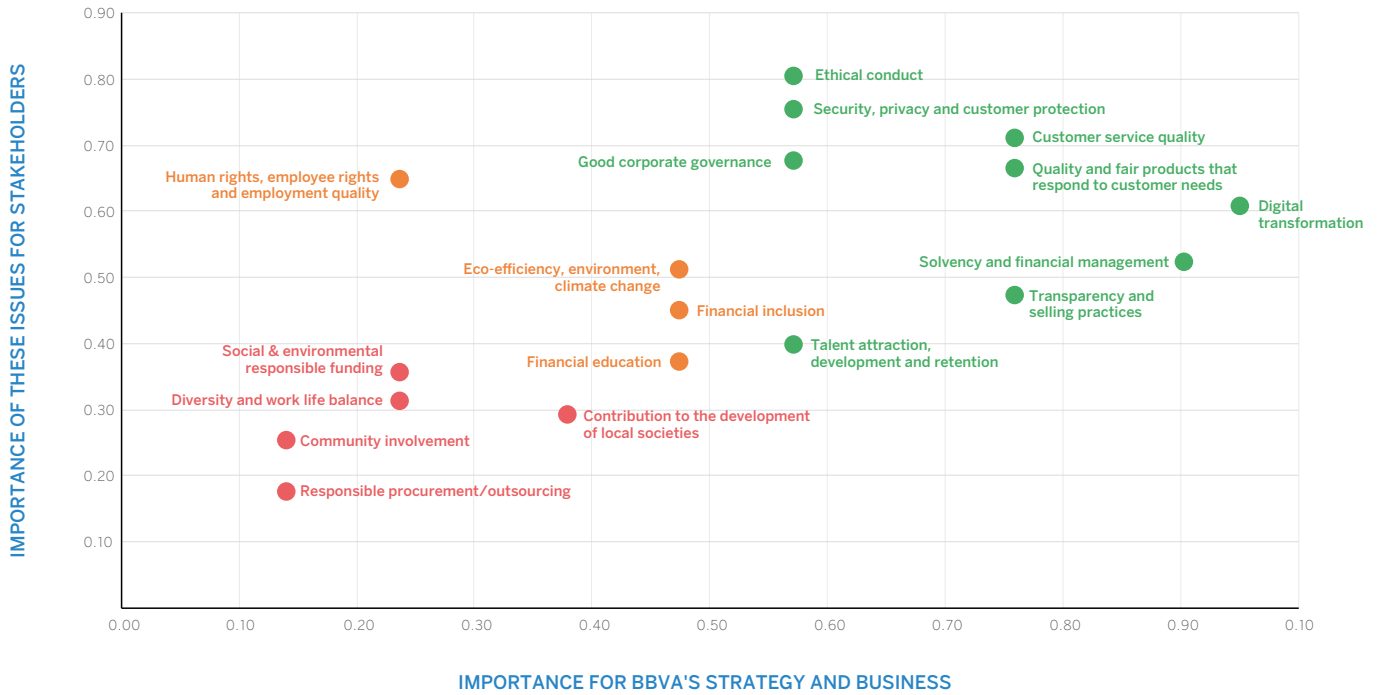
Trends:

13 industry trend reports

Each of these sources has been analyzed based on the different level of importance. Based on the results, a hierarchical list of **relevant issues** has been defined for the different stakeholders, which has been completed with an analysis of the contribution of each issue to BBVA's strategy and business.

These issues are represented in the **materiality matrix** shown below. The vertical axis reflects the importance of the issues for the stakeholders and the horizontal axis the importance for BBVA's strategy and business. The issues colored in green have a first-level relevance and those in orange a second-level.

BBVA Materiality matrix in 2016



5. 2. The customer

5. 2. 1. Customer experience

One of BBVA's main Strategic Priorities is to provide **“a new standard in customer experience”** that stands out for its simplicity, transparency and swiftness; empowering customers while offering them personalized advice.

As mentioned in the section on Strategy, enriching customer experience is done through a customer-centric business model that offers a differential service with a very ambitious goal: **to be leaders in customer satisfaction across our global footprint.**

Further, as part of the organizational changes taking place within the Group, in July 2016 the **Customer Solutions** area, responsible for the creation and development of new products, was restructured to adapt to our customers' needs. The new area has four main tasks:

- Grow and transform our business, redefining and shaping the Bank's relationship with our customers.
- Develop internal capabilities for creating new products and customer experiences.
- Maintain innovation as a fundamental pillar of BBVA.
- Launch and acquire new businesses that differ from BBVA's usual activities.

A customer-centric approach

The way in which customers interact with their banks has changed radically. We are firmly in the “do-it-yourself” era, an era of new technologies, where customers want to be connected anytime, anywhere. To remain competitive and still be a key player in a changing environment, the Customer Solutions area is promoting a customer-centric mentality throughout the Organization. We want to put the customer at the heart of everything we do, in accordance with the following **principles**:

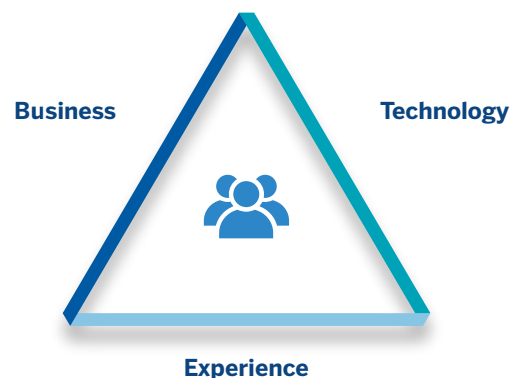
- The transformation of the Group should be guided by our customers' demand for unique and innovative experiences.
- We are investing in capital and talent to create a future of opportunities for our customers.

- We are seeking to take advantage of our relations with customers in a fair and transparent manner.
- At BBVA we are all creators of experiences for our customers.

In order to achieve this, we rely mostly on the power of **design thinking** as the basis for designing our products and services. Design thinking is much more than making things look attractive; it involves mainly the ability of leading companies to put their customers at the center of their businesses. It combines social factors, demographic and technological trends and a deep understanding of consumer behavior. It starts with obtaining an understanding of our customers; knowing who they are and what drives their behavior. It helps us to define the problems we want to resolve and ensures that customers are always at the heart of any solution.

BBVA is also becoming an increasingly **global** bank through its focus on creating global products and experiences. This allows us to leverage our best practices, wherever they come from, to the benefit of our customers.

To do this we are reorganizing around a new concept known as the **Triangle**. The Triangle has three vertices: business, customer experience and technology, where Customer Solutions would be at the center.



Our Customer Solutions team relies on design thinking and **collaborative work** to create an inspiring vision for the future. It is also responsible for project planning and execution. The focus on creativity and execution ensures us the possibility to make digital innovation available for our customers. This team was originally located in Spain, the United States and Mexico.

It is made up of specialists from the financial industry and from other industries who can offer an analysis under a wider-ranging perspective.

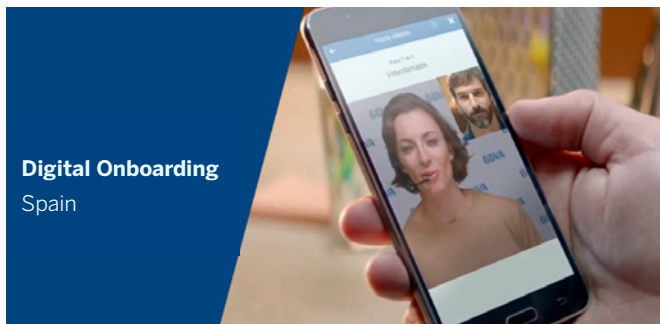
In addition, the opening of the **Creation Center in Dallas** was a step forward for Customer Solutions and our investment in the improvement of customer experience. A group of 55 highly-qualified employees has been hired, with experience in data, computer engineering, user experience and design. They will work with local teams in all BBVA's geographical areas to develop global products and processes used to improve the customer experience from start to finish.

New customer-centric solutions launched in 2016

In 2016, key customer-centric solutions were developed, and have helped to improve customer experience and drive transformation through the digital channels. Some of the new **initiatives** implemented for customers include:

Spain

- **Digital Onboarding:** it is a new functionality for opening accounts online and setting up direct billing for payments using smartphones. It is a simple, 100% online solution that allows customers to be fully operative in less than ten minutes. Customers can also migrate their bills to BBVA simply by photographing them.



- **BBVA Valora and Commerce 360:** two projects that provide customers with the benefits of big data. BBVA Valora is a tool that is available as an app and also online. It is designed to help customers obtain the most information possible to negotiate and make the best decisions with respect to their homes (real-estate prices, impact on their finances, etc.). The app connects to the home purchasing process and concludes with a mortgage offer tailored to the customer's profile. The Commerce 360 project converts anonymous card purchase data into useful information for businesses and SMEs, helping them to make the best decisions and implement marketing campaigns.

- **No waiting at branches, prioritized queue number at the teller window, and online appointments:** this is an initiative that offers customers the possibility of arranging face-to-face or telephone meetings with their managers online or using their smartphones. When customers visit their branches, they have the option to ask to wait in the priority line of the teller so they won't waste their time. Both solutions save time and allow customers to choose the most convenient time to speak with their advisor.

The United States

- **Origination of online signature express loans:** BBVA Compass has introduced its first online credit product, where customers can apply for a loan and receive confirmation, both online and in minutes.
- **Improvements to the BBVA Wallet,** with new functions for activating cards, canceling cards if they are lost or stolen and applying for new cards without having to visit the branch in person.
- **Easy payments and transfers:** an innovative, simple and fast solution to move money between BBVA Compass accounts and other bank accounts, repay loans and transfer money, available via smartphone and online. The initiative was recognized by Javelin Research as the best solution of this kind in the United States.

Turkey

- **New mobile app solutions (Garanti Cep),** featuring an interactive mobile assistant (IMA) and an intelligent virtual voice assistant that respond immediately to customer needs and enable banking transactions to be made using voice commands.
- **New user experiences at ATMs.** The ATM application has been adjusted to reduce user time.
- **GarantiOne,** a service that offers a view of the customers' financial position, can compare their expenditure with peers and send digital gifts peer-to-peer (P2P), such as digital subscriptions, game credits, etc.
- **Seamless Technology for Enterprise Platform (STEP).** A mobile platform created to assist the sales force, and designed as a fluid work space under the slogan of "a bank on a tablet". It gives employees up-to-date access to all customer information using a simple and easy-to-use interface.

Mexico

- **N2 Digital Account**, a new account that allows individuals to become new customers without having to visit a branch through a simple registration process on their *smartphone*. This is the first 100% digital account that allows card-less cash withdrawals from more than 11,000 ATMs.
- **Salary portability**, a clear and simple process that enables customers to migrate their salary payments to BBVA Bancomer. The portability process may be carried out in-branch or using digital channels, by selecting the “do it yourself” option. The omni-channel experience has produced positive results and underscores BBVA Bancomer’s position as leader in salary portability.
- **Digital Auto Credit**, the first 100% digital auto loan arranged online, offering customers an easy, fast and secure experience. Customers and non-customers alike can make loan simulations, and, if they wish, apply for an auto loan online. BBVA Bancomer will respond to all applications by email in approximately one hour.



South America

- In **Argentina**, new experiences on the web have been developed. For example, an online risk assessment engine has been launched in real time for certain products, in addition to a new function for opening deposits, new tools offering more information on account movements and a new credit card site.
- In **Chile**, new adjustments have been launched for the mobile banking app, BBVA Cloud has been introduced for the web and new One-Click products have been developed, in addition to a new function for the BBVA Wallet that includes the online exchange of points in the Bank’s loyalty program.
- In **Colombia**, a new website has been developed, in addition to an online process for opening salary accounts. A system has also been introduced for small consumer loans (ADN) through ATMs, aimed at payroll customers. A new BBVA Wallet has been launched that enables

payments to be made simply, safely and comfortably using a sticker. Further, the mobile app now includes the option to contract time deposits, with the possibility of using a fingerprint sensor to sign documents via smartphones.

- In **Peru**, new web experiences have been implemented, such as a system for opening accounts online, which is digital from start to finish for new customers. A single support system has also been introduced for branches. This is a new tool that includes offers available to customers, their historical data, a planning tool that monitors employees’ sales performance, and an improvement in the application process for credit cards and loans. A new value proposition has also been launched for senior customers (Cuenta Mundo Senior), in addition to a range of loans through digital channels (mobile, web, ATM). BBVA Continental is the first entity in the country to offer this service.
- In **Venezuela**, a new function has been developed for the mobile app that allows cash to be transferred via BBVA Provincial ATMs to anyone with a cell phone (customers or non customers). Net Cash has launched a new design for accessing the channel, with the introduction of Provinet Chat (assistance) and the possibility of using a digital fingerprint for identification purposes. This makes it easier to access Provinet Empresas (for companies), improving the user experience.

Big data

Big data is no longer a trend; it is a reality, and at BBVA data analysis is becoming increasingly important for our business. The banking of the future is data-driven banking; **knowledge banking**. Data-driven companies are transforming the essence of the customer experience. Thanks to data collection, selection, analysis and interpretation, new business opportunities can be detected, companies can remain one step ahead of consumer trends, new experiences can be designed to help customers make decisions and knowledge can be gained from the decisions they make. The information and knowledge held on each customer, among other factors, can be used to create a unique experience.

In big data, the ability to work in **real time** is a fundamental aspect. One of the most ambitious challenges facing the Bank is how to feed the information obtained from customers back into the system so that action can be possible in real time.

Our **objective** is to offer a better service to customers, becoming more efficient and competitive, but at BBVA we are aware of the risk of handling personal data. Data are

therefore used in a generic, aggregate and anonymous format. In this way, our contact with customers is more personalized and significant, but their privacy is not jeopardized at any time.

Complaints and claims

At BBVA we know that good **complaints and claims management** is key to making us a better bank for our customers.

We offer our customers experiences and solutions related to their money. Because of this, we understand and are aware that mistakes and bad experiences are becoming less and less tolerable. Furthermore, we are aware that bad experiences are not only harmful to our image but can also lead to trusting issues. Knowing and recognizing our mistakes and resolving them quickly and dynamically are part of our objective to provide a new standard in customer experience.

In BBVA Group, the different complaints units are constantly evolving with the aim of improving and optimizing their management models. Further, the analysis and management of complaints and claims provide relevant information on the factors and causes leading to the lack of customer satisfaction. To address this issue, a special **site** has been created that contains all the information relating to complaints, claims and lack of customer satisfaction. These aspects are also monitored periodically in a simple, dynamic and transparent report that examines the different areas relating to complaints at BBVA, contributing value to internal customers that is then transmitted to external customers.

Main indicators of complaints (Spain, Mexico and South America)

	2016	2015	2014
Average time for settling complaints (days)	12	11	12
Number of claims settled by First Contact Resolution (FCR) (%)	16	30	14
Number of claims before the banking authority (for each billion euros of activity)	62	58	131

In addition to complaints and claims, there is a growing tendency to collect and address **informal complaints** and customer requests. The aim of collecting this wealth of information is to assess root causes and establish action plans to resolve any issues on time.

The following are the **conclusions** of the complaints management process at BBVA:

- We are improving the customer experience.

- We continue to identify the root causes of problems in order to draw up specific action plans.
- The Bank’s digital transformation process is supported by sharing customer insights (NPS index, feedback, complaints and claims, etc.).
- Conversations on social networks are monitored.
- The Activity Report is published periodically at Group level on a special website.

[Annex 2 - Average time for setting complaints](#)

[Annex 3 - Complaints settled at the first contact with customer \(FCR\)](#)

[Annex 4 - Complaints brought before the banking authorities](#)

Net Promoter Score

Digitalization and simplicity are key factors that mark the improvement initiatives implemented at Group level to make all customer interactions with us a positive experience.

The **Net Promoter Score** (NPS or Net Recommendation Index - IReNe) methodology shows us the level of recommendation, and hence, the level of satisfaction of our customers with the different products, channels and services. This index is based on a survey that measures, on a scale of 0 to 10, whether a bank’s customers are positive (score of 9 or 10), neutral (score of 7 or 8) or negative (score of 0 to 6) when asked if they would recommend their bank to a friend or family member. This is vital information for identifying their needs and drawing up quality plans, in addition to projects that, in collaboration with the different areas of the Bank, make it possible for us to create unique experiences.

The **results** of these efforts, coordinated throughout the different countries, have been positive. We have observed an increase in this index that has also been partly due to the exchange of best practices within the Group. Highlights include:

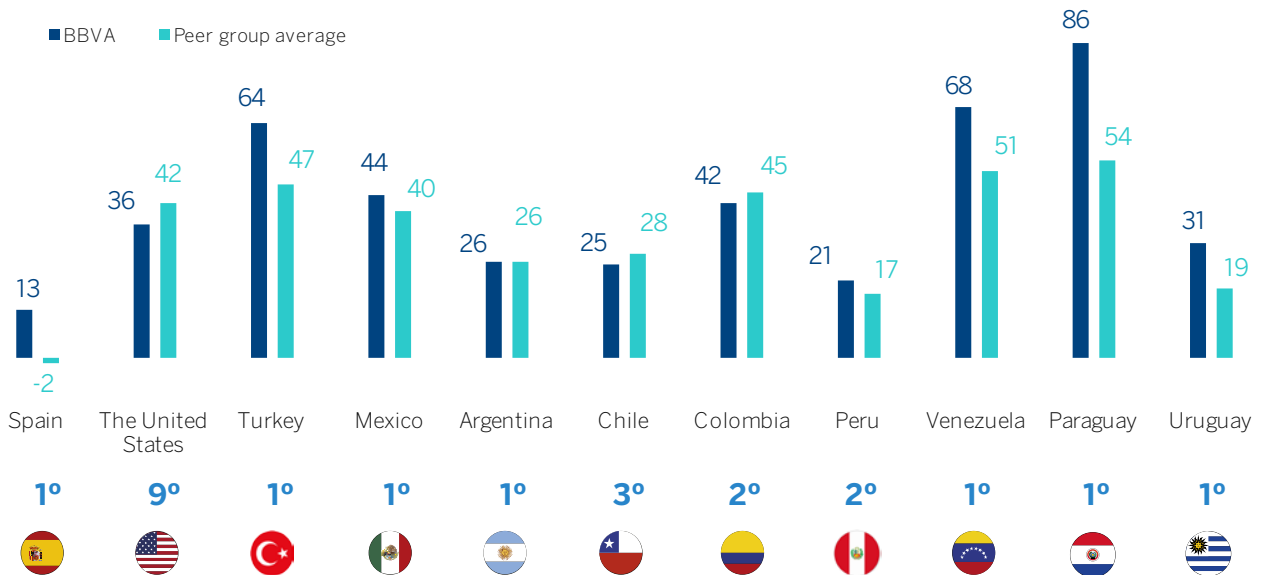
- In **Spain**, the consolidation of the *Calidad en Red Banco 10 - 3.0* (Bank network quality 10 - 3.0) program.
- In **the United States**, a new tool has been launched to improve interaction with customers, speed up processes and reduce paperwork through the digitalization of a variety of products and services.
- In **Turkey**, improvements have been made in communication channels and mechanisms and changes

carried out in the most critical customer processes to offer the best experience possible.

