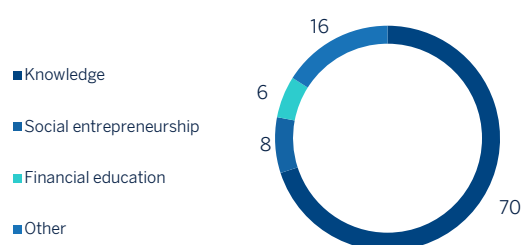


# Contribution to society

## Investment in social programs

In **2017**, BBVA allocated €103m to social projects. This figure accounts for 2,9% of the Group's net attributable profit.

Investment data by focused action (Percentage)



In 2017, BBVA has continued to push forward the main **areas** of action of the Community Investment Plan for the period 2016-2018, which include:

1. Financial education, aimed at promoting the acquisition of financial skills and competencies to enable people to make informed financial decisions.
2. Social entrepreneurship, designed to support the most vulnerable entrepreneurs and those whose companies have a positive social impact.
3. Knowledge, through support for initiatives that drive development and create opportunities for people.

Geographical areas and Foundations (Thousand euros)

	2017	%	2016	%	2015	%
Spain and corporate areas	24,728	24	16,923	16	22,230	21
The United States	9,042	9	8,732	8	7,609	7
Mexico	26,847	26	24,612	24	28,068	27
Turkey	5,184	5	6,193	6	8,518	8
South America	5,971	6	6,380	6	7,586	7
BBVA Foundation	25,930	25	25,598	25	24,288	23
BBVA Microfinance Foundation	5,372	5	4,827	5	5,307	5
<b>Total</b>	<b>103,075</b>	<b>100</b>	<b>93,265</b>	<b>100</b>	<b>103,606</b>	<b>100</b>

**Education for society** was one of the core areas of the previous Plan until 2016. It is now 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, educational quality and education in values 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 **community support activity** since 2016 has been focusing on these three strategic lines, although at the local level 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 backs educational and community development projects carried out by non-governmental organizations, and other non-profit associations and institutions.

## Financial education

Financial education is one of the three lines of action established in the 2016-2018 Community Investment Plan.

### Financial education for society

Through its financial education **programs**, BBVA fosters the acquisition of financial knowledge, skills and abilities that allow people to make better financial decisions and thus access new opportunities.

Since 2008, BBVA has run its own financial education programs and worked together with other actors on more projects. These programs are designed for a diverse target audience, including children, young people and adults, and also entrepreneurs and managers of small businesses. They cover a broad range of subjects, from financial planning to savings and investment. BBVA also adapts its programs at a local level to provide financial education adapted to the environment and economic reality across its global footprint.

In these ten years, BBVA has invested over €73m, benefiting over 11 million people.

Beneficiaries of the financial education programs (Number)			
	2017	2016	2015
Children and young people	2,125,817	2,143,161	1,108,755
Adults	148,537	396,988	368,055
SMEs	16,315	34,305	59,398
<b>Total beneficiaries of financial education <sup>(1)</sup></b>	<b>2,290,669</b>	<b>2,574,454</b>	<b>1,536,208</b>
Total investment in financial education (euros)	6,284,943	10,166,675	12,448,665

<sup>(1)</sup> Beneficiaries may not be unique.

### Integration of financial education in customer solutions

As well as providing financial education for society, in **2017** BBVA worked to integrate financial education into customer solutions, transferring experience in the area of practical financial education courses to customer experience. BBVA wants to help customers improve their personal finances through tips, communications and reminders, optimizing their financial abilities and supporting them throughout their financial lives, allowing them to access new opportunities and achieve their goals. In 2017, BBVA launched functionalities onto the market for this purpose, including Financial Check-up and Economy.

### Promotion of financial education

BBVA works 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 people's well-being.

One of the key milestones in this respect in **2017** was the launch of the Center for Education and Financial Abilities, a virtual platform to promote the importance of financial knowledge and abilities through research, dissemination and learning geared to action. The center receives advice from a team of experts in financial education, including representatives from prestigious organizations such as the IDB, the World Bank, the CAF, the European Banking Federation, the Organization for Economic Cooperation and Development (OECD) or the Ibero-American General Secretariat, among other .

In 2017, the Center held its first annual event, the **Edufin Summit 2017** in Mexico City. The conference dealt with relevant issues such as measurement of financial education, behavioral economics, national strategies, and financial education in the digital environment. A total of 30 experts from the world of education and financial inclusion took part, and it was attended by 242 people from 18 countries.

