

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.

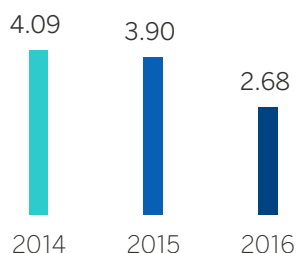
⁽¹⁾ Peer group: Spain: Santander, CaixaBank, Bankia; The United States: Regions, Wells Fargo, Chase; Turkey: Is Bankasi, Ziraat, YKB, Akbank; Mexico: Banamex, Banorte, Santander, HSBC; Argentina: Galicia, Santander, HSBC; Chile: Banco de Chile, Santander, BCI; Colombia: Bancolombia, Bogotá, Davivienda;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

⁽²⁾ Tied with other entities.

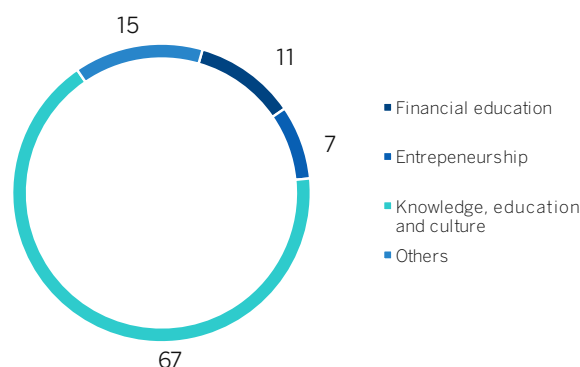
5.5.2. Investment in social programs

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.bbva-research.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. Million 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, Toreo 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](#)