- In **Mexico**, various tools have been introduced to assess customers' recent experiences with BBVA.
- In **Argentina**, a platform for digital surveys has been installed for the sales network, which has boosted business volumes, improved response times and increased contact with customers; in addition, a new customer contact channel was launched (Chat Automático).

- In **Chile**, a survey tool has been set up online and on the retail network.
- In **Colombia**, a diagnosis has been carried out and actions improving matters related to transparency have been implemented; in addition a support model has been introduced for the retail network that responds directly to questions addressed to central areas.

Net Promoter Score (NPS) (By geography, Percentage)



Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular / The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo / Mexico: Banamex, Santander, Banorte, HSBC / Peru: BCP, Interbank, Scotiabank / Argentina: Banco Galicia, HSBC, Santander Rio / Colombia: Bancolombia, Davivienda, Banco de Bogotá / Chile: BCI, Banco de Chile, Santander / Venezuela: Banesco, Mercantil, Banco de Venezuela / Paraguay: Continental, ITAU, Regional / Uruguay: ITAU, Santander, Scotiabank.

5.2.2. Customer protection

One of the most important initiatives for the future in terms of the **security and protection** of technological channels is the complete account opening process via mobile devices, meaning customers do not have to go into a branch to open an account. This service has been designed by following the directives of the Executive Service of the Spanish Commission for the Prevention of Money Laundering and Monetary Offences (SEPBLAC), and by incorporating modern facial recognition technologies, with the capacity to identify forged national ID cards (DNI). These technologies will be incorporated into the most critical processes for customer relations via technological channels.

A number of lines of work have been developed within the scope of **business continuity**, meaning contingency plans for low-probability but extremely high-impact events. Business impact analyses have been updated and implemented, and there has been a review of the technological dependencies on critical processes that improve service recovery in the event of IT system malfunction. Business continuity plans have also been activated in several incidents that have affected BBVA Group, such as the flooding of the Mapocho River affecting the bank's headquarters in Chile, social disturbances that affected the headquarters in Mexico and Venezuela, and the impact of Hurricane Mathew in the Southeastern United States.

At the same time, digital transformation has established itself as a strategic priority for the financial sector in general and for BBVA in particular. In this context, it is vital that we ensure effective protection for **BBVA's brand and assets**, as well as our customers' data, from the threats present in the virtual environment. To achieve this, BBVA has created a reliable and efficient center for cyber-attack prevention, alerts and response. In this way the Group keeps pace with developments in organized technological crime.

BBVA has also consolidated deployment of the cybersecurity standard designed by NIST (National Institute for Standards and Technologies) as a benchmark framework for management and control.

BBVA is firmly committed to protecting its customers. It therefore works closely with regulators and the rest of the industry across its global footprint.

Protection of personal data, a fundamental right that ensures respect for people's privacy, it is becoming increasingly relevant due to the fact that advances in new technology and communications will give rise to fresh challenges for efficient control of data protection. BBVA Group is aware of how much importance our customers, shareholders and other people involved in its daily activity place on the confidentiality, security and effective protection of the personal data they give us. In this context, in 2016 BBVA has continued with the process of adapting, improving and strengthening the personal data protection risk management model, placing particular emphasis on certain jurisdictions. Specific actions have been launched aiming at undertaking the progressive implementation and adaptation of the new requirements contained in Turkey's new law on personal data protection, which was approved in April 2016.

Additionally, in Spain, the mandatory external biennial audits on **security measures** were conducted at the end of 2016 on the affected entities (54 companies) of BBVA Group in Spain, under Royal Decree 1720/2007 of December 21. No significant deficiencies have been detected.

Lastly, this year has seen the launch of the Implementation Project for the new EU General Data Protection Regulation (GDPR). The project's first milestone was to analyze and evaluate the new data protection requirements that will be applicable to all BBVA Group entities within the European Union, and to identify and progressively implement the necessary actions until they are fully operative.

5.2.3. TCR Communication

The **Transparent, Clear and Responsible (TCR) Communication** project was launched in 2014 to promote transparent, clear and responsible relations between BBVA and its customers.

- T is for transparency, providing customers with all relevant information at the right time, maintaining a balance between benefits and costs.
- C is for clarity, meaning easy to understand. It is achieved through language, structure and design.
- R is for responsibility, and means looking after the customers' interests in the short, medium and long term.

The **objective** is to help customers make informed decisions, improve customer relations with the Bank, look out for their interests and differentiate ourselves as the clearest and most transparent entity in all the markets where we operate. The aim is also to attract new customers and encourage existing customers to recommend us. Work is being done to this end at two levels:

- To implement TCR Communication and transform the traditional Bank, by extending and broadening the scope of the 2014 and 2015 initiatives.
- To consolidate TCR Communication in the new Bank, by extending the project to new solutions in digital environments, from mobile to online banking.

This is being achieved through a network of **TCR owners** located in the main countries where the Bank operates, together with a global coordination team, in addition to the direct involvement of many other areas and employees of the Entity.

The BBVA Group has various **initiatives** in place to make the TCR Communication project a reality. The most relevant are described below.

TCR Communication to transform the traditional Bank

TCR product leaflets

Short documents used by managers to describe a product to customers, detailing its benefits, advantages, cost and risks.

In **2016**, the use of product leaflets in concluding the contracts with private customers in Spain, Mexico, Argentina, Chile, Peru, Colombia and Venezuela has increased from 80% to 90%. In the United States, coverage is slightly lower. The project will be implemented in Turkey in 2017.

The use of these leaflets has been included in business protocols for managers. Managers have also received training on the importance and the way of using TCR product leaflets.

The initiative has been extended to the SME and retailers segment in Spain, Peru and Venezuela.

For **2017**, the objective is to extend the use of leaflets in this segment to all other countries.

TCR contracts

This initiative involves reworking current customer contracts and structuring them more intuitively with language that is easy to understand.

In **2016** new TCR contracts were introduced in Spain, Argentina, Colombia, Peru, Venezuela and Uruguay (total of 14 new TCR contracts in 2016).

For **2017** the aim is to provide all countries with 80% of products having their own TCR contract, in addition to extending the initiative to Turkey.

Telesales script

In **2016** the main telesales scripts were reviewed in Colombia, Peru, Argentina and Venezuela to ensure that the information provided during the calls complies with the TCR initiative. Workshops on using clear language were organized for the people involved in writing these scripts and call center managers.

There are currently 20 sales scripts already written, accounting for 80% of new contracts in these countries, which will be implemented in 2017.

In **2017**, the scripts may be further adapted in other geographical areas, and ad-hoc metrics will be included to ensure they are being used.

Complaints

A pilot project was carried out in Colombia in **2016** that involved the review and modification of the structure and wording of response letters to customer complaints, using plain language. The review resulted in changes of 67 letters, which are now adapted and implemented into the system. The project began with a training course for staff responsible for complaints.

The objective for **2017** is to continue implementing these letters in other countries (Venezuela, Peru and Chile).

TCR advertising

BBVA's TCR Advertising Code came into force on January 1, 2015. In **2016** advertising campaigns in the different countries were monitored to measure their compliance with the Code and, specifically, the extent to which the campaigns were perceived as transparent and clear by their target audience. The results of this study have enabled a process of continuous improvement to be established.

The target for **2017** is to carry out more of these studies and work to secure BBVA's position as leader in global clarity and transparency.

TCR Communication in the new Bank

TCR in new digital solutions

In **2016** TCR Communication principles have been applied in BBVA's key global digital projects such as One-Click contracts for specific products, the online registration of new customers, and BBVA Valora. Experts in TCR Communication have joined the global work teams for these initiatives. These experts have also supported the development of local projects, such as the mobile banking product catalog in Spain, in order to transfer their skills and experiences to other countries.

The plan for **2017** is to continue including TCR Communication principles in BBVA's main new global digital solutions through direct collaboration with these experts.

TCR in agile methodology

For several years, the Bank has been using agile methodologies to design digital solutions in all the countries where it operates. For these solutions to comply with TCR values from the very start, the principles of TCR Communication must be included in the routine work of the scrums (agile work groups).

In **2016**, we identified that the best way to integrate these principles in their routine work was through product owners

(or scrum leaders). This was done in Spain, Mexico, Chile, Colombia, Peru and Venezuela.

In **2017**, the objective is to expand this initiative to other countries and monitor the projects managed using agile methodology, through beta testing, customer feedback and web analytics to undertake a process of continuous improvement.

TCR training

To ensure the Bank adopts TCR values in all its activities, and specifically, in all new initiatives in the digital transformation process, requires employees to be aware of the principles of TCR Communication.

In **2016**, in addition to the workshops mentioned above, which focused on specific lines of work, online training content was also developed (watch & learn videos), directed mainly at agile teams, and the first global online course in plain language was launched, aiming to be extended on a mass scale in 2017.

Additionally, the TCR community for BBVA employees was launched with the dual purpose of offering training and promoting engagement among the staff involved in the TCR Communication project. In **2017**, the aim is to maintain this community and strengthen the initiatives started in 2016, incorporating TCR Communication principles in Group training plans.

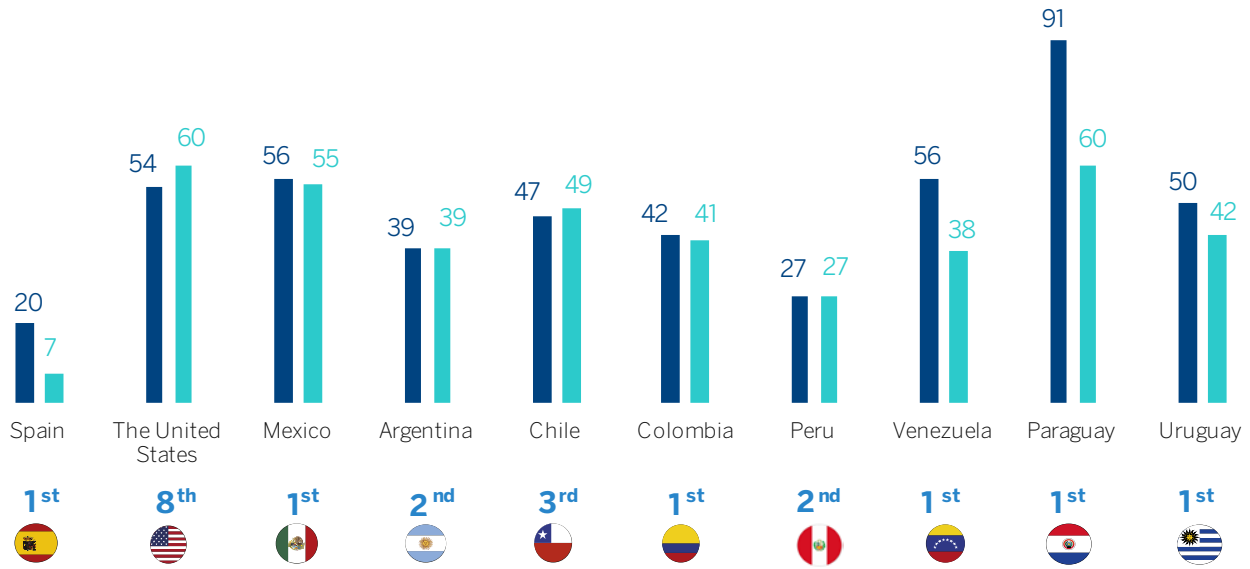
TCR Indicators

The **Net TCR Score** (NTCRS) indicator measures the degree to which customers perceive BBVA as a transparent and clear bank in comparison with its peers in the main geographic areas where the Group operates.

In **2016** we were ranked first in 6 of the 10 countries where this indicator applies.

Net TCR Score (NTCRS)⁽¹⁾ (By geography. Percentage)

■ BBVA ■ Average peer group



Peer Group: Spain: Santander, CaixaBank, Bankia, Sabadell, Popular / The United States: Bank of America, Bank of the West, Comerica, Frost, Chase, Regions, US Bank, Wells Fargo / Mexico: Banamex, Santander, Banorte, HSBC / Peru: BCP, Interbank, Scotiabank / Argentina: Banco Galicia, HSBC, Santander Rio / Colombia: Bancolombia, Davivienda, Banco de Bogotá / Chile: BCI, Banco de Chile, Santander / Venezuela: Banesco, Mercantil, Banco de Venezuela / Paraguay: Continental, ITAU, Regional / Uruguay: ITAU, Santander, Scotiabank .

⁽¹⁾The NTCRS is an indicator, which is calculated based on the valuation (between 0 to 10) given by the customers for each of the entities and that directly answers the following question: Is the information you receive considered to be clear and complete?

5.2.4. People-centric solutions

BBVA seeks to incorporate products with distinctive social or environmental attributes into its catalog. This enables BBVA to reach groups that might otherwise remain outside the banking system, or bring products to the market that contribute to the social or environmental development of the communities where it operates.

These products include solutions favoring the financial inclusion and support of SMEs and individuals with special needs, as well as a variety of sustainable financing and socially responsible investment instruments.

Financial inclusion

BBVA has developed a **financial inclusion (FI) business model** to cover the low-income population in emerging countries within its global footprint. This is an initiative to provide customers with access to financial services through solutions rich in human capital that offer an alternative to the traditional model, by developing channels and digital products that are low-cost, easy to open and simple to work with. These solutions let customers make queries, transactions and transfers quickly and securely, while also offering them availability and proximity.

The **FI strategy** is based on a long-term responsible and sustainable business model that:

- Uses new technologies and platforms with no need for branches.
- Creates low-cost financial solutions designed specifically to cover the needs of each segment.
- Explores non-traditional methodologies for risk assessment.
- Creates standard customer experiences across all channels.

BBVA has a specialized FI **unit** within the BBVA Research department. This unit's primary duty entails monitoring the main FI indicators to detect the most relevant areas of opportunity and generating debates on how to increase financial inclusion.

The main **initiatives** implemented in 2016 were:

- **Mexico:** reduction in the transactional costs of low-income customers (migration of transactions to alternative channels) and development of specific offers for the segment (microloans and micro-insurance).
- **Colombia:** installation of cash-recycling ATMs to increase banking coverage and development of a microloan offer for the segment (salary advances).
- **Peru:** expansion of the network of banking correspondents.
- **Venezuela:** development of basic transactional services enabling mass monetary disbursements to pay government social benefits or wages for low-paid workers, using text messages without the need for cards. With this service, beneficiaries of the program receive the funds by entering a password they receive via their mobile device into the ATM.

BBVA's specialist FI unit also continues working with **banking correspondents**. Banking correspondents are retailers and institutions (retail chains, pharmacies or supermarkets) with which BBVA enters into a business relationship to act upon the Bank's behalf. They allow customers to carry out simple banking transactions, as well as serving as points for deposit and withdrawal of money within the mobile banking model.

Financial inclusion segment (Number of clients)

	2016	2015	2014
Spain	1,401,777	1,218,754	1,265,839
United States	n/a	n/a	n/a
Mexico	5,546,218	6,682,025	4,938,985
Argentina	534,640	556,345	548,254
Chile	66,209	24,847	36,202
Colombia	397,544	292,875	267,987
Perú	880,477	1,394,243	1,128,322
Venezuela	884,634	872,871	881,305
Paraguay	24,096	23,752	21,412
Uruguay	64,310	61,733	49,236
TOTAL	9,799,905	11,127,445	9,137,542

n/a = not applicable

Banking correspondents. (Mexico and South America)

	2016		2015		2014	
	Number of points	Number of transactions	Number of points	Number of transactions	Number of points	Number of transactions
Mexico	30,169	44,375,737	26,312	39,485,818	24,504	43,520,112
Argentina	4,000	1,530,144	4,000	1,342,236	4,000	1,194,384
Colombia	5,826	1,507,738	7,136	1,961,796	11,160	2,439,996
Peru	10,358	29,788,001	8,993	32,688,993	5,608	23,225,413
TOTAL	50,353	77,201,620	46,441	75,478,843	45,272	70,379,905

For a second consecutive year, BBVA has presented the special financial inclusion award: **Open Talent 2016**. This year's award went to Musoni, a company that provides microfinance institutions with cloud-based administration services. The company makes an important contribution in bringing quality financial solutions to the low-income sector of the population and thus providing an opportunity for a better future.

In addition to the above, the Group has a non-profit organization, **BBVA Microfinance Foundation**. Its purpose is to promote the social and economic development of the most vulnerable parts of the population through productive and responsible finance. The foundation has two main activities: creating microfinance institutions in Latin America and developing initiatives that benefit this industry. The progress made by the Foundation in 2016 is described in the Entrepreneurship chapter of this report.

