

**BBVA**

Creating Opportunities

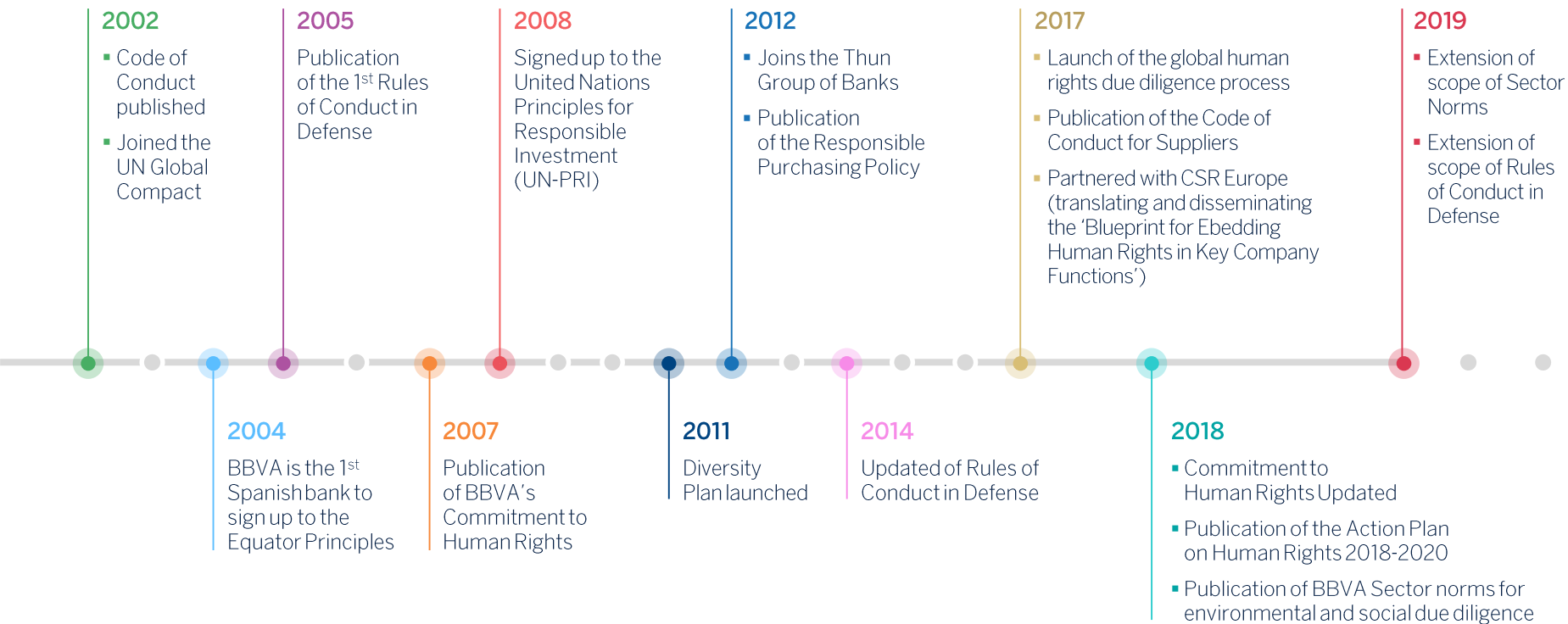
# Action Plan on human rights

2018 - 2020

March 2020



# BBVA and Human Rights: our journey



# Due Diligence Process



## CONTEXT

In the current context and for an organization like BBVA , with more than 75 million customers and 125,000 employees in more than 30 countries, and with activities in diverse sectors, a commitment to human rights assumes particular significance.


Furthermore, this commitment runs parallel to our mission: "to bring the age of opportunity to everyone." Still, the journey to fulfill this purpose is replete with challenges.

One of these challenges is the identification and assessment of the Group's impact on human rights.

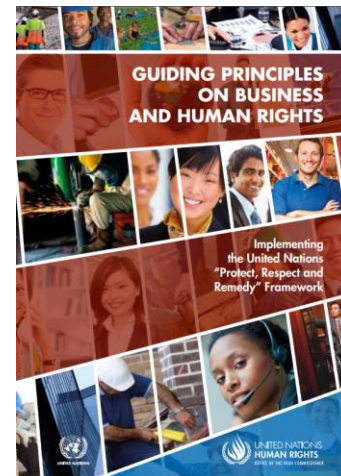
Specifically with the intention to strengthen this aspect, a global due diligence process was undertaken in 2017.

More than 400 employees from all lines of business and the bank's main support functions participated in the discussions, workshops, and surveys conducted across the Group's holding company, as well as in Argentina, Chile, Colombia, Spain, Mexico, Paraguay, Peru, Uruguay, the USA, and Venezuela.

## METHODOLOGY

The **United Nations Guiding Principles on Business and Human Rights**  were used as a baseline, and according to these guidelines, there are three fundamental steps businesses should take to establish due diligence processes

01. **Identify** the potential impact of their business activities on human rights;
02. **Design** mechanisms within the company to prevent or mitigate these impacts;
03. **Establish** channels and define processes that ensure appropriate mechanisms are in place to redress affected parties, in the event of a violation.



# Due Diligence Process




## MAIN CONCLUSIONS

As a result of this process, the **actual and potential human rights impact** of BBVA's operations were identified, and mechanisms were designed within the Group to prevent and mitigate them. The appropriate channels and procedures were put in place to ensure affected parties were provided remedy as necessary, in the case of a violation. All of this provided the basis for the **Action Plan on Human Rights 2018-2020**.