In addition, in 2017 BBVA continued with the support it has been giving since 2010 to the OECD in drawing up its **PISA report** on financial competence. The collaboration of BBVA makes possible to carry out an assessment on the financial knowledge and skills of 15-year-olds. This assessment has been conducted every three years since 2012 and its results have shed light on a vast field for possible improvement in the majority of the participating countries. The results of the assessment conducted in 2015 were published in May 2017 and presented at an event held at the OECD headquarters in Paris, attended by Her Highness Queen Máxima of the Netherlands, the Secretary-General of the OECD, Ángel Gurría, and the Group Executive Chairman of BBVA, Francisco González. Through this collaboration with the OECD and other contributions, BBVA maintains its commitment to advocate and promote financial education, on which until 2017 it has invested €2.3m.

In 2017, BBVA continued to promote **financial education in the digital media**. The website [www.bbva.com](http://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 300,000 visits in 2017.

## Annex 12 - Financial education. Data by country

### Financial education programs for society detail

At local level, BBVA continued to develop financial education programs for children, young people, adults and SMEs.

The **programs for children and young people**, which are designed to increase their financial culture and promote values related to the use of money, include the following:

- “Valores de Futuro” (Future Values): a program that has been developed in Spain and Mexico. It is offered mainly at schools and consists of 60 workshops to encourage reflection and active participation, with the support of teachers. In some cases they are assisted by volunteers from BBVA. Since its launch in 2009, Valores de Futuro has already provided courses for more than 7.3 million children aged between 6 and 14.
- “Tus Finanzas Tu Futuro” (Your Finances, Your Future): a pioneering program promoted by the Spanish Banking Association (AEB, by its initials in Spanish) and run by the Junior Achievement Foundation. This is a unique initiative in which 24 private financial institutions participate, by making resources and volunteers available for financial education. In 2017, the AEB also developed two interactive programs for young people, with the participation of BBVA and other financial institutions: Me Suena un Poco (It Sounds to me a little) and Tu Dinero y Tú (Your Money and You). These programs use more innovative formats and are published on the social media.
- BBVA Entrepreneurship School in Colombia: a program aimed at promoting financial skills and knowledge among young entrepreneurs from more than 12 Colombian regions.
- Online Financial Education Course in Venezuela: aimed at young people who want to improve their financial skills. 3,458 young people have been benefited of this course during 2017.
- Banco Francés Financial Education Program: aimed at helping 1,099 young people aged between 12 and 19 to have financial and finance management knowledge and skills.

## Annex 13 - Financial education programs for children and young people

The **financial education initiatives for adults** were created to provide knowledge to assist in the decision-making needed to improve people's financial well-being and create better opportunities. Among them are:

- “Adelante con tu Futuro” (Forward with Your Future): the financial education program with the biggest infrastructure in Latin America. It was launched in Mexico in 2008 and has now extended to Chile, Colombia, Paraguay, Uruguay and Venezuela. It supports people through their different stages of life with a variety of channels (fixed classrooms, mobile classrooms and teams, online courses), instructors, volunteers and content aligned with the financial life cycle (savings, credit health, loans, investment, online banking, saving for retirement, etc.) and provides them with the tools they need to administer their finances better. Since its launch in 2008, Adelante con tu Futuro has run over 4.2 million on-site and online workshops, benefiting more than 1.7 million people.
- Financial Education for employees: in Chile, Colombia and Mexico, financial inclusion initiatives were consolidated to promote financial knowledge and skills in the work centers of companies and institutions that are customers of BBVA. 12,000 customers have been benefited from this workshops.
- Financial Opportunity Month: the BBVA Compass Foundation in the United States offers financial education courses organized by themes. Each month a theme is developed in workshops offered by BBVA Compass volunteers in all the states in which the bank is present.
- “Mi Jubilación” (My Retirement): an initiative launched in 2013 in Spain that since then has become a benchmark for information related to retirement and pensions. Mi Jubilación also promotes economic research into the reform of pension systems, through the BBVA Pensions Institute. The web received more than 700,000 visits in 2017 and 237,719 simulations have been performed.

Finally, BBVA promotes **training in financial skills for the financial management of small and medium-sized businesses** through educational workshops on subjects related to financial decision-making in SMEs. The main initiatives are:

- “Finanzas para Emprender y Crecer” (Finance for Entrepreneurship and Growth): support for entrepreneurs and micro-businesses, whether customers or non-customers, with classroom and online workshops, interactive videos and practical exercises.
- SME skills training programs 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.