Sustainable finance

In 2016, BBVA declared its **commitment** to achieve the targets set by the Paris COP21 (Conference of the Parties) and the United Nations Sustainable Development Goals. Therefore, it has decided that one of the core elements of its business is the integration of opportunities arising from the transition toward global sustainability, thus providing its customers with innovative solutions for financing their investments with positive environmental and social impacts. For this reason, in 2016 BBVA created the Sustainable Finance Work Group, in which a number of the Bank's departments participate. The purpose is to foster sustainable financing, analyze its strategic impact and boost and manage transformation initiatives that best prepare us to respond to future challenges particularly those related to climate change.

a. Sustainable bonds and loans

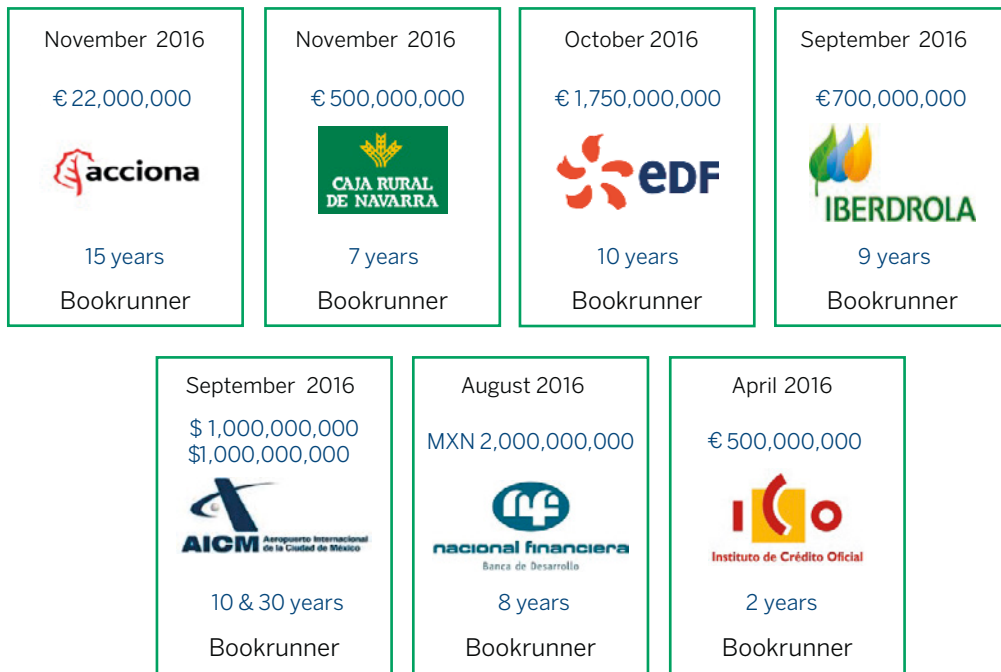
Sustainable bonds and loans are instruments used for channeling funds to finance our customers' projects in sectors such as renewable energies, energy efficiency,

waste management, water treatment or access to essential necessities and services such as homes or inclusive finance.

BBVA has been a signatory of the [Green Bond Principles](#) (GBP) since 2014. The GBP are voluntary guidelines that set out requirements for emission transparency and promote integrity in the development of the green bond market. In 2016, BBVA has been the Spanish leader in the sustainable bond market, participating in eight green and social bond issues that placed €5,350m for institutional investors. The following are some of the most prominent issues in which the Bank has had a role as advisor and placement agent in 2016:

- Acciona's inaugural green bond for financing the construction of two renewable energy projects in Chile.
- Iberdrola's third green bond issuance for financing its investments in wind power in the United Kingdom.
- Debut of Caja Rural de Navarra with a sustainable bond (environmental and social) for financing social and environmental projects in regions where the entity operates.
- In the Spanish public sector, BBVA has taken the lead in the placement of the second social bond for the Instituto de Crédito Oficial (ICO) to create or maintain jobs in Spain's most economically disadvantaged regions. The funds from this issue will be channeled to SME projects in autonomous regions whose per capita income is below the Spanish average.
- In the European market, BBVA has participated in a green bond placement for the French power utility EDF.
- BBVA has participated in the issuance of the first local-currency Mexican green bond to finance Nafin's renewable energy projects. It has also participated in the issuance of Latin America's most valuable green bond to date, amounting to US\$2 billion, to finance the new Mexico City airport.

2016 Green bond credentials



The [BBVA Global Markets Research](#) unit analyzes fixed-income and credit markets for sovereign, financial and corporate issuers, including the analysis of the sustainable bond market. According to the analysis, in 2016 a volume of sustainable bond issues amounted to approximately US\$87 billion, a year-on-year increase of 111%, spurred on by the favorable results of the 2015 Paris Agreement, and with an actively growing base of issuers in terms of geography and industrial sectors.

In this environment, BBVA's **objective** is to maintain leadership in its natural markets and contribute to the development of the most innovative sustainable finance instruments.

b. Financing renewable energy

BBVA has been committed to the **renewable energy** sector for years. In 2016 the Group has financed projects with a total installed power capacity of over 5,194 MW for a total of over €4,444m.

Moreover, BBVA seeks to support its customers in the transition to a **low-carbon economy**. As further demonstration of this commitment, the revenue of the leading Spanish utilities in the CDP has increased from €7,610m to €10,222m over the last two years.

c. Restructuring

The crisis has affected the development and growth of many sectors and companies. Some of BBVA customers have witnessed their sales and profits shrink, in some cases compromising the viability of their companies. In these circumstances, BBVA has returned their loan commitments to customers who have requested it, to ensure the continuity of viable companies and jobs. In recent years the Group's wholesale banking unit CIB has been restructuring customer debt, which, at the close of 2016, totaled over €11 billion.

d. Activity with multilateral institutions

BBVA maintains extensive **institutional and business relations** with multilateral institutions worldwide such as the Spanish Instituto de Crédito Oficial (ICO), the European Investment Bank (EIB), World Bank Group, Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF) and other agencies including the German Investment and Development Corporation (DEG), the Netherlands Development Finance Company (FMO) and the Société de Promotion et de Participation pour le Développement (Proparco).

This activity covers a broad range of **products and geographical areas**, including international trade finance, project co-finance, financial brokerage transactions, debt

issuance on local capital markets, and transactional and treasury operations.

In 2016, this strategic relationship was strengthened by several high-level institutional **meetings**. Particularly notable in this regard have been the meetings that were held in October during the Annual Assembly of the International Monetary Fund (IMF) and World Bank in Washington and representation on panels at the Annual Seminar of Public Investors and Issuers that BBVA organized in March. BBVA Group's work alongside these multilateral institutions covers various **core areas of activity**:

- **Financial intermediation:** operations for multilateral institutions in Europe and Latin America to channel finance to priority sectors (e.g., green energy, urban development, SMEs, export sector, etc.) for transactions that meet the required eligibility criteria. There was a particularly high level of financial intermediation in Spain where €4,700m was intermediated with lines granted by the EIB and ICO. Specifically, 12,462 operations were arranged through ICO for a total of €287m. Elsewhere, IFC, IDB, DEG, FMO and Proparco are key financial intermediation institutions for our subsidiaries in Latin America.
- **Project co-finance:** key products offered by multilateral institutions for project finance in the private sector to contribute to development. In these cases we always have the support of multilateral organizations to co-finance or guarantee projects in which BBVA has an interest.
- **Foreign trade finance:** programs developed by supranational organizations to promote foreign trade activities in the countries where they operate. They offer partial or full guarantees to confirming banks to cover political and commercial risks in operations with local banks. Their aim is to promote inter-regional South-South trade for SMEs in Ibero-American countries. With eight subsidiary banks in Latin America, BBVA's role is crucial.
- **Local capital market development:** through the structuring of debt issuances of multilateral institutions and through the provision of new liquidity sources. CABEL and the Latin American Export Bank (BLADDEX) issuances were structured in the Mexican market in 2016 to enable development project financing in local currency.
- **Internationalization of SMEs:** BBVA participates in the IDB's Connect Americas platform, the first social network for internationalizing SMEs, which is based on three basic pillars: (i) education, (ii) connectivity and (iii) financing. They are currently incorporated within the financing modules of all BBVA banks in the region.

Responsible investment

BBVA assumed its **commitment** to socially responsible investment (SRI) in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones.

The **goal** then was to start building its own SRI model from the ground. From the outset, implementation of this commitment would span the entire employment fund business and gradually extend to the entire BBVA Asset Management (BBVA AM) unit.

Garanti Asset Management also became a signatory to the United Nations PRI in 2011 and has since been working within the framework of this initiative, in line with BBVA Group's commitment. Moreover, BBVA is a founding partner of the Spanish Responsible Investment Forum (Spainsif). Sponsorship of Novaster's [SRI Observatory in Spain](#) was renewed in 2016.

We have continued working throughout **2016** to expand and improve SRI solutions offered by taking a variety of steps, including the hosting of events streamed via our [website](#), our regular newsletters addressing SRI matters, which are also posted on the [BBVA AM website](#), and in particular the personal meetings held with our customers to address their particular concerns in this field.

BBVA AM's SRI model has implemented the following **strategies**:

a. Integration of ESG criteria in the investment process

The inclusion of ESG (Environmental, Social and corporate Governance) criteria was carried out by developing a **proprietary model** that incorporates extra-financial criteria into a model portfolio, constructed according to fundamental analysis. The model was initially implemented in equity and later in fixed income.

Likewise, an internal **ESG rating** was also developed that directly affects the specific management decision-making process, which is communicated to customers in the fund management reports made available periodically.

Lastly, and with a view to having more reliable and specialized information to hand, the Bank commissions the services of an **independent external agent** that regularly provides us with information on each company and country in our investable pool.

b. Exclusion: Rules of Conduct in Defense

The [Rules of Conduct in Defense](#) apply to all BBVA Group areas, units and subsidiaries, including the asset managers of employment pension funds.

To apply them, BBVA uses **exclusion lists** of companies and countries, which are drawn up and updated on a regular basis with the help of an independent expert adviser. These lists include companies and countries related to defense materiel, military, police and security armaments, ammunition, explosives, etc., which are automatically excluded from the list of companies and countries in which BBVA can invest. This exclusion also applies to all vehicles managed by BBVA AM.

c. ESG analysis of third-party funds

Gradually, and by extending the model, third-party investment funds in the portfolio for certain assets and geographical areas and their respective asset managers are subject to an in-depth **due diligence** conducted by the team of analysts on the Quality Funds internal platform. This analysis includes questions regarding their SRI engagements and status as signatories to the United Nations PRI.

As the proportion of these vehicles has been growing in employment pension fund portfolios, a highly relevant change was made in 2015 regarding the selection of vehicles to incorporate into these pension fund portfolios to ensure BBVA's SRI policy is consistent with the one implemented by the funds.

Thus, after verifying compliance by the asset managers with the United Nations PRI, the study then has been focused on the **exclusions** applied by the managers and the voting policies in place, both of which are mandatory elements to be eligible for incorporation in the managed employment pension fund portfolios. We have thus extended SRI-related coverage for portfolios by including the percentage managed by third parties.

In addition to the foregoing, in **2016**, 100% of the vehicle managing entities incorporated in pension funds were signatories to the United Nations PRI initiative.

d. Engagement and exercise of voting rights

BBVA AM's **responsibility** as a managing entity is not limited to the management function itself. It also exercises the right to vote at all the annual general meetings of shareholders of European and Spanish companies when the portfolio positions make it possible. This engagement is not restricted to employment pension funds that have delegated this responsibility to the asset manager; it applies equally to all individual pension funds, mutual funds and SICAVs managed

by BBVA AM. The services of an independent external supplier are used for this purpose, whose opinion complements that of BBVA AM's own analysts.

In **2016** we attended a total of 166 Annual General Meetings (of Spanish and European companies) whose securities are in the portfolios of various investment vehicles managed by BBVA AM, and voted against some items on the agendas.

Assets under SRI management by investment vehicle ([BBVA Asset Management. 31-12-2016](#))

	Investment funds	Pension plans and employee EPSVs	Pension plans and individual EPSVs
Total assets managed (million euros)	32,294	14,271	7,980
SRI strategy			
Integration (%)	0.14 ⁽¹⁾	7	37
Exclusion (%)	100	100	100
Vote (%)	100	100	100

EPSVs refer to Voluntary Social Welfare Entities.

⁽¹⁾ It refers to BBVA Desarrollo Sostenible fund, which is totally managed under the integration strategy.

e. Solidarity funds

BBVA currently manages the following solidarity funds:

- **BBVA Solidaridad** is a mixed fixed-income fund that invests at least 30% of the portfolio in equity assets. At the time of subscription, the investor can choose one or more NGOs to which the asset manager will donate a percentage of 0.55% of the fund's total assets under management every six months,
- **BBVA Bolsa Desarrollo Sostenible** is an equity SRI fund that invests in the shares of companies considered as a sustainable investment. The fund also makes an annual donation of €15,000 to the Foundation for Applied Medical Research (FIMA), which is intended to fund research projects.
- **B+EDUCA** is a fixed-income fund that allocates 25% of the monthly returns directly to the *Por los que se quedan* (For those left behind) integration grant program in Mexico. BBVA Bancomer also charges a lower fee for funds of this kind, and makes direct contributions to this scholarship program.
- **BBVA Leer es Estar Adelante** was the first investment fund in Peru to support a social cause. It is a fixed-income fund through which investors donate one tenth

of the share value (fund price) to the BBVA Continental Foundation program *Leer es Estar Adelante* (Reading Means Keeping Ahead). BBVA Asset Management Continental undertakes to contribute to the equivalent in dollars for each tenth of the share value, in addition to the unitholders donation.

Amount donated, volume and unitholders of solidarity funds (BBVA Asset Management. 31-12-2016)

	Quantity donated (euros)	Volume (million euros)	Members and beneficiaries
BBVA Solidaridad	37,084	11	444
BBVA Desarrollo sostenible	15,000	46	4,808
B+Educa	6,629,978	719	37,605
Leer es Estar Adelante	2,041	13	142
TOTAL	6,684,103	789	42,999

Support for individuals

Social Housing Policy

In Spain, the comprehensive plan to help families in difficulties, which BBVA has applied since the start of the crisis, has been consolidated under BBVA's [Social Housing Policy](#), whose main aim is to help customers keep their homes.

This plan focuses on three core areas:

- Offering solutions to all families struggling to pay their mortgage loans.
- Ensuring that any family that is a BBVA customer and at risk of exclusion has a roof over its head and cannot be evicted.
- Offering personal support to families through integration programs that allow customers to regain confidence and self esteem.

BBVA Group and the Regional Government of Catalonia reached an agreement in July 2016 to provide access to housing for families in a situation of social vulnerability. The social project includes the assignment of 1,800 homes to the regional government for eight years.

BBVA abides by the **Code of Good Practices**, proactively reporting on the benefits of Spanish [Law 1/2013](#) and has contributed nearly 1,716 houses to the Social Housing Fund (FSV). As of December 2016, BBVA had already arranged 4,047 rented social homes for vulnerable customers.

BBVA is looking at every re-financing option available in

accordance with the customers' ability to pay, in order to allow them to keep their homes. We have done this for 66,772 customers so far. Any situation can be referred to the **Committee for the Protection of Mortgage Debtors** for review. It analyzes every case in which customers or their families face the risk of exclusion without legal protection, and provides individual solutions in accordance with each family's specific circumstances (re-financing, debt remission, dation in payment, rented social housing in the debtor's own home or the Bank's available houses, etc.). Since the beginning of the crisis, BBVA has received more than 15,600 property transfers in lieu of payment from its customers (this transfers in lieu include products such as home buyers loans and personal loans among others).

Community Reinvestment Act

In the **United States**, BBVA Compass has continued in its commitment to the Community Reinvestment Act (CRA), which was set up by federal legislation to guarantee that financial institutions meet the credit needs of the communities for which they provide services.

Progress was made on the following points in **2016**:

- **Clear Choice Free Checking.** With no monthly charges, this product provides the possibility of issuing unlimited written checks, personalized debit card and cash withdrawals at no cost from BBVA Compass ATMs. A total of 211,429 accounts were opened in 2016.
- **Clear Choice Savings.** With 66,586 accounts opened, the Clear Choice Savings program provides an opportunity to begin saving with an initial deposit starting at 25 dollars.
- **Clear Spend.** Prepaid card with the same benefits as a checking account yet with no risk of overdrawing. An application sets a budget, tracks expenses and suggests a monthly budget. The application also provides real-time information on purchases and expenses, preventing any risk of the customer overspending. In total, 67,027 accounts were opened in 2016 through this program.
- **Easy Checking.** This helps customers monitor their personal finances by going online to check and configure alerts and personalized notifications. The option even lets customers associate a debit card for shopping. Additionally, accounts that remain positive for a year have the possibility to issue checks at no cost. A total of 18,017 accounts of this kind were opened in 2016.
- **First Time Home Buyer Mortgage.** This loan offers initial payments or a grace period and minimizes the impact of the costs of buying a home. A total 2,957 mortgages were granted in 2016 under this system.

Moreover, the Community Development Finance Department (CDF), which is part of the Corporate Responsibility and Reputation Department at BBVA Compass, is responsible for developing and implementing these products for CDFIs (Community Development Financial Institutions), and for providing investment-related technical support. This team works together with the Real-Estate Department to provide capital for assisting in the development low-income communities. The following tools are employed to achieve this goal and reach more and a greater diversity of customers:

- Investments in LIHTC (Low Income Housing Tax Credits).
- Small Business Investment Companies (SBIC) or SBA Programs.
- Community Development Financial Institutions (CDFI), through Equity Equivalent Loans (EQ2s).
- New Market Tax Credit (NMTC) investments.
- Other eligible community development tools.

Mejora Mutualista (Community Improvements)

In Mexico, the integrated Mejora Mutualista recovery model has after 5 years of operation concluded 5 interventions in various developments of Tijuana city, Baja California. In total 5,150 homes have been developed; of which 3463 correspond to Bancomer. A total of 15,500 people have

benefited from the program. The model is applied mainly to housing developments supported by mortgage loans that are currently highly deteriorated. Their recovery requires intervention through a comprehensive recovery scheme in three parallel lines of action:

- **Social recovery:** Constitution of a wide range of 18 affiliates including different governmental agencies, civil associations, police and the academic world. MXN 4m have been used for the repair of municipal public services, security, recovery of public spaces and social and cultural activities.
- **Financial recovery:** 229 restructured loans in the last two years. Any defaulted portfolio has been written off, and an initiative has been implemented to prevent the performing portfolio from defaulting. This has helped reduce the number of returned homes and significantly increased sales of homes for ownership.
- **Restoration of the urban environment:** investments in civil works, conditioned on full payment by customers (mortgage, water, property tax and maintenance fee) in monthly repayments.

