

## 5. 6. Suppliers

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

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

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

### Basic supplier data [\(BBVA Group\)](#)

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

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 until 2015.

<sup>(3)</sup> Data corresponding to BBVA, S.A.

### 5.6.1. Supply chain

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

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

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

### Supplier Portal

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

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

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

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

## 5. 6. 2. Supplier management

### Approval process

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

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

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

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

### Percentage of local suppliers

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

### Impact management

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

These **impacts** may be:

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

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

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

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

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

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

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

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

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

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

[Annex 28 - Supplier satisfaction index](#)

[Annex 29 - Supplier Approval](#)