- “Camino al Éxito” (Path to Success): a training program for SMEs offered in Chile, Uruguay and Venezuela.

#### Annex 14 - Financial education programs for SMEs

Financial education and the promotion of 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, the BBVA Microfinance Foundation, through Financiera Confianza, implements financial education and savings promotion initiatives for entrepreneur groups and vulnerable groups of the population with projects such as “Ahorro para Todos” (Savings for Everyone).

## Entrepreneurship

In the 2016-2018 Community Investment Plan the entrepreneurship support programs are organized into a single line of action that thus becomes particularly important. Through this line of action, BBVA supports two types of entrepreneurs:

- Vulnerable entrepreneurs, who are supported through the BBVA Microfinance Foundation.
- Entrepreneurs who create high social impact through their enterprises, who are supported by the BBVA Momentum program.

### BBVA Microfinance Foundation

As part of its commitment to **financial inclusion**, in 2007 the BBVA Microfinance Foundation (BBVAMF) was set up as 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 to foster the development of its customers and offers vulnerable entrepreneurs a customized service by bringing not only a full range of financial products and services to their homes or companies, but also advice and training related to the financial administration and management of their small businesses.

Every year, the Foundation publishes its **Social Performance Report**, entitled "Midiendo lo que Realmente Importa"

(Measuring What Really Matters). It offers economic and social information that provides more detailed information on certain characteristics and dynamics of the customers it serves, with the goal of offering a better financial and supportive service.

Since the Foundation was set up, it has disbursed an aggregate volume of US\$10,795m 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

	2017	2016	2015
Number of Customers	1,941,232	1,826,607	1,712,801
Social Impact (millions of people) <sup>(1)</sup>	6.8	7.3	6.9
Number of Employees	8,051	8,038	7,910
Number of Offices	514	507	509
Volume of credit portfolio (million euros) <sup>(2)</sup>	951	1,009	936
Average amount for microcredits (euros) <sup>(3)</sup>	1,090	1,161	1,046
Number of countries footprint	5	5	7

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

<sup>(2)</sup> Composed of current portfolio, portfolio in default and interest.

<sup>(3)</sup> Weighted by cumulative number of operations.

In **2017**, the Foundation, which has more than 8,000 employees, have continued to focus on the most disadvantaged areas, providing support for 1.9 million customers. Moreover, 57% of its customers are women, which contributes directly to reduce gender inequality.

Data from a gender perspective of the BBVA Microfinance Foundation

	2017		2016		2015	
	Number of Women Customers	Women/ Total Customers (%) <sup>(1)</sup>	Number of Women Customers	Women/ Total Customers (%) <sup>(1)</sup>	Number of Women Customers	Women/ Total Customers (%) <sup>(1)</sup>
Emprende Microfinanzas (Chile)	5,549	57	6,469	58	6,386	60
Fondo Esperanza (Chile)	96,300	82	91,793	83	85,549	84
Bancamía (Colombia)	505,310	55	463,663	56	443,239	56
Financiera Confianza (Perú)	237,672	48	228,393	49	213,740	49
Microserfin (Panamá)	7,470	43	7,198	42	6,754	43
ADOPEM (Rep. Dominicana)	256,818	66	259,996	67	244,577	68
<b>Total</b>	<b>1,109,119</b>	<b>57</b>	<b>1,057,512</b>	<b>58</b>	<b>1,000,858</b>	<b>58</b>

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

The Foundation's mission and methodology have been acknowledged by the United Nations on various occasions for their contribution to the SDGs of the 2030 Agenda for ending all forms of poverty, fighting gender inequality, supporting inclusive, sustainable economic growth and decent work, among other.

In 2016, the United Nations Economic and Social Council (ECOSOC) granted the Foundation consultative status, as an acknowledgment of its work within its area of action: microfinance for development. The United Nations may consult the Foundation to provide guidance and recommend actions conducive to sustainable development. In 2017, the Foundation has actively participated in the Commission on the

Status of Women (CSW61) at the United Nations Headquarters in New York.

On the other hand, since 2015, the Foundation has also formed part as founding member of the Private Sector Advisory Group for the UN Sustainable Development Goals Fund (SDG Fund), in which 13 institutions and global corporations provide strategic support to the UN to achieve the best results possible in sustainable development, in coordination with the private sector.