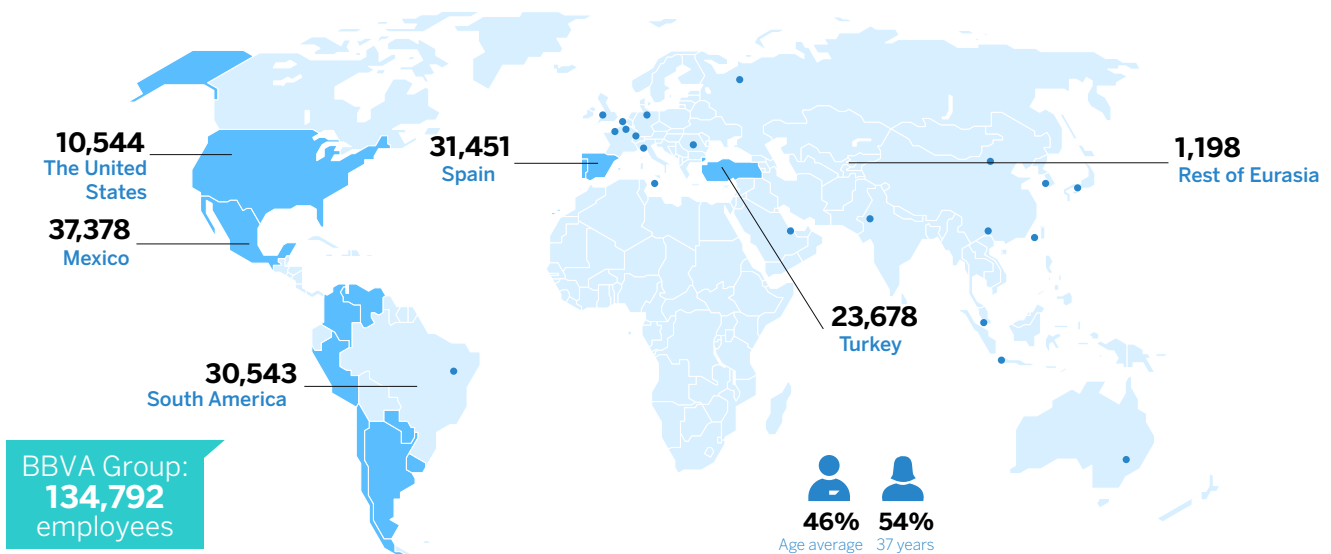
The study of 7 additional developments has shown the need to intervene in Tijuana, Baja California, using the model at the earliest opportunity. Furthermore, other developments are being analyzed in other states in the country.

5. 3. The team

One of BBVA's six Strategic Priorities is “**a first-class workforce**”. This entails attracting, developing, motivating and retaining the best team, and providing the best employee experience. To do so, as explained in the chapter on Strategy, the Organization is being transformed, fostering a new culture, with new ways of working and flatter structures. A new variable compensation model has also been

implemented in line with the strategic objectives.

As of **December 31, 2016**, BBVA Group has 134,792 employees located in 35 countries, 54% of them women and 46% men. The average age of the workforce is 37 years. The average tenure in the Organization is 10 years, with a staff turnover of 8.2% over the year.



The workforce declined by 3,176 employees in 2016. This reduction is the result of two factors; first, the regulator's requirements to make the workforce more efficient following the purchase of Catalunya Banc (CX), which has led to a decline of 1,974 in employees in Spain; and second, the transformation process in the sector, leveraged on technology, leading to the automation of numerous processes that until now were carried out manually. This is happening with greater force in the geographic areas where the process is most advanced, such as Spain, the United States and Mexico, and to a lesser extent in other areas such as South America, where around 100 net jobs have been created. This process complies with the framework of the legislation current in each country.

At the same time, new talent is also being incorporated, with skills that were not common in the sector before, but in the future will be essential for this process of transforming the banking business (specialists in big data, Blockchain, artificial intelligence, customer experience, etc.).

Also in 2016, as part of the reorganization carried out on the structure of the Group, **Talent & Culture** has defined its role as an area that must support the Bank to achieve its strategic objectives and create a competitive advantage through a first class workforce, inspired by our Purpose and working together as a single team.

Talent & Culture bases its activity on two fundamental pillars: **transparency and consistency**. Three basic principles have also been defined to guide this activity:

- Proximity to the business: acting as business partners for the other areas.
- Focus on execution: delivering new data-based solutions with committed deadlines, and making things simple.
- One team: working as a single team across all regions, with no functional silos.

Talent & Culture has conducted a strategic prioritization process for selecting the global programs in which to make progress. Thus, among the new projects launched were those related to professional careers, internal mobility, values, performance and the leadership model.

BBVA has again obtained the **Great Place to Work**® seal in 2016. It recognizes BBVA as one of the best companies to work for in Argentina, Chile, Spain, Mexico and Uruguay, and one of the ten best at global level.



5.3.1. Professional development

A relevant aspect for professional development at BBVA is the **biennial process** for determining each professional's strengths and areas for improvement. The last process was carried out in 2015, when each professional received feedback from his/her manager and training and development plans were established and subsequently executed in 2016. In addition to the performance indicators, the results of the process proved to be key in identifying critical talent in the Group and supporting promotion decisions.

In this sense, BBVA Group makes a variety of **resources** available to employees so they can grow professionally and improve their skills.

Recruitment and development

Recruitment processes are based on equal opportunity, evaluation based on the requirements of the job position and objectivity of the criteria used. The ultimate goal is to attract and incorporate the best talent in each field. In 2016, BBVA Group received 352,477 resumes worldwide with a ratio of men to women of 57%-43%, of which 75,42% are from young people under the age of 30. Throughout the year, 15,243 people have hired by the Group, 62% of them under the age of 30.

BBVA has a global internal job posting application called **apúntate+**, that fosters development and transparency in promotion criteria, as it publishes vacancies available for which employees can apply.

Training

BBVA Group invested €45.5m in training in 2016. There has been an increase in training actions during the year to an average of 39 hours of training per employee, of which 66% are delivered via the Group's global e-learning platform called Campus BBVA.

Basic training data (BBVA Group)

	2016	2015	2014
Total investment in training (million euros)	45.5	35.9	34.9
Investment in training per employee (euros) ⁽¹⁾	337	326	317
Hours of training per employee ⁽²⁾	39	40	52
Employees who received training (%)	91	93	96
Satisfaction with the training (rating out of 10)	8.8	8.6	8.8
Subsidies received from FORCEM for training in Spain (million euros)	2.7	2.7	2.4

Note: excluding Turkey in 2016, except for Investment in training, and in 2015.

⁽¹⁾ Ratio calculated considering the Group's workforce at closing.

⁽²⁾ Ratio calculated considering the workforce of BBVA with access to the training platform.

BBVA provides access to training programs available on the training platform to boost self-development. **Campus BBVA** has been refurbished in 2016, incorporating a more attractive design, new content and functionalities with the aim of guaranteeing an outstanding learning experience and an innovative offering that is permanently updated and accessible through different devices for all the Group's employees.

BBVA emphasizes the need for its professionals to specialize and update their skills in order to help them achieve the strategic objectives and to create a first-class workforce. The **strategic training agenda** includes a number of global programs, such as: Responsible Banking Management, an e-learning initiative delivered by BBVA experts and the Institute for Stock Market Studies (IEB, for its acronym in Spanish) and targeted at retail banking middle management, designed to boost cultural exchange and promote entrepreneurship that generates value for society and for the Bank; Responsible Business, an online program for all BBVA employees, which transmits the principles underpinning our differential position in the current environment and the principle of return adjusted to principles; and the Code of Conduct, mandatory online training that includes the principles, behavioral guidelines and procedures for helping to resolve doubts and facilitate compliance with obligations as BBVA employees. As well as this, a number of training actions are provided in TCR (transparency, clarity and responsibility) principles, which enhance the Group's responsibility and ethics. The Commitment on Human Rights course provides employees with knowledge on the commitment adopted by BBVA in this area, as well as the actions carried out by the Group to ensure corporate integrity, the values on which its Code of Conduct is based and the implications of the Ten Principles of the United Nations Global Compact.

With regard to the legal requirements established by the MiFID II Directive, on the knowledge that employees must have when distributing information or providing advice on financial products/services within Europe, there are 7,610 professionals with official EFPA certifications (DAF/EIP, EFA and EFP) in Spain. In all, there are over 10,500 current employee certifications in BBVA, including CFA, FRM and CIA.

Diversity

BBVA is aware that correctly managed **diversity** multiplies the impact of talent and represents a competitive advantage. In a disruptive environment such as the current one, companies must encourage the presence of women in organizations because their contribution is a source of strength. Thus women account for 54% of the Group's workforce and their presence on the management team has continued to grow since 2011, to a proportion of 20.8% in 2016. BBVA is a signatory to the Diversity Charter at European level and to the United Nations Women's Empowerment Principles.

In **Spain**, BBVA has renewed the company's Equality Seal and the commitment to the initiative More Women, Better Companies, both organized by the Ministry of Health, Social Services and Equality, as well as the Family-Responsible Company Certificate, highlighting the commitment of our professionals to the promotion of equal opportunities. BBVA also forms part of the Promociona Project, fostered by the CEOE and the Institute for Women and Equal Opportunities, with the aim of increasing the number of women in positions of responsibility in Spanish business.

In **Mexico**, BBVA Bancomer has been chosen as one of the 10 most gender equitable companies, according to Great Place To Work®, which has evaluated the presence of women in positions of responsibility and recruitment and employment practices that promote gender equality.

Different capabilities

BBVA continues to demonstrate its pledge to ensure the labor integration of people with different capabilities through the **Plan Integra**, which was conceived in the belief that employment is an essential pillar for achieving equal opportunity for everyone. As part of the Plan, each year since 2009, the BBVA Integra Awards have recognized the work of organizations that carry out projects bringing people into the labor market and boosting the development of new initiatives and good practices in this field. The business group Gureak was awarded €150,000 at the 8th Awards.

There are 231 employees with different capabilities working in the Group, located in Spain (162), Mexico (37) and South America (32). For its part, Mexico has implemented the **Inclusion Program** for people with different capabilities within the framework of occupational health, with the aim

of guaranteeing a secure environment for this group. In Venezuela a strategic plan has been designed to increase the effective labor integration of workers with disabilities, as required by local law. Work is also progressing on making bank branches accessible in these geographic areas, and the Group's corporate offices are already accessible in Madrid, as are those of BBVA Bancomer in Mexico and BBVA Chile.

In collaboration with the Adecco Foundation, BBVA has created the **Familia Plan** for its employees with children with different capabilities. The Plan offers advice and guidance, as well as implementing a Personal Support Plan to improve the children's development, autonomy and social integration, focusing particular attention on the medical, family, social, training and employment areas.

In addition, BBVA's commercial network in Spain promotes the labor integration of people with **Down syndrome**, thanks to agreements between the different territorial divisions and associations involved with this group. These alliances have provided over 35 students with the opportunity to carry out professional work experience in our branches across the whole of Spain.

[Annex 5 - Employees by gender](#)

[Annex 6 - Promoted employees by gender](#)

[Annex 7 - Average employee age and breakdown by age bracket](#)

[Annex 8 - Average length of service](#)

[Annex 9 - Breakdown of employees job category and gender](#)

5.3.2. Workplace

BBVA conducts a general satisfaction and commitment survey involving all employees every two years. The purpose of this survey is to ascertain the views of our employees, their concerns and the areas for improvement on which they consider we should work in the future. The 2016 **survey** was answered by over 70% of BBVA employees worldwide, with 83% of them being satisfied or very satisfied with BBVA as a place to work. Satisfaction surveys at the local level have also been conducted to monitor the impact of the improvement plans being addressed.

Occupational health and safety

BBVA honors its commitment to guarantee healthy working environments and improve the quality of life of people through health promotion and prevention campaigns and training, information and awareness-raising activities.

The occupational health and safety plan in **Spain** is part of the **preventive** planning that sets yearly targets based on the occupational risk prevention activities scheduled for the period. It includes risk assessments and monitoring of corrective measures, evacuation drills and emergency plans, training for workers, coordination of business activity, healthcare monitoring through medical checkups, health promotion campaigns, protection for vulnerable workers, adapting workstations with specific ergonomic material to prevent related pathologies (back pain, carpal tunnel syndrome, etc.).

Occupational health (Spain. Number)

	2016	2015	2014
Technical preventive actions	2,424	3,033	2,157
Preventive actions to improve working conditions	2,981	3,761	2,869
Appointments for health checks	15,100	17,659	16,145
Employees represented in health and safety committees (%)	100	100	100
Absenteeism rate (%) ⁽¹⁾	2.4	2.5	2.2

⁽¹⁾ Excluding Catalunya Banc in 2015.

With respect to **awards and recognition**, BBVA has received the Company Prevention Prize for the year (in the Large Company category), granted by Prevencionar.com, for its activity in areas of health and safety; in other words, for the way in which it has used new technologies as a tool to integrate and develop its various actions related to the prevention and promotion of health and safety. In addition, BBVA has won the Zaldívar Scholastic Award for the promotion of a preventive culture among its workers.

In **Mexico** BBVA Bancomer has implemented **health plans**, with actions related to control of risk at work, occupational health and safety, an ergonomic program for the prevention of occupational disease, as well as healthy work plans including health communication campaigns and access to the Healthy Life Portal (Mayo Clinic).

The commitment to maintain the health and safety of all BBVA Francés employees in **Argentina** is focused on minimizing risks and ensuring the correct use of facilities and safety equipment. This is done through a team that provides occupational health care and workshops on healthy living.

BBVA **Chile** has developed a **risk prevention program** that clearly specifies the legal compliance applicable in matters of occupational health and safety. The program includes risk assessment and preventive measures, compliance with regulations on health and safety conditions in the workplace, assessment of musculoskeletal and ergonomic risks, the design and communication of emergency and evacuation protocols, and prevention of occupational accidents.

Freedom of association and representation

The **rights and working conditions** of Group employees are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives in accordance with local legislation.

On matters of **freedom of association and labor union representation**, BBVA always aims for solutions via consensus. It places a very high value on dialog and negotiation as the best way of resolving any conflict in accordance with the pertinent local regulations in force in the countries where BBVA operates.

The **XXIII Collective Labor Agreement** for the Spanish banking sector, covering our entire workforce, was signed in April 2016 and will remain in force until December 31, 2018. Additional business agreements supplement and develop the provisions of the Labor Agreement, such as the agreement to adapt the provisions of the Collective Labor Agreement with respect to remuneration.

Labor union representatives sitting on company committees are elected every four years by personal, free, direct and secret vote. The labor representatives are kept apprised of any changes in relevant organization that could occur in the Company, as provided for by the pertinent legislation currently in force.

BBVA Spain has also concluded a **Merger Labor Agreement** to integrate the employees of Catalunya Banc (CX) into BBVA. This was done in July, harmonizing the employment conditions of all CX employees to those current in BBVA.

In other countries in South America such as Argentina, Chile and Colombia, BBVA employees are included in collective agreements. BBVA Chile has a collective agreement with the Sindicato Unificado union, in force until November 30, 2018. It covers the 47% of the bank employees who are unionized, but the benefits extend to non-unionized employees and its subsidiaries. Colombian legislation provides for two forms of representation for employees, as a result of which there are two agreements in the bank: the *Pacto Colectivo* (Collective Pact), which covers 81% of the workforce, with representation exercised directly by employees; and the *Convención Colectiva* (Collective Convention), which benefits 19% of the workforce and is concluded with the labor unions, which chose the representatives eligible.

[Annex 10 - Voluntary resignations \(turnover\) and breakdown by gender](#)

[Annex 11 - Recruitment of employees by gender](#)

[Annex 12 - Discharge of employees by discharge type and gender](#)

[Annex 13 - Breakdown of employees by contract type and gender](#)

[Annex 14 - Amount and type of absenteeism of employees](#)

5.3.3. Remuneration

BBVA has an advanced **remuneration system** based on the reciprocal long-term generation of value for professionals in line with shareholder interests and dependent on prudent management. This system is adapted to legal specifications in force at any time and also incorporates the standards and principles of the best generally accepted national and international practices.

This model has been designed in accordance with four **objectives**:

- To offer transparency, equity and consistency.
- To channel the importance of achieving the Strategic Priorities, which include both financial and non-financial goals.
- To recognize that all employees form part of a team and to identify the critical inter-dependency that requires teamwork to achieve joint success.

- The importance of maintaining a constant dialog on performance between the supervisor and collaborator during the whole year.

Remuneration is made up of two **clearly differentiated parts**:

- A fixed remuneration, which is established by considering the employee's level of responsibility and professional career path in the Group and setting a salary benchmark for each function.
- Variable remuneration, with a new model that is linked to the Group's strategic objectives through indicators formed by both financial and non-financial indicators. In this new model, each employee's variable remuneration is directly linked to the results at Group, area and sub-area/ individual level.

5.3.4. Volunteer work

The BBVA **Corporate Volunteering Policy** covers all countries. It manifests BBVA's pledge to volunteer work of this type and provides employees with the conditions in which they can engage in corporate volunteer work that generates a positive social impact.

In addition to the **impact** at the level of corporate social responsibility, the activity of corporate volunteering enhances the development of employees, channeling their spirit of solidarity, and allowing them to make a personal contribution of their time and knowledge to provide help for people who need it most. This improves self-esteem, increases the sense of pride in belonging to the company and thus has an effect on talent attraction and retention.

The number of BBVA employees who participated in corporate volunteering actions in **2016** was more than 8,000 at global level, representing 6% of the workforce. These employees have dedicated more than 100,000 hours to tasks of this kind. Over 56% of these activities are designed to boost initiatives arising from employees themselves or in coordination with BBVA, in connection with education, primarily to boost financial education, and thus support the strategic lines set out in the responsible banking model.

In **Spain** 1,389 working employees and 180 on early retirement/retirement have participated in the different volunteering initiatives, of which 75% were dedicated to

issues of education, mainly financial education, and the rest were environmental and social action activities. The actions carried out with BBVA volunteers in Spain are channeled through the BBVA Volunteer website and implemented through the Volunteer Office.

The main educational **projects** through which volunteering is developed in the different business areas are:

- In Spain: the JAES Foundation programs, such as *Ventajas de permanecer en el colegio* (Advantages of staying in school), *Habilidades para el éxito* (Skills for success) and *Socios por un Día* (Partners for a day).
- In the United States: the Summer/Fall Day of Service initiatives and the NBA Cares community engagement program.
- In Mexico: the *Valores de Futuro* (Future Values) financial education program and the Momentum Project entrepreneurship support program.
- In South America: financial education workshops in Argentina, the *Adelante con tu Futuro* (Forward with your Future) financial education program in Venezuela, the *Leer es Estar Adelante* (Reading is getting ahead) program in Peru, and the *Becas de Integración Jóvenes con Futuro Adelante* (Integration Grants for Young People with a Future) and a financial education program in Uruguay.

