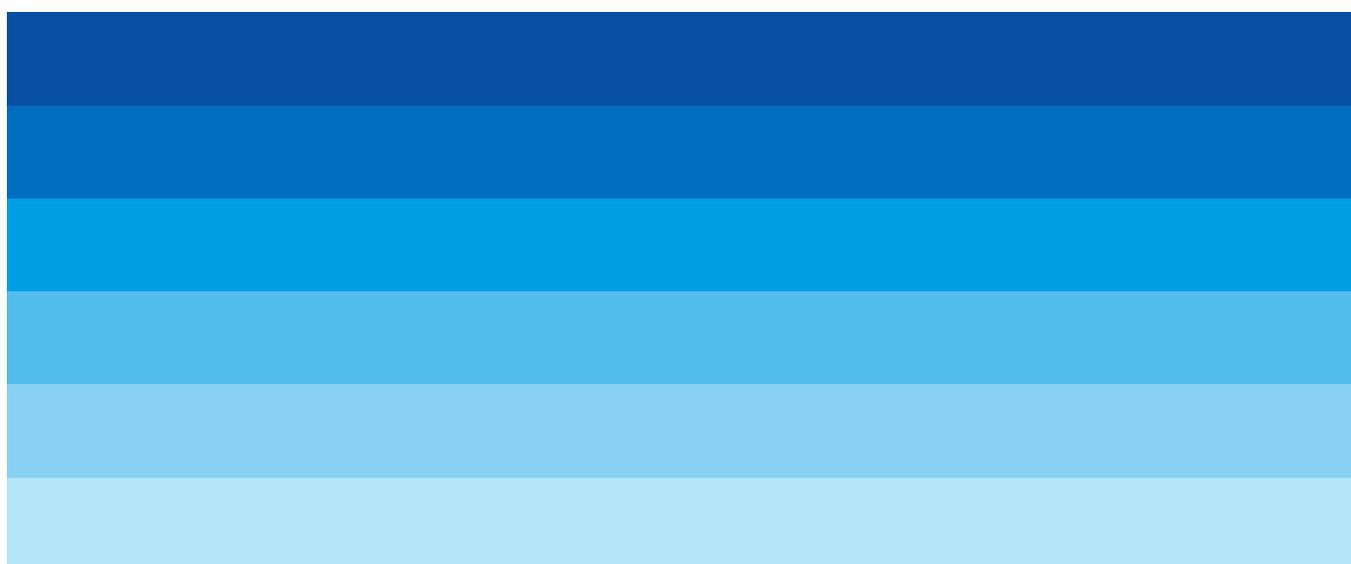


Rules of Conduct in Defense

Madrid, May 2014





BBVA

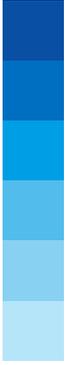
**GLOBAL RISK
MANAGEMENT**

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Defense

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1. Introduction

1.1 Matter of defense introduction

BBVA acknowledges the rights of countries to defend themselves and thus develop, produce and possess arms. However, BBVA considers certain activities and products related to the defense industry to contravene with its business standards and principles. This Rules of Conduct in Defense outline BBVA's position on the defense industry.

BBVA operates in strict compliance with the law. This requires that all legislation applicable to its activities and operations are observed without exception. In addition, BBVA maintains a stringent Code of Conduct based on a range of ethical values. BBVA has a specific policy on human rights and is committed to upholding the Universal Declaration of Human Rights, the ten principles of the United Nations Global Compact, the OECD Guidelines for multinational organisations and other relevant conventions, treaties and initiatives.

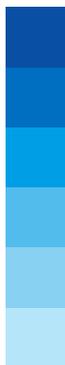
1.2 Scope and sphere application

The BBVA Defense Rule applies to all units and subsidiaries of the BBVA Group worldwide and to all financial services.

For the purposes of this policy, BBVA uses exclusion lists of companies and countries, prepared and regularly updated with the help of independent experts.

BBVA does not finance armaments trade with intermediaries, only with end users; neither with a company that is not a public body, a company with majority public capital or a private security company¹. In cases goods for military purposes are exported, the exporter must hold an appropriate export licence

¹ In the case of private security companies, the business cannot be approved if the object in question cannot be considered to be for police or security use, or as a small arm in defense terms.