In addition, since 2016, the Foundation has also participated in the UN Secretary-General's High-Level Panel on Women's Economic Empowerment, which has selected the Foundation as a case study.

In 2017, to celebrate its 10th anniversary, the Foundation organized the Forum for the Development of Financial Inclusion, which dealt with the issue of financial inclusion, technological challenges and the role of women in the economy. Her Majesty Queen Letizia presided at the forum.

Disaggregated data by microfinance institution of the BBVA Microfinance Foundation

	2017			2016			2015		
	Customers	Employees	Offices	Customers	Employees	Offices	Customers	Employees	Offices
Emprende Microfinanzas (Chile)	9,796	148	20	11,106	163	21	10,568	159	21
Fondo Esperanza (Chile)	117,331	608	54	110,817	560	53	102,141	514	52
Bancamía (Colombia)	913,977	3485	200	828,499	3,542	199	785,535	3,583	200
Financiera Confianza (Perú)	493,164	2127	153	468,902	2,137	149	435,879	2,168	153
Microserfín (Panamá)	17,528	265	13	17,084	243	11	15,674	224	11
ADOPEM (Rep. Dominicana)	389,436	1,418	74	390,199	1,393	74	361,722	1,238	70
<b>Total</b>	<b>1,941,232</b>	<b>8,051</b>	<b>514</b>	<b>1,826,607</b>	<b>8,038</b>	<b>507</b>	<b>1,712,801</b>	<b>7,910</b>	<b>509</b>

In 2018, the Foundation will continue working to develop 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

	2017			2016			2015		
	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)	Average Loan Amount (euros) <sup>(1)</sup>	Default Rate (%)	Volume of Credit Portfolio (thousand euros)
Emprende Microfinanzas (Chile)	1,344	7.8	13,520	1262	6.4	13,861	909	4.9	10,473
Fondo Esperanza (Chile)	726	0.5	66,330	691	0.6	61,308	566	0.7	46,895
Bancamía (Colombia)	1,089	5.4	336,070	1205	5.3	354,004	999	5.1	329,843
Financiera Confianza (Perú)	1,723	2.9	403,716	1,871	2.9	434,566	1,820	2.2	419,894
Microserfín (Panamá)	1,309	3.5	23,960	1,397	4.4	25,888	1,278	4.3	22,167
ADOPEM (Rep. Dominicana)	609	4.0	107,699	669	3.7	119,571	584	3.5	104,809

<sup>(1)</sup> 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).

## BBVA Momentum

BBVA Momentum is a social entrepreneurship support **program** aimed at promoting the growth and consolidation of innovative social enterprises that are at the growth stage. The program provides entrepreneurs who are starting out with training in business management, strategic mentoring, visibility, networking and access to financing and the markets.

The program is carried out in coordination with top **business schools** and with the participation of BBVA executives, who provide a strategic mentoring service.

Created in 2011 and initially developed in only three countries (Spain, Mexico and Peru) it was transformed in 2017, when the program was given greater scope, efficiency and impact. In February it was launched simultaneously in five countries: Spain, the United States, Colombia, Mexico and Turkey. A total of 87 entrepreneurs participated in the program, completing the training period satisfactorily and submitted their growth plans to access financing. Since its launch, 199 companies have participated in the program.

[Annex 15 - Main indicators of BBVA Momentum](#)

## Other initiatives supporting entrepreneurship

Together with the initiatives within the 2016-2018 Community Investment Plan, there are other programs in BBVA supporting entrepreneurship, such as **BBVA Open Talent**, which has been mentioned in the chapters on Strategy and business model and Customer relationship in this report.

It is also important to note 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.

In Colombia, the **Emprendimiento Met Colombia** (Colombia Met Entrepreneurship) program promotes 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 initiative has been developed in partnership with the Met Community organization and has benefited 550 women entrepreneurs since it was launched.

Finally, the **Blue BBVA Challenge** has been held in Spain since 2012. It is a program that offers training in entrepreneurial techniques for young people, including ideation, prototyping, strategic vision and communication techniques. The methodology follows the “learning by doing” model, and includes: online training; an inspiration day, during which 250 young people work in teams to solve the challenges of their community; and a challenge experience, in which participants whose ideas receive most votes from a jury of experts work together for a weekend to improve their projects and compete in the Blue BBVA Challenge final.