5. 4. Shareholders

BBVA seeks to **create long-term value** for all its stakeholders, particularly for its shareholders. To do so, the Bank is working hard to position itself as a model in the new environment for the banking industry, with a transformation based on and designed for the customers, transforming the business as it is today, creating new business models and maintaining a unique banking model.

Among its Strategic Priorities, BBVA includes **capital optimization** as one of the pillars to achieve its Purpose, which is: to bring the age of opportunity to everyone. Managing capital correctly will allow us to be more aware of the risks, make better decisions and have a clearer vision of the future. All this will help us to ensure greater value for our shareholders.

In **2016** BBVA Group:

- Has improved its ROE to 6.7%, from 5.2% of 2015.
- Has increased its ROA to 0.64%, from 0.46% of 2015.
- Continues to demonstrate a solid risk profile, with an NPL ratio down 48 basis points over the year to 4.9% as of 31-Dec-2016, and a cost of risk down 22 basis points to 0.84% (cumulative figure for 2016).
- Maintains sound capital adequacy ratios that are above legal requirements, with a fully-loaded CET1 of 10.9% as of 31-Dec-2016, an improvement of 58 basis points over the last twelve months.

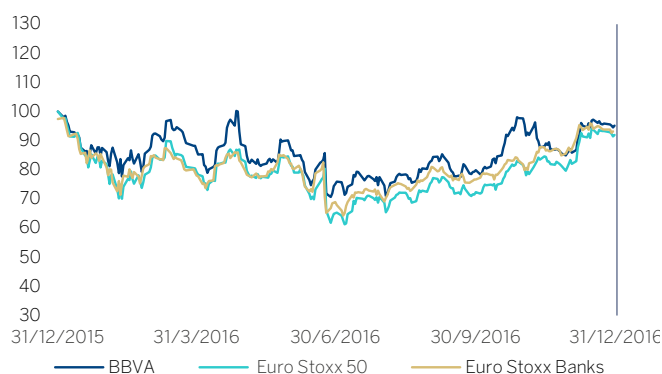
The Bank has also had to deal with a complex environment in 2016; marked by low interest rates in Europe and the United States; a slowdown in growth in developed economies; a difficult political situation in a number of regions, growing regulatory pressure; and the transformation of the banking industry mentioned earlier, with the entry of new competitors (startups and FinTech) and the increased use of mobile devices as the customers' channel of choice.

In this context, the performance of the main **stock-market indices** has varied greatly over the last twelve months. The Stoxx 50 lost 2.9%, while in the Eurozone the Euro Stoxx 50 gained 0.7% and in Spain, the Ibex 35 fell by 2.0%. The S&P 500, which tracks the share prices of U.S. companies, closed the year up 9.5%, most of the gain being in the second half of the year.

In the **banking sector**, the Stoxx Banks index of European banks, including those in the United Kingdom, slowed its decline of the first half of the year, and closed 2016 with a decline of 6.8%. The same trend is reflected in the Eurozone bank index, the Euro Stoxx Banks, which lost 8.0%. In the United States, the S&P Regional Banks sector index gained 32.4% in 2016, with the growth focused at the end the year following the results of the U.S. elections.

The **BBVA share** performed relatively better in 2016 than the European banking system as a whole. As of December 31, 2016, the BBVA share price was €6.41, a rise over the quarter of 19.2% and a year-on-year decline of 4.8%.

BBVA share evolution compared with European indices (Base index 31-12-2015=100)



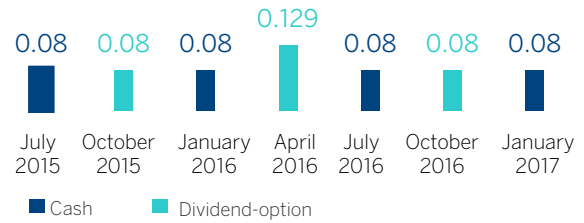
The BBVA share and share performance ratios

	31-12-16	31-12-15
Number of shareholders	935,284	934,244
Number of shares issued	6,566,615,242	6,366,680,118
Daily average number of shares traded	47,180,855	46,641,017
Daily average trading (million euros)	272	393
Maximum price (euros)	6.88	9.77
Minimum price (euros)	4.50	6.70
Closing price (euros)	6.41	6.74
Book value per share (euros)	7.22	7.47
Tangible book value per share (euros)	5.73	5.88
Market capitalization (million euros)	42,118	42,905
Yield (dividend/price; %) ⁽¹⁾	5.8	5.5

⁽¹⁾ Calculated by dividing shareholder remuneration over the last twelve months over the closing price at the end of the period.

As regards **shareholder remuneration**, two cash dividends have been paid for a gross €0.08 per share each. These payments were made on July 11, 2016 and January 12, 2017. The Board of Directors of BBVA also decided at its meetings on March 31 and September 28, 2016, to carry out two capital increases against voluntary reserves to implement the “dividend-option” system, in accordance with the terms agreed at the Annual General Meeting of March 11, 2016. In the first increase, the holders of 82.13% of the rights opted to receive new shares, while in the second, the figure was 87.85%. These percentages once more confirm the popularity of this remuneration system among BBVA shareholders. In the [Note number 4 of the Consolidated Financial Statements, Management Report and Auditors’ Report](#), more information about BBVA Group shareholder remuneration system is included.

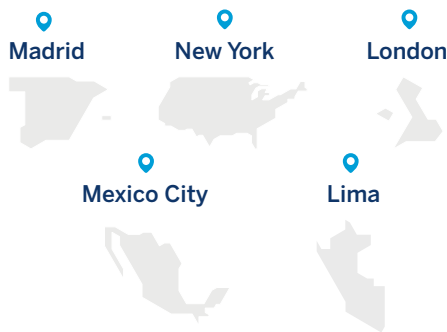
Shareholder remuneration (Gross euros/share)



The number of BBVA shares as of 31-Dec-2016 is 6,566,615,242. The **number of shareholders** is 935,284. Residents in Spain hold 45.4% of the share capital, while the percentage owned by non-resident shareholders stands at 54.6%. It is worth noting that at the last Annual General Meeting both institutional and minority shareholders gave their mass support in a large turnout in favor of the points on the agenda. The percentage approving the annual accounts was over 99%, representing a very strong backing for the management of BBVA.

BBVA share

Listed on the main international stock markets



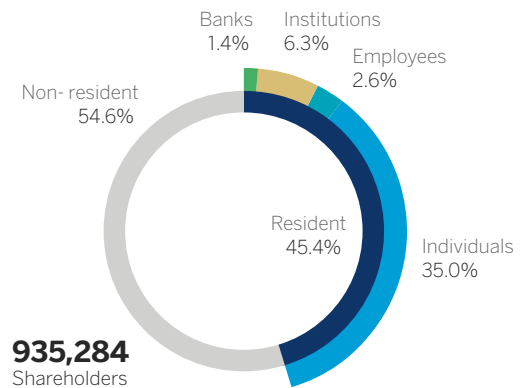
Weighting (31/12/2016)

IBEX 35	8.7%
Euro Stoxx 50	1.9%
Euro Stoxx Baks	9.3%
Stoxx Europe 600 Banks	4.4%

BBVA **shares** are traded on the Continuous Market of the Spanish Stock Exchanges and also on the stock exchanges in London and Mexico. BBVA American Depositary Shares (ADS) are traded on the New York Stock Exchange and also on the Lima Stock Exchange (Peru) under an exchange agreement between these two markets. Among the main stock-market

BBVA's capital ownership is well diversified

SHAREHOLDER BREAKDOWN



indices, BBVA shares are included on the Ibx 35, Euro Stoxx 50 and Stoxx 50, with a weighting of 8.70%, 1.90% and 1.21% respectively. They are also listed on several sector indices, such as the Stoxx Banks, with a weighting of 4.39%, and the Euro Stoxx Banks, with a weighting of 9.29%.

Shareholder and Investor Relations

The bank has a **communication policy with shareholders and investors**, which can be accessed via the corporate website. Its basic principles are:

- Transparency, truthfulness, immediacy and standardization in providing information.
- Facilitate awareness of those issues that may be necessary to enable an appropriate exercise of shareholders' rights, providing clear and direct communication channels and lines which allow any doubt on the provided information to be cleared up.
- Publish information periodically, adequately and available in time to enable shareholders and investors to be informed of the most relevant aspects of the Bank at any time.
- Equal treatment for all shareholders and investors in the same situation, in terms of information, participation and exercise of their rights as shareholders and investors.
- Use a variety of communication instruments and channels that enable shareholders to access the Bank in the easiest and most convenient way.

In addition, through its [website](#) the Investor Relations unit gives all BBVA shareholders access to the [Shareholder Office](#), which provides information on relevant aspects related to the BBVA share and the Group, offers special products and responds to suggestions. Below are some of the most relevant initiatives carried out by the Shareholder Office in 2016:






- Improved access to quarterly information for shareholders and investors, with a digital version of the shareholder report.
- Inclusion of an interactive tool for analyzing the results of the Group and business areas.

Finally, it is worth noting that in 2016 the Shareholder Office has dealt with 3,676 e-mails and 4,216 phone queries. There have also been numerous meetings with both minority and institutional shareholders.

Sustainability ratings

Lastly, BBVA maintains a significant presence on a number of international sustainability indices or ESG (environmental, social and governance), which evaluate the performance of companies in this area, as summarized in the table below.

Sustainability indices on which BBVA is listed as of 31-12-2016.

 <p>2016 Constituent MSCI Global Sustainability Indexes⁽¹⁾</p>	<p>Listed on the MSCI Global Sustainability indices AAA rating</p>
 <p>FTSE4Good</p>	<p>Listed on the FTSE4Good Global, FTSE4Good Europe and FTSE4Good IBEX indices</p>
 <p>SUSTAINALYTICS</p>	<p>Industry leader according to the latest ESG 2015 rating</p>
 <p>EURONEXT vigeo</p>	<p>Listed on the Euronext Vigeo Eurozone 120 indices</p>
 <p>member of the INVESTMENT REGISTER ETHIBEL EXCELLENCE</p>	<p>Included on the Ethibel Excellence Investment Register</p>
 <p>CDP DRIVING SUSTAINABLE ECONOMIES</p>	<p>In 2016, BBVA obtained a "B" rating</p>

⁽¹⁾The inclusion of BBVA in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein donot constitute a sponsorship, endorsement or promotion of BBVA by MSCI or any of its affiliates. The MSCI indices are the exclusive property of MSCI. MSCI and MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Since 2014 BBVA has also been part of the investment universe of **Triodos Investment Management**, the Triodos Group subsidiary that manages socially responsible mutual funds. It is the only Spanish Bank on this list.

5. 5. Society

5. 5. 1. Social, environmental and reputational risks

As a financial institution, BBVA has an **impact** on the environment and society directly through the consumption of natural resources and its relationship with stakeholders, and indirectly through its credit activity and the projects it finances. These impacts lead to direct, indirect and reputational risks.

These **extra-financial risks** may affect the credit profile of borrowers or the projects financed. To manage such risks, BBVA takes into account environmental, social and reputational aspects in its risk management, alongside traditional financial variables.

Their integration into risk management is consistent with the **principle of prudence** that governs BBVA's activity and is focused on various lines of action.

In 2016 we began working with all the areas involved, within a framework that comprehensively encompasses the way in which BBVA manages social and environmental impacts, as well as the opportunities associated with such issues.

Equator Principles

The energy, transport and social services infrastructures that boost economic development and create jobs can have an impact on the environment and society. BBVA is **committed** to manage the finance of these projects in order to avoid and reduce negative impacts and boost their economic, social and environmental value.

All the decisions on project finance are based on the criterion of **return adjusted to principles**. Placing people at the core of the business implies dealing with stakeholder expectations and demand from society to fight against climate change and respect human rights.

In line with this commitment, BBVA adhered to the **Equator Principles (EP)** in 2004. Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety guidelines, the Equator Principles are a set of standards established to manage the environmental and social risks in project finance. These principles have set the benchmark for responsible finance. Once more in 2016 BBVA has contributed to their

development and dissemination as a member of the working groups in which it takes part.

The CIB **Sustainable Finance and Reputational Risk** team takes on responsibility for analyzing the financed projects, representing the Bank before its stakeholders, being accountable to Senior Management and designing and implementing the management system, proposing the adoption of best practices and contributing toward training and communication on matters related to the EP.

Project analysis involves subjecting each transaction to a process of environmental and social due diligence that starts with assigning a category (A, B or C), which reflects the project's level of risk. The documentation submitted by the customer and the independent advisors is reviewed, allowing the level of compliance with the requirements established in the EP to be graded in accordance with the project category. Finance agreements incorporate the customer's environmental and social obligations, which are monitored by a specialist CIB team.



To guarantee **integrity** in BBVA's application of the EP, their management is integrated into the internal transaction structuring, admitting and monitoring processes and is subject to regular control by the Internal Audit Department.

For BBVA, the EP are the basis for applying best practices in responsible finance and the framework for dialog with customers and stakeholders in the projects we finance. BBVA provides [public information](#) on the environmental and social management of the projects financed and advised by the Group.

Details of Equator Principles operations analyzed (BBVA Group)

	2016	2015	2014
Number of operations	32	26	44
Total amount (million euros)	6,863	24,557	170,265
Amount financed by BBVA (million euros)	1,451	1,933	1,867

Ecorating

The **Ecorating** tool is used to rate the risk portfolio of SMEs from an environmental point of view. This is done by assigning a level of credit risk to each customer in accordance with a combination of several factors such as location, polluting emissions, consumption of resources, potential to affect the environment and applicable legislation. In 2016 the environmental risk of 232,204 customers was rated in Spain, with a total exposure volume of €93,665m.

Ecorating Data (Spain, 2016)

Environmental risk level	Volume (million euros)	Customers
Low	81,772	192,392
Medium	11,571	39,263
High	322	549
Total	93,665	232,204

Reputational risk management

Since 2006, BBVA has had a **methodology** in place for identifying, evaluating and managing reputational risk. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate them.

This **prioritization** is carried out according to two variables: the impact on stakeholder perceptions and the strength of BBVA's resilience to risk.

This reputational exercise is carried out in each country and the integration of all of them leads to a consolidated view of the Group. Since 2015, this exercise has been performed

using a computer **tool** that allows risks to be assessed by the appropriate areas. Reputational risk is by nature highly cross-cutting.

The main **progress** made related to reputational risk management in 2016 is:

- Strengthening of the governance and reporting model. The result of the reputational risk assessment process was submitted through the Risks Committee to both the Corporate Assurance Committee and the Board of Directors.
- Integration of reputational risk into the risk appetite framework and the ICAAP (Internal Capital Adequacy Assessment Process).
- Review of the reputational risk management model by the Internal Audit area.
- Definition of the key risk indicators for each risk factor in order to complete the management model.

Reputation in society (2016)

Country	Position relative to peer group ⁽¹⁾
Spain	2nd for customers and 1st ⁽²⁾ for non-customers
United States	2nd for customers and 1st ⁽²⁾ for non customers
Turkey	1st for customers ⁽²⁾ and 1st ⁽²⁾ for non customers
Mexico	3rd ⁽²⁾ for customers and 2nd ⁽²⁾ for non customers
Argentina	1st ⁽²⁾ for customers and 1st ⁽²⁾ for non customers
Chile	3rd ⁽²⁾ for customers and 3rd for non customers
Colombia	2nd ⁽²⁾ for customers and 2nd ⁽²⁾ for non customers
Peru	1st ⁽²⁾ for customers and 1st for non customers
Venezuela	1st ⁽²⁾ for customers and 1st for non customers
Paraguay	1st ⁽²⁾ for customers and 2nd ⁽²⁾ for non customers
Uruguay	n/av

Source: RepTrak (Reputation Institute); except in Turkey, source: TRI*M Index (TNS). n/av = not available.

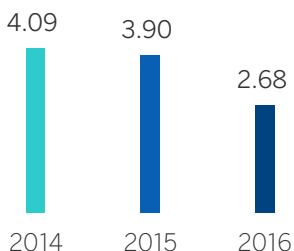
⁽¹⁾ Peer group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Turkey: Is Bankasi, Ziraat, YKB, Akbank; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Bogotá, Davivienda; Peru: BCP, Interbank, Scotiabank; Venezuela: Banesco, Mercantil, Banco de Venezuela; Paraguay: Continental, Itaú.

⁽²⁾ Tied with other entities.

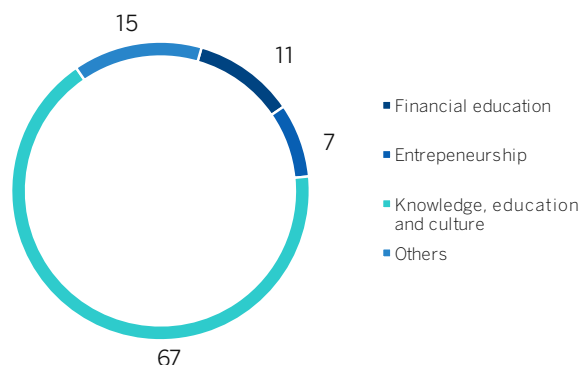
5.5.2. Investment in social programs

In 2016 BBVA allocated over €93 millions to social projects. This figure accounts for 2.7% of the Group's net attributable profit for the year.

Investment in social programs in relation to the net attributable profit (Percentage)



Graphical Investment data by focused action (Percentage)



Investment in social programs by geographical area and Foundation (Thousand euros)

	2016	%	2015	%	2014	%
Spain and corporate areas	16,923	18%	22,230	21%	39,993	37%
United States	8,732	9%	7,609	7%	4,867	5%
Turkey	6,193	7%	8,518	8%	n/a	n/a
Mexico	24,612	27%	28,068	27%	23,441	22%
South America	6,380	7%	7,586	7%	11,300	11%
BBVA Foundation	25,598	28%	24,288	23%	22,430	21%
BBVA Microfinance Foundation	4,827	5%	5,307	5%	5,119	5%
TOTAL	93,265	100%	103,606	100%	107,150	100%

n/a = not applicable

BBVA also launched the **Community Investment Plan** in 2016 for the period 2016-2018, which is an ambitious initiative setting out the following main areas of action:

- **Financial education**, aimed at promoting training in financial literacy to enable people to make informed financial decisions.
- **Social entrepreneurship**, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
- **Knowledge**, through support for initiatives that drive development and create opportunities for people.