2 . Definitions and criteria

2.1 Definition of defense materials

It's considered defense material ²:

- Military, security and police armaments, arms and directly related material of all types and armaments as well as small arms and light arms (SALW);
- Ammunition and explosives used for the above— ammunition, including bombs, torpedoes, grenades, rockets, mines, missiles, depth charges and pyrotechnic devices—;
- Specially designed components, expertise and equipment, essential for the production, maintenance and use of conventional arms and ammunition.

This Defense policy addresses the three aspects of armaments that contravene with BBVA's business standards and principles. These are that BBVA:

- A) will not maintain a financial relationship with companies that sell armaments to countries or groups that fall under an arms embargo;
- B) will not participate in deals related to armament trade to countries where there is a high risk of human rights violations;
- C) will not invest nor provide financial services to companies that are involved in armaments that are considered controversial armaments.

2.2 Embargos

Although countries are allowed to develop, produce and possess arms, there are countries or groups subject to arms embargoes. These embargoes are sanctions used to coerce countries and groups to improve their behaviour in the interest of international peace and security. BBVA will not maintain any financial relationship with companies that sell armaments to countries or groups that fall under an arms embargo from:

1. European Union;
2. Organization for Security and Cooperation in Europe (OSCE);
3. United Nations;

²In the case of dual-use items, BBVA follows the EU export control and dual-use material regime 428/2009 as well as the Spanish JIMDDU (Junta Interministerial Reguladora del Comercio Exterior de Material de Defensa y de Doble Uso)

4. United States.

2.3 Arms trade

BBVA considers the trade in arms to certain countries or groups as controversial. BBVA considers the use of arms for internal repression of civilians or severe violations of basic human rights to contradict its own policy on Human Rights. Activities that are potentially related to arms trade with entities or countries with a high risk of violating human rights are escalated and assessed on a case by case basis by the Risk Management Committee (RMC) of the Risk Department. The RMC takes a precautionary approach by adopting the measures within its means to prevent the risk of the traded goods being used for violations of human rights.

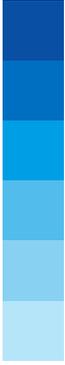
2.4 Manufacture, maintenance and trade of controversial arms

BBVA will not invest in nor provide financial services to companies that are involved in arms that are considered to be controversial. These arms are considered controversial due to the disproportionate number of casualties they cause or their impact on civilians after conflicts have ended. BBVA distinguishes five types of controversial arms: anti-personnel mines, biological weapons, chemical weapons, cluster weapons and nuclear weapons.

Anti-personnel mines, biological weapons, chemical weapons and cluster weapons

In the context of international conventions signed and ratified by the Spanish Government and the general concerns of society, BBVA considers anti-personnel mines, biological weapons, chemical weapons and cluster weapons to be controversial. BBVA will not invest nor provide financial services to companies involved in the development, production, maintenance or trade of these controversial arms. In defining these arms, BBVA applies the criteria from the following international conventions:

- Anti-personnel mines: as defined by the Convention On The Prohibition Of The Use, Stockpiling, Production And Transfer Of Anti-Personnel Mines And On Their Destruction (1997);
- Biological weapons: as defined by the Convention on the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their destruction (1972);
- Chemical weapons: as defined by the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical weapons and on their Destruction (1993);
- Cluster weapons: as defined by the Convention on Cluster Munitions (2008).



Nuclear weapons

BBVA will not invest nor provide financial services to companies directly involved in the development, production, testing or maintenance of nuclear weapons for countries that are not signatory to the Non-Proliferation Treaty (NPT), or countries that act in breach of the NPT. Nuclear weapons are considered controversial because of their potential impact on civilians and their indiscriminate character, but are not prohibited by international law. The ownership, production, proliferation and use of nuclear weapons are strictly regulated and monitored via the NPT. As part of this treaty, it is accepted that China, France, Russia, the United Kingdom and the United States produce and possess nuclear weapons.

3 . Procedure development and updating

The Global Risk Management Committee is responsible for the approval of this rule and any further amendment. This rule will be reviewed at least once a year.