## 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. This line includes 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 2017, the BBVA Foundation continued its regular **activity**, consolidating some of its own distinctive initiatives in the Spanish scientific and cultural scene while incorporating other new ones to boost, promote and spread knowledge, as well as recognizing the talent of researchers and creators at different stages of their careers.

Among its **own programs** the support to the scientific research teams and the individual grants provided by the BBVA Foundation highlighted. Now in their fourth year, these grants have been given the name Leonardo Grants. This year a total of 65 grants have been awarded. This means that 241 researchers and creators now form the Leonardo Network, a community of excellence that recognizes and promotes the talent that sustains science and culture in the country. The program of Assistance to Scientific Research Teams invited applications for 26 grants in the areas of Biomedicine, Big Data, Ecology and Conservation Biology, Economics and the Digital Society, and the Digital Humanities.

Both, the Leonardo Grants and the support to the scientific research teams are open and highly competitive, and governed by the principles of transparency and rigor appropriate to the scientific community. A decisive step in this direction is the selection of the winning projects, which is made by fully independent assessment committees of experts in each of the areas for which the awards are made. This criterion of rigor and independence is also applicable to the jurors of the different families of **awards** organized either by the BBVA Foundation itself or in collaboration with other institutions, and that represent another form of recognition of talent and the spread of knowledge. Notable among these families, for their global impact, are the BBVA Foundation Frontiers of Knowledge Awards and the BBVA Foundation Conservation of Biodiversity Awards. In addition, in 2017 the first Spanish Computer Science Society-BBVA Foundation Awards were held, adding to those the Foundation has already been organizing jointly with the Spanish Royal Society for Physics and the Spanish Royal Mathematical Society. BBVA Foundation thus covers a broad range of knowledge, offering

in all cases special care to the segment of young researchers at the start of their careers.

In the line of the impulse to knowledge, is situated the **Cancer Immunotherapy and Immunology Integral Program (CAIMI)**, which the BBVA Foundation and the [Vall d'Hebron Institute of Oncology](#) (VHIO) presented in 2017, it will investigate the natural mechanisms by which the agents that coordinate the immune response respond to cancer, and how to predict and exploit these anti-tumor responses to generate more personalized treatments.

In addition, the Foundation has continued to promote the **spread of high-level scientific knowledge** through the 6th Cycle of Talks on Astrophysics and Cosmology, "The Science of the Cosmos, Science in the Cosmos", which once more has been a great success with the public and has had a great impact in the main media. The BBVA Foundation has also incorporated open and competitive invitations to its support for cultural creation, starting with some of the categories included in the Leonardo Grants, but also dedicated specifically to video art creation, through the Multiverso Grants. In 2017, the BBVA Foundation opened a permanent exhibition space dedicated to video art in its Madrid headquarters, with an annual program that shows works by the winners of the grants. The BBVA Foundation's Sala Multiverso space now appears as a regular venue in leisure guides. A new collaborative effort has also been included to boost and spread video art and digital art with the Fine Arts Museum of Bilbao.

These new initiatives are in addition to the activity already consolidated in the area of **contemporary music**, with the regular cycles organized by the Foundation at its headquarters in Bilbao and Madrid, as well as at the Auditorio Nacional in Madrid, which are proving very popular with the public.

In the area of the **plastic arts**, the BBVA Foundation has been exclusive sponsor of a number of exhibitions in the Prado Museum, Madrid and Guggenheim Museum, Bilbao and in the Fundación Miró, Barcelona.

As well as all the initiatives mentioned above, the BBVA Foundation has **transformed its digital space**. Key areas for the Foundation such as the environment, music, the Frontiers of Knowledge Awards, the grant programs and video art now have their own domains in this new digital space, which continues to adapt with the aim of becoming a reference for the public interested in knowledge and cultural creation.

## 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. BBVA Research prepares macroeconomic forecasts, studies, economic research and analysis on a variety of subjects: national and regional macroeconomics, central banks, the financial sector and regulations, the digital economy, geostrategy, migration, financial inclusion, financial education and country risk, across various sectors. In 2017, BBVA Research has drafted 1,566 economic publications.

These publications have been published in different **formats** and document types: flashes, computer graphics, presentations, working papers, books, observatories and magazines, each published with varying degrees of frequency. All this published information is available and constantly updated on the website [www.bbvaresearch.com](http://www.bbvaresearch.com) and the social media.