Education for society was one of the main areas of the previous Plan, which from 2016 onward has been framed within the strategic line of knowledge. Nonetheless, it retains a significant weight in BBVA's social investment, which

continues to support access to education and educational quality as sources of opportunity. However, it also shares this space with other Group initiatives such as the BBVA Foundation activities and research work by the BBVA Research Department.

BBVA's community support activities will focus on these three lines over the next three years, although the Group's banks will maintain their commitment to investment in the community to address local social problems. In this regard, the Support to Social Organizations program will continue to back educational and community development projects carried out by non-governmental organizations and other non-profit associations and institutions. In order to establish a global action framework for this program, work has continued in 2016 to prepare a manual that offers guidance on assessing and approving donations by all of the Group's banks and foundations. This manual will be issued in the first half of 2017.

5.5.3. Financial education

Financial education remains one of our priorities and is thus part of the three main lines of action established in the 2016-2018 Community Investment Plan.

Our overall **objective** is to foster financial education based on the acquisition of knowledge, skills and attitudes with a vision to change the way customers make financial decisions and thus improving their experience.

At a local level, we run our own programs and work together with other actors to provide financial education adapted to the environment and economic reality across our global footprint. These programs are designed for a diverse target audience, including children, young people and adults, and also managers of small businesses. They cover a broad range of topics, from financial planning to savings and investment.

At BBVA we work with a variety of national and multinational organizations to promote the importance of financial knowledge and skills as critical matters that have a direct impact on a people's welfare.

Main progress in 2016

Since the Global Financial Education Plan was launched in 2008, we have invested over €67m to help over 9 million people.

Beneficiaries of the Global Financial Educational Plan (BBVA Group)

	2016	2015	2014
Children and Young People	2,143,161	1,108,755	1,009,430
Adults	396,988	368,055	244,543
SMEs	34,305	59,398	41,474
Total number of beneficiaries of Financial Education	2,574,454	1,536,208	1,385,447
Number of total workshops	1,166,251	1,076,452	1,010,681
Total investment in FE (million euros)	10,166,675	12,448,665	17,427,972

Throughout 2016, in addition to continuing our work on a more practical approach toward financial education, we designed and developed the [Financial Education and Skills Center](#). This Center is a virtual platform created to promote the importance of financial knowledge and skills through research, information sharing and learning geared toward action. The Center has a team of experts from different fields with solid experience in the world of financial education.

We have also transferred our experience in the field of practical financial education to **customer experience**. This is achieved by helping customers improve their personal finance

decisions through tips, communications and reminders, optimizing their financial capabilities while accompanying them on their financial education path. In doing so we help them discover new opportunities and achieve their goals.

Promoting financial education is a collective task. Since 2010, BBVA has been helping the Organization for Economic Cooperation and Development (OECD) to draw up the **PISA Report** on Financial Competence, which assesses the financial literacy of 15-year-olds. The evaluation has been conducted every three years since 2012 and its results have shed light on a vast improvement in the majority of the participating countries. The results of the assessment conducted in 2015 will be available in the first half of 2017. In 2016, BBVA renewed its agreement with the OECD and will continue supporting this assessment in 2018. Through this partnership with the OECD and other contributions, BBVA honors its commitment to the advocacy and promotion of financial education, for which it invested €2,140,000 euros until 2016.

[Annex 15 - Financial Education. Data by country](#)

A significant part of our investment in financial education programs is geared to improving the financial culture of **children and young adults** and promoting values related to the responsible use of money. All the programs that we run for this social group are developed by educational experts through workshops in schools and even online courses in some countries, including cross-curricular material available for teachers and educators.

The workshops for children aged 6 to 14 promote the development of values associated with the use of money (effort, solidarity, savings, etc.) and the acquisition of financial culture skills in line with the financial literacy skills included in the PISA report. One of our most important initiatives is the **Valores de Futuro** (Future Values) program. Created in Spain in 2009 and extended to include Mexico in 2012, Valores de Futuro comprises over 60 awareness and active participation workshops given by teachers, in some cases with the participation of BBVA volunteers. A total of 1,149,335 students participated in *Valores de Futuro* workshops in Mexico and Spain in 2016.

Targeted at young people aged 14 to 20, the programs focus on knowledge of basic personal finance concepts and planning. The most salient programs are:

- **Tus Finanzas Tu Futuro** (Your Finances, Your Future), promoted by the Spanish Banking Association (AEB) and run by the Junior Achievement Foundation. This pioneering sector-specific initiative draws on an extensive partnership of 24 private financial institutions. It has been a case study and example

of good practices in the Sharpening Financial Education Report prepared by the Junior Achievement Foundation Europe and Visa, in collaboration with the European Banking Federation, the OECD and the Vienna University of Economics and Business. The initiative has benefited 7,461 students in 136 educational centers in the country.

- **BBVA Entrepreneurship School in Colombia.**
- **Liga de Educación Financiera BBVA** (BBVA Financial Literacy League) is an educational and interactive game that allows young people to assess the status of their personal finances, plan personal financial goals and learn the importance of savings. The initiative has benefited 10,304 young people in Chile.
- **Online Financial Education Course for Young People,** which is being run in Venezuela and has 158 beneficiaries.
- **The Banco Francés Financial Education Program,** in place to help children aged between 12 and 19 learn financial and finance management knowledge and skills.

[Annex 16 - Financial education programs for children and young people](#)

The financial education initiatives for **adults** were created to provide knowledge that can help in decision-making, thus improving financial well-being and increasing opportunities. Among them are:

- **Adelante con tu Futuro** (Forward with your Future) was created in Mexico in 2008 and has extended to Chile, Colombia, Paraguay, Uruguay and Venezuela as the financial education program with the largest infrastructure in Latin America. It has fixed classrooms, mobile classrooms and equipment, instructors, volunteers and contents aligned with people's financial life cycle. In this way, it can assist them at different stages of life with the tools necessary for managing better their personal finances. The program provides free workshops on saving, saving for retirement, credit cards, credit health, mortgages, life insurance, mutual funds, electronic banking, stock market literacy, economics and the secure usage of digital banking. *Adelante con tu Futuro* has run over 4 million face to face and online workshops, benefiting over 1.6 people since its launch in 2008.
 - In Chile and Colombia, financial inclusion initiatives were implemented in 2016, promoting financial knowledge and skills in the work centers of companies and institutions that are customers of BBVA through **workshops** for their employees. Over 37,530 people have participated in these workshops in 2016.
 - In collaboration with the Federal Deposit Insurance Corporation (FDIC), BBVA Compass uses **Money Smart** as an initiative to help people, whether bank users or not, to acquire financial knowledge and use banking services effectively. In 2016, a total of 5,718 people benefited from this program.
 - The **Mi Jubilación** (My Retirement) initiative was launched in 2013 in Spain and has since then become a benchmark for information related to retirement and pensions. In 2016 its website received over 398,469 visits and more than 390,000 simulations were made using the tools. Strategically, *Mi Jubilación* continues driving economic research in the field of pension reforms through the BBVA Pensions Institute and contributes to the discussion on pensions with proposals that guarantee the future of the pension system.
- In addition to education for children, young people and adults alike, we support training in financial skills for the management and growth of **small and medium-sized businesses** through educational workshops on subjects related to financial decision-making SMEs. Our main initiatives are:
- **Finance for Entrepreneurship and Growth.** Since 2012, Mexico has supported entrepreneurs and micro-businesses, whether customers or non-customers, with classroom and online workshops, interactive videos and practical exercises. Since the initiative was launched, 259,358 companies have benefited from this training.
 - **Activa Tu Negocio.** (Activate Your Business) is an initiative launched in Spain in 2016 in collaboration with Google to provide free training in digital marketing, combining a classroom workshop with 40 hours of online study. Over 519 companies have benefited from these courses.
 - **Camino al Éxito** (Road to Success) has become a comprehensive solution for helping SMEs grow, become solid and be better prepared. Focused on Argentina, Chile, Peru, Paraguay, Uruguay and Venezuela, this program has allowed companies to access courses designed to address their needs, given by top local universities and business schools. In 2016, a total of 548 companies received the classroom courses and over 4,171 signed up for online courses in finance, business and e-commerce.
 - **SME skills training programs** provided in Spain and Mexico to support small and medium-sized enterprises with major growth potential through cognitive tools and management and administrative skills that allow them to consolidate and grow their projects. Programs that consolidated their success in 2016 were: a diploma course

from Anáhuac University, a specialized course at the IPADE Business School in Mexico, and programs provided by Deusto University, ESADE, Instituto de Empresa, ESIC and San Telmo.

[Annex 17 - Financial education programs for SMEs](#)

Financial education was also promoted in the **digital media** in 2016. The website www.bbva.com shares information and extends understanding of the financial knowledge and skills that can make society more aware of financial risks and opportunities, and enable people to make informed and effective decisions to improve their personal financial well-being. These contents received over 4 million visits in 2016.

Financial literacy and encouraging formal savings among people with limited resources in rural areas represent an opportunity for the development of families and

communities. One example is the activity carried out by **BBVA Microfinance Foundation**, which promotes education and the development of financial skills, providing ethical and responsible advice on financial decisions related to access to appropriate financial services and the creation of productive activities by customers.

In Chile, the Entrepreneurship School has been created for all the Bank's customers through Fondo Esperanza, which integrates financial education as one of the objectives of its investment strategy. In Colombia, *Bancamía* launches personalized advice and financial education workshops for customers and communities. In Peru, BBVA Microfinance Foundation, through Financiera Confianza, implements financial education and initiatives to promote savings among entrepreneurs and vulnerable groups of the population with projects such as *Ahorro para Todos* (Savings for Everyone).

5.5.4. Entrepreneurship

In 2016, entrepreneurship gained ground as a main priority. Isolated entrepreneurship support programs were grouped together into a single line of action that became a key part of the 2016-2018 Community Investment Plan. BBVA wishes to support, primarily, two types of entrepreneurs:

- The most vulnerable, which are supported through the BBVA Microfinance Foundation.
- Those who create high and positive social impact through their enterprises, and are supported by the BBVA Momentum program.

BBVA Microfinance Foundation

As part of its commitment to financial inclusion, in 2007 BBVA set up the **BBVA Microfinance Foundation**¹ (hereinafter, the Foundation). It is a non-profit institution whose mission is to promote sustainable and inclusive economic and social development for the most underprivileged people in society through responsible productive finance. This model seeks the professional development of its customers and offers vulnerable entrepreneurs a customized service by bringing a full range of financial products and services to their homes or companies, as well as advice and training related to the financial administration and management of their small businesses.

The Foundation publishes an annual **Social Performance Report**, entitled "Measuring What Really Matters". It presents

the main figures summarizing the impact of its activity on the life of its customers. This social measuring system has been highlighted by the UN and is a benchmark in the sector.

Since the Foundation was set up, it has disbursed an aggregate volume of US\$ 8,397m to low-income entrepreneurs in Latin America for the development of their productive activities. It is now one of the largest private philanthropic initiatives in the region.

BBVA Microfinance Foundation (Basic data)

	2016	2015	2014
Number of Customers	1,826,607	1,712,801	1,544,929
Social Impact (millions of people) ⁽¹⁾	7.3	6.9	6.2
Number of Employees	8,038	7,910	7,472
Number of Offices	507	509	488
Volume of credit portfolio (million euros) ⁽²⁾	1,009	936	907
Average amount for microcredits (euros) ⁽³⁾	1,161	1,046	1,026
Number of countries footprint	5	7	7

⁽¹⁾ It is calculated by multiplying the number of customers by the average family unit ratio.

⁽²⁾ Composed of current portfolio, portfolio in default and interest.

⁽³⁾ Weighted by cumulative number of operations.

In **2016**, the Foundation, which has more than 8,000 employees, continued to work on the most disadvantaged areas, serving 1.8 million customers. Over half of the entrepreneurs served by the Foundation are women, which directly helps to reduce gender inequality.

Data from a gender perspective of the BBVA Microfinance Foundation.

	2016		2015		2014	
	Number of Women Customers	Women/ Total Customers (%) ⁽¹⁾	Number of Women Customers	Women/ Total Customers (%) ⁽¹⁾	Number of Women Customers	Women/ Total Customers (%)
Emprende Microfinanzas (Chile)	6,469	58	6,386	60	8,548	63
Fondo Esperanza (Chile)	91,793	83	85,549	84	78,210	84
Bancamía (Colombia)	463,663	56	443,239	56	397,499	57
Financiera Confianza (Peru)	228,393	49	213,740	49	198,620	49
Microserfin (Panamá)	7,198	42	6,754	43	6,152	43
ADOPEM (Rep. Dominicana)	259,996	67	244,577	68	218,959	69
TOTAL	1,057,512	58	1,000,858	58	908,572	59

⁽¹⁾ For the percentage of women, both the assets and liabilities are informed (in net terms).

The mission and methodology of the Foundation have been acknowledged by the **United Nations** on various occasions

for their contribution to the Sustainable Development Goals (SDGs) of the 2030 Agenda, such as ending all forms of

¹The BBVA Microfinance Foundation was created as a response to BBVA Group's corporate responsibility, but as a non-profit institution it is independent of the Group in both governance and management. This is why BBVA Group makes it clear that the BBVA Microfinance Foundation is not part of the BBVA financial group. For this reason, BBVA Group neither manages nor is responsible for the activity undertaken by the Foundation or by those financial institutions that the Foundation may acquire in pursuit of its goals.

poverty, fight gender inequality and support decent work and inclusive, sustainable economic growth. In 2016, the United Nations Economic and Social Council (ECOSOC) granted the Foundation consultative status, with an acknowledgment of its work within its field of microfinance for development. The Foundation is consulted by the United Nations to steer and recommend actions conducive to sustainable development. The United Nations Sustainable Development Goals Fund (SDG Fund) has renewed the Foundation's membership of

its Private Sector Advisory Panel for 2017-2019. In April 2015, the Foundation became one of the 13 international institutions chosen as founding members of this Advisory Panel, which provides strategic support for the UN to achieve better results in sustainable development in coordination with the private sector. Since 2016, the Foundation has also participated in the Secretariat of the UN Secretary-General's High-Level Panel on Women's Economic Empowerment, which has selected the Foundation as a case study.

Disaggregated data by microfinance institution of the BBVA Microfinance Foundation

	2016			2015			2014		
	Customers	Employees	Offices	Customers	Employees	Offices	Customers	Employees	Offices
Emprende Microfinanzas (Chile)	11,106	163	21	10,568	159	21	13,641	145	26
Fondo Esperanza (Chile)	110,817	560	53	102,141	514	52	92,605	499	53
Bancamía (Colombia)	828,499	3,542	199	785,535	3,583	200	698,642	3,290	187
Financiera Confianza (Perú)	468,902	2,137	149	435,879	2,168	153	408,413	2,225	155
Microserfin (Panamá)	17,084	243	11	15,674	224	11	14,197	200	9
ADOPEM (Rep. Dominicana)	390,199	1,393	74	361,722	1,238	70	316,324	1,085	56
TOTAL	1,826,607	8,038	507	1,712,801	7,910	509	1,544,929	7,472	488

In **2017**, the Foundation will continue working on the development of its scale and scope, with an extended value proposition that allows its entrepreneurs to develop and

progress through technology-based solutions, as well as to improve efficiency and processes.

Credit portfolio data by microfinance institution of the BBVA Microfinance Foundation

	2016			2015			2014		
	Average Loan Amount (euros) ⁽¹⁾	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) ⁽¹⁾	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) ⁽¹⁾	Default Rate (%)	Volume of Credit Portfolio (thousand euros)
Emprende Microfinanzas (Chile)	1,262	6.36	13,861	909	4.87	10,473	828	7.4	10,672
Fondo Esperanza (Chile)	691	0.59	61,308	566	0.66	46,895	492	0.8	35,885
Bancamía (Colombia)	1,205	5.33	354,004	999	5.1	329,843	1,153	4.7	377,731
Financiera Confianza (Peru)	1,871	2.85	434,566	1,820	2.24	419,894	1,709	3	383,776
Microserfin (Panama)	1,397	4.43	25,888	1,278	4.28	22,167	1,043	4.8	16,656
ADOPEM (Rep. Dominicana)	669	3.66	119,571	584	3.48	104,809	486	3.2	80,557

⁽¹⁾ Calculation. Microcredit average amount: amount disbursed accumulated in the current year, divided by the number of accumulated operations of the same period. Volume of credit portfolio: Profitable Portfolio + Past-due Portfolio (Change of approach, excluding accrued interests as of 2Q16).

Momentum Project

Alongside the Foundation, there are other initiatives that support entrepreneurship, such as the **Momentum Project**, a social entrepreneurship support program aimed at promoting the growth and consolidation of innovative social enterprises. The program is carried out by coordination with top business schools and with the participation of BBVA executives, who provide a strategic mentoring service. Created in 2011 and developed in three countries (Spain, Mexico and Peru), it was remodeled in 2016 and became BBVA Momentum, an updated version of the program that has been simultaneously launched in five countries in February 2017.

Since the launch of the program, 112 companies have participated in the integrated training, strategic mentoring, visibility, financing and follow-up program for the social entrepreneurs taking part, to consolidate and extend the social impact they generate. In 2016, the program was only run in Mexico and benefited 20 entrepreneurs.

[Annex 18: BBVA Momentum](#)

Other initiatives

It is important to mention initiatives adapted to the local environment, such as the **Women Entrepreneur Executive School** program, implemented in 2012 by Garanti Bank in Turkey for training women entrepreneurs through the Boğaziçi University Lifelong Learning Center. As part of the program, women entrepreneurs receive 100 hours of training on subjects such as business creation, innovation and sustainable management. Since 2015, initiatives have been developed in collaboration with various local organizations to drive the process of digitalization in Turkish SMEs.

In Colombia, the **Emprendimiento Met Colombia** (Colombia Met Entrepreneurship) program was developed in 2016, promoting sustainable, responsible and innovative female

entrepreneurship through training, support, networking and communication. It fosters the intensive use of technology and is particularly focused on social innovation. This program has been developed in partnership with the Met Community organization and has benefited 550 women entrepreneurs.