The work of BBVA Research has won increasing prestige, and 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 a *de facto* **opinion leader**.

Lastly, BBVA Research has a global reach, as reflected in the variety of languages of its publications. 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 2017, BBVA continued to focus on **education in values** to promote social integration and training among children and young people in the countries where it operates. A total of 126,488 participants benefited directly from these educational programs.

Social and educational programs (BBVA Group. Direct Beneficiaries)

	2017	2016	2015
Pre-School and Primary Education	86,054	85,295	83,720
Secondary Education	15,958	17,575	53,451
Trainings for adults	24,476	47,295	152,945
<b>Total</b>	<b>126,488</b>	<b>150,165</b>	<b>290,116</b>

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 2017, more than €14 million were allocated to this program, benefiting 68,094 schoolchildren. The program is adapted to the reality of each country, and thus benefits different 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 2017, initiatives continued to be developed 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 16 - Main indicators of the "Niños Adelante" program

The Group also runs 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. Since 2008, at a global level, BBVA has been a partner in the areas of science and culture with the Organization of Ibero-American States (OIS). 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 "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 next generations. ÖRAV and the first and only NGO in Turkey that focuses on this area, has provided support for more than 11,500 teachers.
- In **Spain**, BBVA has since 2012 supported the Acción Magistral project, a joint initiative with the FAD (Foundation for Aid Against Drug Addition), Unesco and BBVA. The Acción Magistral Award, for which 389 projects were presented in 2017, benefiting over 90,000 students, is a way of disseminating teaching work; and the Acción Magistral platform offers online and in-person training to teachers in

a variety of areas to improve their teaching performance. In 2017, 6,592 teachers participated actively in the project.

- BBVA is also a partner of Teach for America in the **United States**, an organization that works to eliminate educational imbalances for students with limited incomes. The organization recruits, trains and supports talented people who agree to give classes in schools with limited resources for two years.

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 Children's Knowledge Olympics 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 17 - Main educational programs

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

- In **Mexico**, the BBVA Bancomer Foundation, through its Fomento Cultural (Cultural Promotion) program, supported art exhibitions, musical festivals, theater workshops and film projects through various grants and schemes.
- In **Peru**, through sponsorship of the Noche de Arte (Night of Art) and the Museum of Pre-Columbian Art.
- In **Turkey**, Garanti has focused on making cultural environments suitable for research and production available to society, and on creating an 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 hosted 8 exhibitions and attracted more than 185,000 visitors.
- In **Venezuela**, through the Banco Provincial Foundation's exhibition program.

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

# Fiscal transparency

## Fiscal strategy

In 2015, the BBVA Board of Directors approved the “[Corporate Principles in BBVA's Tax and Fiscal Strategy](#)”.

This 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 tax strategy is duly monitored and supervised by BBVA's governing bodies.

Accordingly, BBVA's **fiscal strategy** consists of the following basic 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.

Both the strategy and the fiscal policies derived from it are inspired by the reports of the OECD Base Erosion and Profit Shifting (BEPS) Project and respond to a commitment to comply with and respect the letter and spirit of tax regulation in the jurisdictions where the Group operates, in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.

## Governance model and fiscal risk management

BBVA has a government model on tax matters and mechanisms to control fiscal risk.

The strategy has been developed through fiscal policies opportunely communicated to all Group employees. Likewise, complaint channels were established for the case of breach of its Code of Conduct and / or its fiscal strategy. There are also established fiscal risk control procedures aimed at verifying the effective compliance of the Group's tax obligations.

The person in charge of the Tax Office appears periodically before the governing bodies with responsibilities in this area (Audit and Compliance Committee and Board), in order to report on the development of the Group's main tax data and the measures adopted for the management of fiscal risk.

## Cooperation with tax administrations

BBVA maintains a cooperative relationship with the tax administrations of the countries in which it is present. In particular, and as regards Spain, it is adhered to the Code of Good Tax Practices (CBPT) approved by the Large Companies Forum on 20 July 2010, as an active member of the Forum.

In 2017, it proceeded to present for the first time on a voluntary basis, the so-called Annual Report on Fiscal Transparency for Companies adhering to the CBPT together with its declaration of the Corporation Tax of the previous year, thus incorporating into its action, the proposals for strengthening the good fiscal transparency practices of companies adhering to the Code, approved in plenary session of the Forum of Large Companies of 20 December 2016.

Likewise, BBVA adopted the Code of Practice on Taxation for Banks, an initiative of the United Kingdom that describes the approach expected by financial institutions in terms of government, tax planning and commitment with the British tax authorities, in order to encourage the adoption of best practices in this area. In 2017, BBVA published its [tax strategy for the United Kingdom](#) on its website.

Finally, as a financial entity, it holds the status of collaborating entity in the collection processes of those countries in which it is present.

## Total tax contribution

BBVA is committed to providing full **transparency** in tax payments, which is why once more this year the Group has voluntarily disclosed all major tax payments in the countries where it has a significant presence, as it has done every year since 2011.

BBVA Group's total tax contribution (**TTC report**), 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 Total Tax Contribution report gives all the stakeholders an opportunity to understand BBVA's tax payments and represents a forward-looking approach and commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

Global Tax Contribution (BBVA Group. Million euros)			
	2017	2016	2015
Own taxes	4,106	3,762	2,816
Third-party taxes	5,775	5,678	5,341
<b>Total tax contribution</b>	<b>9,881</b>	<b>9,440</b>	<b>8,157</b>

## Offshore financial centers

BBVA maintains a **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers.

In this respect, both from the OCDE and the Spanish regulation perspective, as of 31 December **2017**, the BBVA Group's permanent establishments registered in offshore financial centers considered tax havens are as follows:

- Branches of the BBVA Group's banks in the Cayman Islands,
- Issuers of securities in the Cayman Islands: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company.

### 1. Banking branch

As of 31 December 2017, the BBVA Group had a banking branch registered in the Cayman Islands engaging in corporate banking activities. The activities and business of this branch, which do not include the provision of private banking services, are pursued under the strictest compliance with the applicable law, both in the jurisdictions in which it is domiciled and in those where its operations are effectively managed, in this case the United States of America. At the end of 2016, the BBVA Compass branch in the Cayman Islands was closed.

#### Branch at offshore entities (BBVA Group. Million euros)

Main figures of the balance sheets	31-12-17	31-12-16	31-12-15
<b>BBVA S.A. branch</b>			
Loans and advances to customers	1,499	805	807
Deposits from customers	1,144	430	432
<b>BBVA Compass branch</b>			
Loans and advances to customers	-	-	-
Deposits from customers	-	-	100

## 2. Issuers of securities

The BBVA Group has four **issuers** registered in Grand Cayman, two of them from the Garanti Group.

#### Issues outstanding at offshore entities (BBVA Group. Million euros)

Issuing entity	31-12-17	31-12-16	31-12-15
<b>Subordinated debts <sup>(1)</sup></b>			
BBVA Global Finance LTD	162	188	347
<b>Other debt securities</b>			
Continental DPR Finance Company <sup>(2)</sup>	59	102	152
Garanti Diversified Payment Rights Finance Company	1,879	1,760	1,617
RPV Company	1,262	1,457	1,496
<b>Total</b>	<b>3,362</b>	<b>3,508</b>	<b>3,612</b>

<sup>(1)</sup> Securities issued before the enactment of Act 19/2003 dated 4 July 2003.

<sup>(2)</sup> Securitization bond issues on flows generated from export bills.

## 3. Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

The BBVA Group applies risk management **criteria and policies** to all its permanent establishments in offshore financial centers that are identical to those for the rest of the companies making up the Group.

During the reviews carried out annually on each and every one of the BBVA Group's permanent establishments in offshore financial centers, BBVA's **Internal Audit** Department checks the following: i) that their activities match the definition of their corporate purpose, ii) that they comply with corporate policies and procedures in matters relating to knowledge of the customers and prevention of money laundering, iii) that the information submitted to the parent company is true, iv) and that they comply with tax obligations. In addition, every year a specific review of Spanish legislation applicable to the transfer of funds between the Group's banks in Spain and its companies established in offshore centers is performed.

In 2017, BBVA's **Compliance and Internal Audit** departments have supervised the action plans deriving from the audit reports on each one of these centers.

As far as **external audits** are concerned, one of the functions of the Audit and Compliance Committee is to select an external auditor for the Consolidated Group and for all the companies in it. For 2017, all of the BBVA Group's permanent

establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.

## Responsible procurement

In 2017, BBVA Group carried out an in-depth transformation of the procurement function, based on three basic pillars of development for the **Procurement Model**:

- Focus on service: maximizing quality and experience for the internal customer.
- Limitation of reputational risk for BBVA Group in contracts with suppliers.
- Contribution to the Group's efficiency through active management of costs and suppliers.