Lastly, **BBVA Open Talent** is a program for entrepreneurs, which was run for the eighth time in 2016, when 1,217 startups from 77 countries took part. Open Talent is the mechanism that connects these startups to BBVA, seeking partnership options that lead to the disruption of the financial industry. When mutual interest exists for both sides, they explore areas that are mutually beneficial to startups, customers and BBVA. Over 350 BBVA executives and experts from around the world also took part in this year's program, allowing them to meet the entrepreneurs in person.

5.5.5. Knowledge, education and culture

Knowledge, education and culture are three areas of activity that are grouped together in a new line of action included in the new Community Investment Plan for 2016-2018. They basically include the activities of the BBVA Foundation and the BBVA Research department in addition to local programs and initiatives focusing on education, science and culture.

BBVA Foundation

In **2016**, the BBVA Foundation strengthened its commitment to drive and disseminate knowledge by supporting the community of researchers and creators in Spain, recognizing and raising the profile of the best representatives of these communities and providing objective information in relation to some of the main topics of public debate. In addition to maintaining its close collaboration with leading institutions in all areas, the BBVA Foundation has enhanced its own activities and has been positioned as a benchmark in sectors such as the environment and contemporary music, as well as the publication of socioeconomic research.

The third annual **BBVA Foundation Grants for Research and Creation** have enabled 87 individual and research team projects to be set up in 11 different scientific and cultural areas, and in five scientific areas of high social impact. These grants have become a model for Spain's scientific and creative community, supporting researchers with a strong career path, who are examples of excellence and destined to be leaders in their respective fields. Through this scheme, the Foundation offers them the support they need to develop personal projects, in many cases resulting in a qualitative leap in their careers, with a positive impact on society as a whole. To ensure the selection process for the beneficiaries of the grants is rigorous, in this case (as in all its activities) the Foundation has been advised by specific high-level committees of experts for each area covered, which act with complete independence.

In the case of **grants for individuals**, the scheme is notable for the extensive and diverse range of specialization (11 fields of research and creation), the profile of the recipients (at an intermediate position in their studies or professional activities, with outstanding results) and the flexibility offered in the use of funds. This year, 60 grants for individuals were awarded.

Grants for **research teams** were awarded to 27 applied research projects in five areas of preferential interest for the BBVA Foundation: Biomedicine, Ecology and Conservation Biology, Economics and the Digital Society; Digital Humanities and big data.

The grants awarded in previous years have already had positive results. In 2016, the BBVA Foundation showcased the

creations of the ten audiovisual artists who received grants in the first year.

Through the **Multiverso Videoarte** show, the Foundation has opened its doors to the public as an exhibition center for one of the most innovative and representative cultural demonstrations of our times. This new line of action will be continued and aspires to emulate the success of the Foundation's involvement with contemporary music.

Together with these grants, the dissemination of **research and creation** remains one of the key cross-cutting elements of the BBVA Foundation's work, with a number of cycles of conferences and the production of audiovisual materials. The successful cycle of conferences on astrophysics and cosmology *La ciencia del cosmos* (the Science of the Cosmos) continued in 2016. Speakers at the fifth edition of this event included Nobel Prize winner Samuel Ting, professor Mark McCaughrean from the European Space Research and Technology Center, and David Reitze from the California Institute of Technology (Caltech), one of the leaders behind the direct detection of gravitational waves, considered the scientific milestone of the year. Elsewhere, CERN (European Organization for Nuclear Research) has continued to cooperate with the BBVA Foundation with a new series of conferences. Highlights included the talk given by Michael Benedikt, head of the Future Circular Collider study. The talks in both cycles are available in Spanish and English on the [BBVA Foundation website](#).

The different families of **awards** that the BBVA Foundation organizes exclusively or in collaboration with other institutions, have continued to give visibility and recognition to people who contribute significantly to scientific and technological and cultural progress. This goal can be seen in its highest form at the BBVA Foundation Frontiers of Knowledge Awards, which are outstanding for the number of categories, the standing of its jury and the international prestige of the prizewinners. In 2016, the winners included Stephen Hawking, who shared the Pure Sciences prize with Viatcheslav Mukhanov.

The importance of the 11th year of the BBVA Foundation Awards for Biodiversity Conservation was reflected in the awards ceremony, which has become a meeting point for the Spanish conservation community.

The two families of awards organized in collaboration with the Royal Spanish Society of Physics and the Royal Spanish Society of Mathematics, have linked the BBVA Foundation with the best of several generations of Spanish researchers in these two pillars of scientific knowledge.

The Foundation offers support to other scientific societies and helps ensure that international figures speak at their

congresses. For example, the SEBBM-BBVA Foundation Conference this year was hosted by Paul Nurse, winner of the Nobel Prize for Medicine, and speakers at the 12th Spanish Sociology Congress included sociologist and professor at the universities of Princeton and Miami, Alejandro Portes.

As part of its **cultural activities** and the annual exhibitions program, BBVA Foundation has been the exclusive sponsor of an exhibition celebrating the 5th centennial of Hieronymus Bosch, which attracted an all-time record of visitors (600,000) to the Prado Museum. Louise Bourgeois, *Estructuras de la existencia: las Celdas* (Structures of Existence: Cells), was this year's exhibition at the Guggenheim-Bilbao Museum, and *Fin de partida: Duchamp, el ajedrez y las vanguardias* (Endgame: Duchamp, Chess and the Avant-Gardes) was organized by Fundació Miró, in Barcelona.

In addition to these sponsorships, the BBVA Foundation is partnering with the Thyssen Bornemisza Museum on the electronic front, with the launch this year of new digital publications and apps such as Second Canvas.

Music is a key part of the Foundation's cultural activity, both through its support of some of the country's leading institutions (the Teatro Real in Madrid, the Bilbao Association of Friends of the Opera (ABAO) and the Gran Teatre del Liceu in Barcelona), and above all through its own initiatives promoting the creation, performance and dissemination of contemporary music.

In addition to the concerts held regularly in Madrid and Bilbao, in 2016 BBVA Foundation played an important role in the production of the latest CDs by pianists Judith Jáuregui (*X*) and Alberto Rosado (*e-piano video & electronics*, with DVD included).

Composer Tomás Marco gave a cycle of talks in 2016 called "*Escuchar la Música de los siglos XIX y XX*" (Listening to 19th and 20th century music), open to the public at the Foundation's offices in Bilbao and Madrid.

As part of its collaboration with regional symphonic orchestras, the 4th AEOS-BBVA Foundation Conference was held in 2016, and was used to identify first-hand innovative international experiences that help bring classical music to new audiences.

In the **socioeconomic** field, research produced as part of the collaboration with the Valencia Institute of Economic Research (Ivie) had a significant impact. Highlights include the regular projects, the U-Ranking report, the *Esenciales* (Essentials) series and the following monographs:

- Distribution of income, economic crisis and redistribution policies.
- Educational accounts in Spain 2000-2013: resources, expenses and results.
- The competitiveness of Spanish regions in the knowledge economy.

BBVA Research

BBVA makes available to shareholders, investors and the public in general a wide range of **reports, analyses and studies** on developments in the economy and the financial sector, both nationally and internationally, particularly across the Group's global footprint. The BBVA Research Department prepares macroeconomic forecasts, in-depth studies, research work and economic analyses on a variety of topics: national and regional macroeconomics, central banks, the financial sector and regulations, the digital economy, geostrategy, migration, financial inclusion and country risk, across various sectors. In 2016, BBVA Research has drafted more than 1,650 economic publications.

These publications have been prepared in different **formats** and document types: flashes, computer graphics, presentations, working papers, books, observatories and magazines, published with a varying **frequency**, ranging from daily to quarterly and annual.

BBVA Research has won increasing prestige through its work. In fact, its forecasts and analyses are regarded as a credible alternative to official statistics, as can be seen by the frequent mentions of its forecasts in the media and among analysts. As a result, it has become, in fact, an **opinion leader**.

All this information is available and constantly updated on the website www.bbvarresearch.com and the social media, through which it participates very actively.

Lastly, BBVA Research has a global reach, as reflected in the **languages** in which the documents are available. Spanish and English account for over 95% of the total, but documents have also been written in Catalan, Basque and Portuguese.

Local educational and cultural initiatives

In 2016, in addition to supporting financial education, BBVA continued to focus on **education in values** to promote social integration and training among children and young people. A total of 150,165 people benefited directly from these social and educational programs.

Social and Educational Programs (BBVA Group. Direct Beneficiaries)

	2016	2015	2014
Pre-School and Primary Education	85,295	83,720	71,599
Secondary Education	17,575	53,451	200
Trainings for adults	47,295	152,945	244,893
TOTAL	150,165	290,116	316,629

BBVA continues to promote access to quality education for underprivileged children and young people in South America and Mexico through the **Niños Adelante** (Forward, children) program. In 2016, €9,658,129 was allocated to it, benefiting 73,273 school children. The program is adapted to the reality of each country, and thus benefits a variety of groups. In Mexico, it helps children of Mexican parents who emigrate to the United States in search of a better future; in Colombia, children in deprived areas; and in Peru, children with poor reading skills. In 2016, initiatives continued to increase third-party commitment to the program, with the participation of employees volunteering as sponsors and donations from customers through ATMs, online banking and financial instruments.

Annex 19 - Niños Adelante (Forward, children)

BBVA also develops programs that address other aspects of education, such as **educational quality**, focusing on support for teachers, providing them with ongoing training and tools to improve their educational work. At a global level, BBVA has been a partner in the areas of science and culture with the Organization of Ibero-American States (OIS) since 2008. BBVA supports the creation and development of the OIS's Ibero-American Institute for Early Childhood and the *Becas Paulo Freire* (Paulo Freire Scholarships) program aimed at promoting the mobility of undergraduates and university graduates who are taking studies that lead to a teaching profession. It is also working to develop the project *Metas educativas 2021: La educación que queremos para la generación de los bicentenarios* (Educational targets for 2021: the education we want for the bicentennial generation).

Various programs are also being developed locally to improve the quality of education. In **Turkey**, Garanti created the Teachers Academy Foundation (ÖRAV) in 2009. Its aim is to contribute to the personal and professional development of teachers, who are the fundamental pillars for the growth of the new generations. ÖRAV, the first and only NGO in Turkey working with a focus in this area, has provided support for more than 90,000 teachers in 81 towns and cities. The program also has a platform for the continuous training and exchange of information accessed by more than 80,000 users.

In **Spain**, BBVA has supported the *Acción Magistral* (Teacher Action) project since 2012. It is a joint initiative with the FAD (Drug Addiction Support Foundation), UNESCO and

BBVA that, in addition to promoting the work of teachers through the Teacher Action Prize, offers them online and in-person training in a variety of areas and provides them with educational resources to improve their performance. In 2016, a total of 6,539 teachers participated in the program through the platform and face-to-face meetings.

BBVA also works in the **United States** in partnership with Teach for America, an organization that works to eliminate educational imbalances for students with limited incomes. The organization recruits, trains and supports talented people who are committed to give classes in schools with limited resources for two years. In 2016, a total of 1,110 people benefited from this program.

BBVA is also working on a program to offer **training in values**, through initiatives such as the BBVA Route, an educational trip sponsored and organized by BBVA since 1993. In 2016 the latest trip was made to Mexico and Spain. In addition to working actively on values such as effort, equal opportunities, mutual respect and eliminating inequality, the 182 participants from 21 countries received training in developing entrepreneurial skills through the Social Entrepreneurship Program developed by the INIT Group. This encourages young people to get involved in resolving social problems in their communities relating to health, environmental sustainability, the collaborative economy and educational innovation.

In addition to these projects to promote access to education, educational quality and education in values, BBVA develops other **local training programs** such as:

- The Reading Counts initiative developed with Scholastic Inc in the United States to encourage reading among underprivileged children.
- A partnership with NBA Cares, with initiatives including financial education sessions.
- A partnership with the Government of the State of Chiapas and the See Well to Learn Better Foundation in Mexico, which works to help high-school children by providing them with customized glasses.
- The Children's Knowledge Olympics also held in Mexico, in collaboration with the Department of Public Education. Each year prizes for academic excellence are awarded to the top students in the sixth year of elementary school.
- The National Teaching Awards in Colombia is an initiative that recognizes the effort made every day by thousands of teachers across the country to promote reading and writing among students.

[Annex 20 - Main educational programs](#)

Additionally, BBVA has continued to support **culture** in a number of countries across its global footprint in 2016.

In **Mexico**, the BBVA Bancomer Foundation, through its *Fomento Cultural* (Cultural Promotion) program, supported art exhibitions attended by more than 14 million visitors, musical festivals, theater workshops and film projects through various grants and schemes. The Bancomer Grant for the Arts has become a unique cultural promotion platform in Mexico. It makes use of private initiative to drive the production of avant-garde cultural projects and excellence in all art disciplines. It also invests with commitment and enthusiasm in the professionalization and development of the artistic community. The Bancomer-MACG (Carrillo Gil Art Museum) program is a biannual initiative whose objective is the professionalization of ten visual artists under the age of 35. Each artist receives a personalized training program and the support of specialist advisors. In addition, they are given the opportunity to exhibit at prestigious museums that also include a bilingual publication summarizing the process involved in the program.

In **Turkey**, Garanti has focused on making cultural environments suitable for research and production available

to society and on creating a truly authentic and independent cultural institution that develops through interaction with its users. This vision led to the reconstruction of the highly successful Platform Garanti Current Art Center, Ottoman Bank Museum and Garanti Gallery, which formed part of the bank, as a single independent institution called SALT in 2011. Since it was created, SALT has housed 9 exhibitions and attracted more than 175,000 visitors.

A number of initiatives have also been supported in Argentina, Chile, Colombia, the United States, Paraguay, Peru, Uruguay and Venezuela that impact directly the development of the cultural sector in the country. These include:

- Sponsorship of the Art Song Concert at the Higher Institute of Art in Argentina.
- Also in Argentina, BBVA Francés supported the 6th *San Isidro Jazz y Más* (San Isidro Jazz and More) Festival, organized by the municipality of San Isidro.
- In Venezuela, the Banco Provincial Foundation's exhibition program: Of note this year, as one of the events celebrating the 4th centennial of the death of Miguel de Cervantes, was the exhibition *Miguel EN Cervantes: El retablo de las maravillas*.

5.5.6. Fiscal transparency

Fiscal strategy

In 2015, the BBVA Board of Directors approved the "[Corporate principles in BBVA's tax and fiscal strategy](#)".

The strategy forms part of BBVA's corporate governance system and establishes the policies, principles and values that guide the way the Group behaves with respect to taxes. This strategy has a global scope and affects everyone who is part of the Bank. Compliance with the strategy is very important, given the scale and impact that the tax contributions of large multinationals such as BBVA have on the jurisdictions where they operate.

Effective compliance with the fiscal strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basis points:

- BBVA's decisions concerning fiscal-related matters are determined by the payment of taxes, given that they contribute heavily to the economies of all the jurisdictions in which it operates. Tax payments are aligned with effective business practices and the generation of value in the different geographic areas in which BBVA operates.
- Active adaptation to the new digital environment, also in terms of taxation, through the incorporation of virtual presence into the generation of value, and its consequent valuation.
- The establishment of reciprocal cooperative relations with tax authorities that are based on the principles of transparency, mutual trust, good faith and fairness.

- Promotion of a clear, transparent and responsible reporting strategy to stakeholders on its main fiscal-related matters.

Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why every year since 2011 we have voluntarily disclosed all major tax payments in the countries where we have a significant presence.

The BBVA Group's **total tax contribution** (TTC), which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes. In other words, it includes both the taxes related to the BBVA Group companies (taxes which represent a cost to them and affect their results) and taxes collected on behalf of third parties. The [TTC Report](#) gives all the stakeholders an opportunity to understand our tax payment process and represents a forward-looking approach and commitment to corporate social responsibility by which BBVA assumes a leading position in fiscal transparency.

Global Tax Contribution (BBVA Group. Millon euros)

	2016	2015	2014
Own taxes	3,762	2,816	3,185
Third-party taxes	5,678	5,341	4,994
Total tax contribution	9,440	8,157	8,179

5.5.7. The environment

BBVA's **commitment** to the environment is reflected in its global [environmental policy](#). BBVA has adhered to the major international agreements related to this matter, such as the United Nations Environment Program Finance Initiative (UNEP FI), the Equator Principles, the Principles for Responsible Investment (PRI), the United Nations Global Compact, the Green Bond Principles and the Carbon Disclosure Project (CDP). BBVA is also a member of the Spanish Green Growth Group and has subscribed to various initiatives in support of a strong, ambitious response to climate change, such as the statements by the [European Financial Services Round Table \(EFR\)](#), the [Alliance of Energy Efficiency Financing Institutions](#), and the Energy Efficient Mortgage initiative of the European Mortgage Federation.

BBVA seeks to address the management of environmental risks and the **opportunities** arising from such risks, especially those related to climate change, by implementing an integral approach. To that end, in 2016 it began working on a framework that encompasses both aspects, and which is expected to be released in 2017. The environmental risk management tools at our disposal are described in this Report, specifically in the chapter on Social, Environmental and Reputational Risk; the opportunities are set out in the section on People-Centric Solutions, within the chapter on Customers.

Eco-efficiency

In 2015 we concluded our second **Global Eco-efficiency Plan (GEP)**, far exceeding all the targets that were set. In 2016 we worked on defining a new GEP, focused on positioning BBVA among the world's leading eco-efficiency organizations. The GEP has established the following core strategic areas and global targets for 2016-2020:

1. Environmental management and sustainable construction:
 - 42% of occupants in environmentally certified buildings
2. Energy and climate change:
 - 5% reduction in electricity consumption per person
 - 48% of energy comes from renewable sources
 - 8% reduction in CO2 emissions per person
3. Water:
 - 5% reduction in water consumption per person

- 9% of people in properties with alternative water supply sources
4. Paper and waste:
 - 5% reduction in paper consumption per person
 - 30% of people in properties with sorted waste collection
 5. Extending the commitment:
 - Awareness campaigns for employees and suppliers

Main GEP indicators (BBVA Group)

	2016	2015	2014
People working in certified buildings (%) ^{(1) (2)}	40	33	18
Electricity usage per person (MWh)	5.8	6.4	6.4
Energy coming from renewable sources (%) ⁽³⁾	25	30	n/av
CO2 emissions per person (T)	2.5	2.7	2.7
Water consumption per person (m ³)	21.1	22.3	24
People working in buildings with alternative sources of water supply (%)	10	14	n/av
Paper consumption per person (T)	0.1	0.1	0.1
People working in certified buildings (%)	32	33	18

n/av = not available.

⁽¹⁾ Including ISO 14001 and LEED certifications.

⁽²⁾ Including Torre Reforma and BBVA Bancomer Operational Center buildings in Mexico, which are currently in the process of certification.

⁽³⁾ It corresponds to the electrical energy consumption of Spain with respect to the total.

Note: indicators calculated based on employees and external staff.

To achieve these targets, in 2016 BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all the countries where the Group is present, most notably:

- 100% of the energy supply in Spain to be procured from renewable sources. In Mexico, a fifteen-year agreement has been signed to provide renewable energy to the branch network and corporate head offices starting in 2017. In Uruguay, 52 photovoltaic panels have been installed in one of the main branches in the country, as part of a pilot project aimed at implementing renewable energy in the branch network.
- Implementation of the new IFM (Integrated Facility Management) model for properties in Spain, which has saved 3.2 million kWh in its first year, equivalent to the consumption of 110 retail network branches and the emission of 1,300 tons of CO2. This model is in its initial implementation phase in Mexico and has already reported an average saving of 15% on consumption at 251 branches.

- Automation of air conditioning and lighting systems in the branches of countries such as Mexico, Colombia and Peru, with average energy savings of 19% per year.
- Renewal of Environmental Management System certifications under ISO 14001 in Argentina, Colombia, Spain, Mexico, Peru, Uruguay and Turkey. In total, 1,047 branches and 77 of the Group's buildings around the world possess this certification. Likewise, Environmental Management System certifications under Standard ISO 50001 have been renewed for buildings on the La Moraleja Campus and Ciudad BBVA in Madrid.
- The new BBVA City corporate headquarters and the La Isla service building in Madrid were granted the Gold LEED certification for sustainable construction and design, while the training buildings in Mexico, Tere and Murano received the Silver LEED certification. Tower A in the Parque Titanium complex, Santiago, BBVA's new headquarters in Chile, was awarded a Gold LEED Core & Shell certification. These certifications are in addition to the 16 BBVA buildings that have already received this prestigious environmental certification.
- Participation in the Earth Hour campaign, during which 123 buildings and 342 branches in 154 cities throughout Spain, Portugal, Mexico, Colombia, Argentina, Peru, Paraguay, Uruguay, Chile, the United States and Turkey turned off their lights.

[Annex 21 - Public water consumption](#)

[Annex 22 - Paper consumption.](#)

[Annex 23 - Consumption of energy.](#)

[Annex 24 - CO₂ emissions](#)

[Annex 25 - Waste management](#)

5. 6. Suppliers

For BBVA, its suppliers are a fundamental part of its business model. For this reason, given the possible impacts that could be generated in the countries where the Bank operates, it was decided in 2015 that its relationship with suppliers should be governed not only by the Responsible Procurement Policy and the corporate standard for Procurement of Goods and Contracting Services, but also by the same Code of Conduct in force within the rest of the Organization. These three documents together establish criteria that affect both the approval process and the tender specifications and contracts.

The principles included in the Code of Conduct are transferred to the purchasing function through the Principles Applicable in the Procurement Process (IPA). They apply to all units involved in the supply process, in any of the entities of the BBVA Group, and link all the people who carry out

their work in some of the functions that are part of this procurement process.

Basic supplier data (BBVA Group)

	2016	2015	2014
Number of suppliers	4,240	4,598	4,321
Supplier turnover (million euros) ⁽¹⁾	7,751	8,443	7,186
Supplier satisfaction index ⁽²⁾	n/a	81.6	81.6
Number of approved suppliers ⁽³⁾	1,148	1,037	893

n/a= not applicable.

⁽¹⁾ Payments made to third parties. Does not include suppliers with amounts below €100,000.

⁽²⁾ Biennial survey until 2015.

⁽³⁾ Data corresponding to BBVA, S.A.

5.6.1. Supply chain

BBVA has a **global technological platform** that supports every stage of the procurement process in the Group (budgeting, purchasing and finance): the Global Procurement System (GPS). The platform is operational in Spain, Mexico, Peru, Colombia, Chile, Argentina, Venezuela and the regional procurement organization of South America (hub in Chile), which provides the procurement services for the rest of the countries in the region. GPS is integrated into the Adquira marketplace technology platform. The platform enables online interaction between the Group's companies and their suppliers in a collaborative environment through the electronic exchange of documents.

It thus covers the main stages in the **procurement process**, from the issue of orders to the registration of invoices, including electronic invoicing, and ensures legal validity in Spain and Mexico. In 2016 the Adquira marketplace functionality was extended, allowing suppliers to manage online the exchange of documents and information supporting the supplier approval process, as well as storing their data with BBVA.

Within the GPS, BBVA has an electronic catalog procurement tool (SRM) accessible through the intranet, which is designed to issue decentralized procurement requests; i.e., directly from the user area. SRM is available in Spain, Mexico and Chile, and will be implemented in Peru in the first quarter of 2017. In addition, it is expected to be implemented in Colombia and Argentina in the future.

Supplier Portal

In 2016, BBVA launched the **Supplier Portal** to facilitate the Group's online relationship with its suppliers. It is a collaborative environment that targets companies and self-employed workers or people interested in working with BBVA Group, allowing them to interact with the Bank electronically during the whole procurement cycle.

The Supplier Portal consists of two **environments**:

- A public environment, accessible from the website (<https://suppliers.bbva.com>), which provides general information on the procurement process in BBVA, as well as relevant aspects of its purchasing model. In addition, companies and self-employed workers who want to offer their products and services to the Bank can register on the portal and keep their data updated.
- A private environment, that allows suppliers who are already working with BBVA to operate fully online, from the tender process (online auctions) and approval, to the payment (e-invoice) through the Adquira platform.

In addition to the Portal, a **Supplier Directory** has also been created. This is a new internal tool that can be accessed via the intranet, allowing users to consult contact data and general information about the Bank's suppliers.

5.6.2. Supplier management

Approval process

BBVA has an **approval process** in place for its recurrent suppliers with significant procurement volumes. This approval process assesses the financial, legal, labor and reputational position of the suppliers, gives information on their basic technical capacities and verifies that the shared values are the same as the Group with respect to social responsibility. It also determines whether suppliers are complying with their legal responsibilities (employment or environmental regulations, etc.) and whether they promote their civic responsibilities, through compliance with the following aspects:

- Compliance with UN social and environmental principles.
- Adoption of internal measures to guarantee diversity and equal opportunities in human resources management.
- Adoption of measures to promote occupational health and safety, preventing accidents and incidents at work.
- Support freedom of association and collective bargaining of workers in all the countries in which they operate.
- Existence of a code of conduct or policy to prevent forced labor, child labor, and other human rights violations, by the company itself and by its subcontractors.
- Existence of a code of conduct or policy to avoid bribery and corruption.
- Involvement in activities through direct actions or donations or in collaboration with other organizations and institutions to promote culture, scientific knowledge, sport, the environment or marginalized sectors.
- Hiring people with disabilities.
- Existence of a corporate social responsibility policy in the company.

The approval is reviewed periodically and is subject to continuous monitoring. As part of the constant improvement in this process, in 2016 an alert system for approved suppliers was implemented, to ensure that updated information on certain events, which could affect their solvency or risk is available. Work is being done to establish global approval criteria for all the geographical areas and to determine a reputational risk assessment procedure for suppliers, which aims to strengthen the current approval procedure.

The percentage of approved suppliers is 30%, which accounts for 71% of the total awarded.

Percentage of local suppliers

BBVA has a firm **commitment** to contribute to economic and social growth in the countries where it operates. Thus 97% of the suppliers are local, and they account for 87% of the total orders. For this purpose, local suppliers are considered those whose tax identification code coincides with the country of the company that receives the goods or services.

Impact management

A proper management of the real and potential impacts a company such as BBVA can provoke is needed within the procurement process. BBVA has a series of **mechanisms and rules** in place to manage these impacts: Procurement Policy, Approval Process and Corporate Standard for Procurement of Goods and Contracting Services.

These **impacts** may be:

- Environmental impacts.
- Impacts created by unethical employment practices within the suppliers' companies.
- Impacts derived from the lack of freedom of association.
- Impacts on human rights (HR).
- Positive or negative impacts on society.

The Responsible Procurement Policy establishes that during the procurement process special attention should be paid to comply with the legal requirements applicable with respect to **human rights, employment rights, rights of association and environmental rights** by all those involved in the process, and to involve them in the Group's efforts aimed at preventing corruption. Likewise, the aim is to ensure that the choice of suppliers is adapted to the internal rules in place at any time, and in particular aligned to the values of the Group's Code of Conduct, based on respect for the law, commitment to integrity, competition, objectivity, transparency, value creation and confidentiality. The clauses included in the specifications and the contractual models include the following:

- Compliance with the law in each geographical area, and in particular with the obligations it imposes with respect to personnel, Social Security or the systems of alternative social insurance, recruitment of foreign workers, the Tax Authority, public records, etc.
- Compliance with current legislation on the social integration of people with different capabilities.

- Clauses that ensure policies are in place to avoid gender discrimination, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with labor, security and occupational health legislation.
- Anti-corruption declaration.
- Adhesion to the United Nations Global Compact.

The Responsible Procurement Policy also establishes as one of its principles to “raise awareness in social accountability of staff and other stakeholders involved in the Group’s procurement process.”

With respect to **security firms**, which are particularly critical on these matters, the specifications and contracts establish compliance with current law, with particular attention to labor law and law specific to these kinds of companies, as well as compliance with human rights, non-discrimination policies, equality, etc.

In order to promote inclusion and diversity BBVA in Spain has been in contact with various **Special Employment Centers** (CEE) to examine in depth the areas of potential collaboration. As a result of this engagement we have signed a significant volume of contracts with CEE. The total volume of purchases in 2016 was over €2.1m.

BBVA maintains its commitment to the **environment**, and uses green energy for its buildings and branches in Spain. Green energy certifies a 100% renewable energy production and source, avoiding emissions of CO2 and other polluting gases. This commitment has been applied to Mexico, creating a renewable energy integration plan for its buildings and branches. LEED and ISO 14001 energy certifications are further proof of this commitment.

[Annex 26 - Number of suppliers and annual turnover](#)

[Annex 27 - Average payment period to suppliers](#)

[Annex 28 - Supplier satisfaction index](#)

[Annex 29 - Supplier Approval](#)

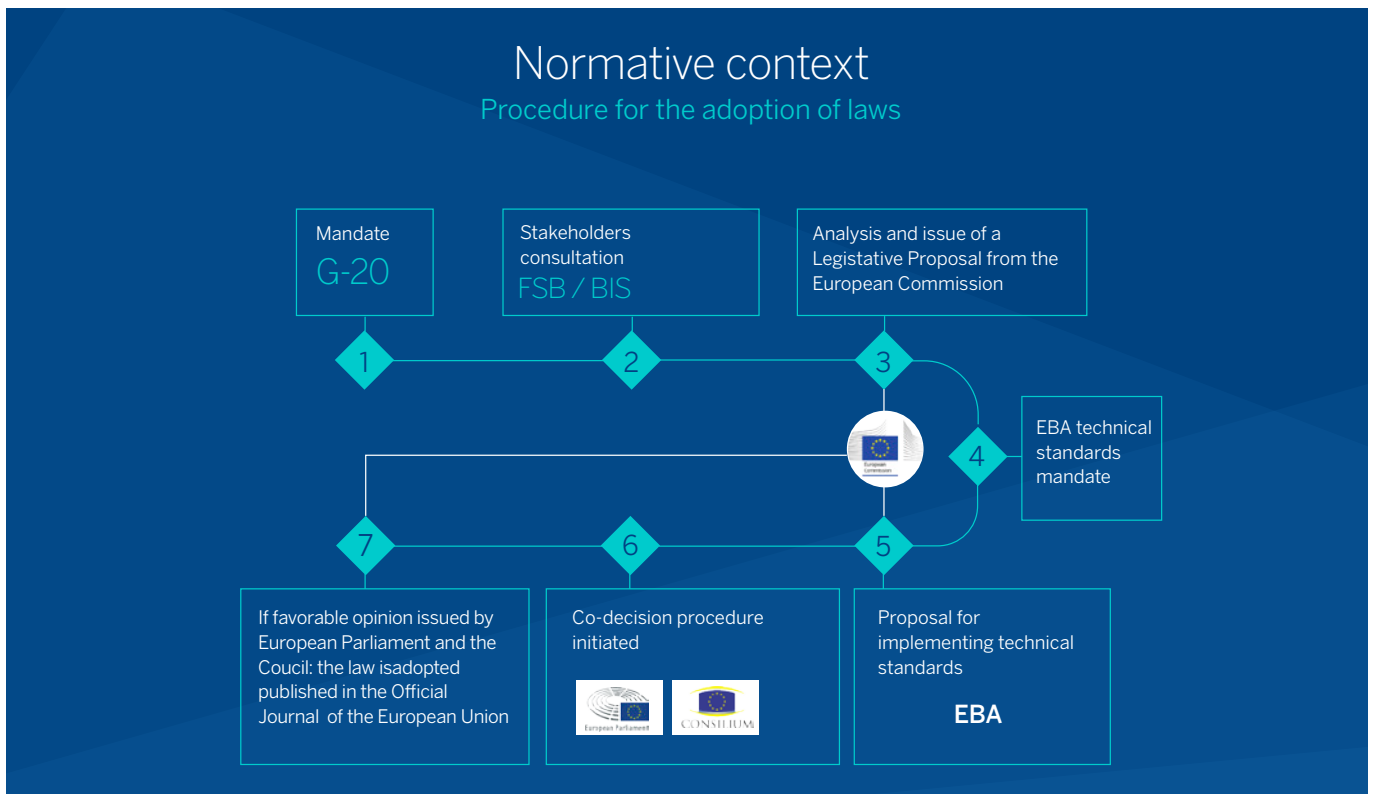
5. 7. Supervisors and regulators

The nature of the operations involved makes banking one of the key sectors of a country’s economy, as much of the savings, investment and finance are channeled through it. That is why banks are subject to special scrutiny, which is known as **banking regulation and supervision**. The regulators and supervisors are therefore important stakeholders in the financial industry in general and BBVA in particular.

Public regulation aims to ensure that financial institutions operate correctly, strengthen their resilience to adverse events and harmonize the interests of all the parties directly

affected (such as banks, savers and investors) with the general interest.

Over the last few years, a number of European **authorities** such as the European Banking Authority (EBA), the European Securities and Markets Authority (ESMA), the European Commission, etc. and also global authorities such as the Financial Stability Board (FSB), Basel, etc. have developed a regulatory framework to improve the strength of the financial system and thus reduce the virulence and also the probability of future financial crises.



Given the importance of the new regulatory agenda, BBVA has maintained a constant **dialog** with the different regulators to adapt to this new reality under the best conditions.

Parallel to this regulation, over the last few years changes have also taken place in the **supervisory environment**, especially in the Eurozone. In June 2012 the heads of state and government of the European Union promoted the creation of a single banking supervisor with the aim of improving the quality of supervision in the Eurozone, boosting market integration and breaking the negative vicious circle that had been created between the lack of confidence in

banking institutions and the doubts about the sustainability of public debt.

Thus, the launch of the **Single Supervisory Mechanism (SSM)** on November 4, 2014 has been one of the fundamental milestones in banking union. Thanks to the SSM, all the financial institutions in the Eurozone of a certain size will be supervised under the same regulatory and methodological framework, regardless of their geographic location. The appearance of this new mechanism, which is now in fact the supervisor with the greatest volume of assets under its responsibility, requires banks to adapt to the new environment.

In addition, the entry into force of Directive 2014/59/EU on January 1, 2015 has involved the establishment of a new European framework for the restructuring and resolution of credit institutions and investment firms, called the **Single Resolution Mechanism (SRM)**, which has been fully operational since January 2016. Its mission is to ensure an orderly resolution of insolvent banks or banking groups, with the minimum impact on the real economy and public finances of the member states participating in the banking union. Its role is not limited to crisis situations; its priority objective is to implement and identify preventive and preparatory measures, such as developing resolution plans, establishing a minimum requirement for own funds and eligible liabilities (MREL) and identifying and dealing with barriers to resolution.

In the case of **BBVA** it was decided to strengthen the relationship with this supervisor with the creation of the Global Supervisory Relations unit, which is responsible for coordinating relations with the SSM and other supervisors, such as the Single Resolution Mechanism (SRM), and to facilitate relations with local supervisors. SSM supervision takes place through mixed groups made up of Bank of Spain teams located in Madrid and ECB teams located in Frankfurt, together named Joint Supervisory Teams (JST). For this reason, BBVA has decided to open an office in Frankfurt to facilitate dialog with the ECB teams. The SRM itself is made up of the Single Resolution Board (SRB), based in Brussels, and the National Resolution Authorities (NRA), which in the case of Spain are the Bank of Spain, the preventive resolution authority, and the Fund for Orderly Bank Restructuring (FROB), the executive resolution authority.



In **2016**, supervisory activity was intense in terms of requests for information, meetings and dialog between BBVA and the supervisor.

In the case of **SSM** this ongoing communication is based on four pillars:

- Review of the business model.
- Corporate governance and risk appetite.
- Capital risk.
- Liquidity risk.

Thus prudential supervision is acquiring a holistic component that extends beyond a simple financial review of the entity, with long-term vision acquiring increasing relevance. As well as the relationship with the **SSM**, the dialog with the **SRM** also took on significant relevance in 2016. Although the focus of the SRM is different from that of the SSM, it will play a significant role over the coming years as another player to be taken into account within the supervisory and regulatory spectrum.

In conclusion, for BBVA constant **dialog** with the supervisor and regulator has become a fundamental task for adapting to this new environment, characterized by greater regulatory pressure and a stronger and more intrusive supervisory culture. Only this way BBVA can guarantee a correct response to the supervisors' new regulatory requirements and demands.