This transformation has given rise to important changes in the area's **functions**. Of note in this respect are:

- A move toward a more flexible structure that generates opportunities for efficiency and improves the control environment.
- Progress toward management by projects, creating a pool of profiles for executing contracting projects.
- Creation of the procurement partners function to guarantee the end-to-end quality of service and internal customer care. Organized by customer area, and with the support of a procurement analytics pool, they are also responsible for identifying opportunities for optimizing expenses, following service level agreements and measuring customer satisfaction.
- Change in the purchasing manager role to a more strategic focused on value creation. Structure geared to service, agility and flexibility in contracting through specialization and differential purchasing management. They are organized around teams of experts, together with a pool of buyers, to execute Purchasing projects.
- Creation of the Lean Purchasing Unit, focused on dealing with purchases in which time to market is a critical factor.
- Creation of the Operational Procurement Unit to focus and optimize operational and/or administrative activities and thus ensure transactional specialization and improved service levels.

### Suppliers main figures

	2017	2016	2015
Number of suppliers	4,563	4,240	4,598
Supplier turnover (million euros) <sup>(1)</sup>	7,077	7,751	8,443
Supplier satisfaction index <sup>(2)</sup>	82	n/a	82
Number of approved suppliers	4,895	4,698	n/av

n/av= not available.  
n/a= not applicable.

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

<sup>(2)</sup> Biennial survey.

## Responsible Procurement Policy

BBVA wants to contribute positively to the development of the societies where it operates. The Group aims to integrate ethical, social and environmental factors in the supply chain for which it is responsible. That is why in 2017 it has drafted an Ethical Code for Suppliers, which defines the minimum standards of behavior in ethical, social and environmental conduct that suppliers are expected to comply with when they provide products and services.

## 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 allows online interaction between the Group's companies and their suppliers in a collaborative environment through the electronic exchange of documents.

Every year new companies and/or countries join the GPS technological platform. This increases the scope of its use and achieves greater consolidation of the standard and global purchasing processes through the tool, as well as an improvement in the quality of the Group's information on procurement data. In **2017** the main progress made was the incorporation of five new insurance companies in Mexico.

It thus covers the main stages of the **procurement process**, from the issue of orders to the registration of invoices, including electronic invoicing, and is legally valid in Spain and Mexico. In addition, Adquira allows 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 via the intranet, which is designed to issue decentralized procurement requests; i.e., directly from the user area. SRM is available in Spain, Mexico, Chile and, since the first quarter of 2017, in Peru.

## Supplier portal

BBVA has a **supplier portal** that facilitates 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. Second, 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 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.

## Supplier management

### 1. Approval process

BBVA carries out 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 they share the same values as the Group with respect to social responsibility. It also determines whether suppliers are complying with their legal responsibilities (employment or environmental regulations, among other) and whether they promote 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 for 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 an 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 **2017** changes have been introduced at global level in the approval processes designed to mitigate reputational risk. The alert system for approved suppliers has continued to develop, to ensure that updated information is available on certain events which could affect their solvency or risk.

The percentage of approved active suppliers is 27%, which accounts for 73% of the total awarded <sup>(1)</sup>.

### 2. Percentage of local suppliers

BBVA has a firm **commitment** to contribute to economic and social growth in countries where it operates. Thus 97% of the suppliers are local, accounting for 94% <sup>(2)</sup> 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.

### 3. Impact management

A proper management of the real and potential impacts a company such as BBVA can cause 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.

(1) Active suppliers into the GPS platform (excluding the United States, Paraguay, Uruguay and Portugal).

(2) Excluding Uruguay.

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,
- positive or negative impacts on society.

The **Responsible Procurement Policy** establishes, among other aspects, 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 stress on 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 continued its contact with various **special employment centers** (CEE) to examine in depth areas for potential collaboration. The result has been firm contracts for a significant volume of awards. The total volume of purchases in 2017 from these CEE is estimated at over €3.2m.

BBVA maintains its commitment to the **environment**, and has decided to use green energy for its buildings and branches in Spain. Green energy certifies a 100% renewable energy production and source, avoiding emissions of CO<sub>2</sub> 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 18 - Suppliers and annual turnover](#)

[Annex 19 - Average payment period to suppliers](#)

[Annex 20 - Customer satisfaction index](#)

[Annex 21 - Supplier approval](#)