One of the principal conclusions of the process was the identification of four key areas on which to focus our work:

### 01. Policy and structure

One of the recommendations coming out of the process was to update our **Commitment to Human Rights** , which was then reviewed and updated in 2018. The Guiding Principles on Business and Human Rights were used as a baseline, and the new version of the Commitment was framed round our principal stakeholders (employees, customers, suppliers, and communities).

### 02. Cultural Training and Transformation

From the due diligence process, it was also recommended that the bank's perspective on human rights be incorporated into:

- the internal and external communication plan
- the diversity and work life balance plan
- the general and specialized employee training plan



# Due Diligence Process



Respect for equality and diversity is embodied by the bank's corporate culture and leadership style; it is a guiding principle for employment policies –especially policies related to employee recruitment development, and compensation –which guarantee non-discrimination based on gender, race, religion, or age and is laid out in **BBVA's Code of Conduct** [↗](#).

In accordance with the recommendation, the Action Plan on Human Rights deals with different working areas.

BBVA's Commitment to Human Rights also comprises the use of content from the International Labor Organization's principal conventions such as those related to the elimination of forced labor; the abolition of child labor (minimum age and the worst forms of child labor); and the elimination of employment and occupation discrimination.

## 03. Process Improvement

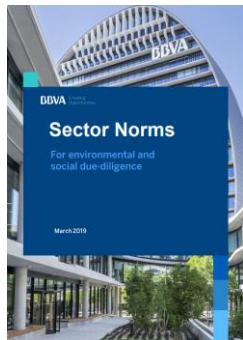
The analysis revealed the importance of reinforcing the supplier assessment and approval process, as well as the scope and operation of the redress mechanisms.

In fact, BBVA had already had a **Responsible Procurement Policy** [↗](#) and a **Code of Conduct for Suppliers** [↗](#) in place. In 2018, both were enhanced to include the full scope of human rights in the supplier assessment and approval process.

## 04. Business and Strategy Alignment

The due diligence analysis recommended integrating human rights criteria in the Group's strategic projects such as due diligence related to company acquisition (M&A and M&A Digital) or in its sustainable development and climate change strategy.

# Due Diligence Process



In response to this recommendation and from a customer perspective, **sector norms for the environmental and social due diligence were put into effect in 2018 covering (mining, energy, agribusiness, and infrastructure)** ↗.

In 2019, the scope of these norms was tightened up and limited, providing a clear set of rules regarding the applicable customer and transaction management procedures in these sectors. The transportation of bituminous sands was explicitly added to the list of banned activities.

Furthermore, the role of Responsible Business was expanded to form part of the new product and business management committees in Spain, Mexico, the United States, Colombia, Peru, Turkey, and Venezuela in 2018 and in Argentina and Uruguay in 2019. Responsible Business has a advisory role in these committees.

This Plan has been reviewed annually since it was launched. In 2020, BBVA will carry out a new due diligence process to update the previous one and keep on improving it.

Finally, in 2019, Fundación Cideal included BBVA in its list of seven Spanish organizations that stand out for their way of tackling their due diligence process in its **“Guide for the application of due diligence on Human Rights in Companies”** ↗.

Also, BBVA was recognized by Banktrack as one of the best global financial institution in support of human rights in its industry benchmark report **‘The BankTrack Human Rights Benchmark 2019’** ↗. With an overall score of 7.5 points and an four-point increase compared to the 2016 edition (the highest among the 50 financial institutions included in the report), the NGO ranked BBVA 4th in its list. Banktrack's analysis underscores the BBVA's good due diligence practices, which measures how companies take ownership over the impact of their activity on society.

# Employees



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Promote equal opportunities and fight against employment discrimination based on gender, national origin, language, illness, disability, or any other breach of rights	Diversity and Inclusion Plan	Talent & Culture (T&C)	<ul style="list-style-type: none"> <li>Extension of Rooney Rule for 100% of executive positions</li> <li>Launch of a pilot program for high-potential women</li> <li>Inclusion in Bloomberg Index of Gender Equality for third year in a row</li> <li>Sign up to the REDI initiative (Business Network for LGBTI Diversity and Inclusion) and the "UN Standards of Conduct for Business: Tackling Discrimination against LGBTI People"</li> <li>Inclusion of two new unconscious bias programs in training course portfolio+</li> <li>Implementation of sexual harassment and gender-based violence support protocols across the Group</li> </ul>	<ul style="list-style-type: none"> <li>Negotiation of a new Equality of Treatment and Opportunities Plan (BBVA,S.A.) with union representatives</li> <li>Implementation of high-potential women support program.</li> <li>Start officially backing the FELGTB (Spanish Federation of Lesbian, Gay, Tran-sexual and Bi-sexual People) (Scope: Spain)</li> </ul>
Promote work-life balance and workday flexibility	Work-life balance plan	Talent & Culture (T&C)	<ul style="list-style-type: none"> <li>Launch of "Work better. Enjoy life initiative" (Scope: Spain) to improve employees work-life balance through actions such as: Closing of corporate buildings at 19h and increasing schedule flexibility, work schedule control agreement with union representatives and digital disconnection protocols</li> <li>Renewal of Workplace Equality Stamp and Family Responsible Company certificate (Scope: Spain)</li> <li>12% of the workforce at BBVA, S.A. (Scope: Spain) participating in the reduced work day and new ways of working (flexible working, for example, which allows employees to develop their roles outside the work environment) (7.5% in 2018)</li> </ul>	<ul style="list-style-type: none"> <li>Extension of "Work better. Enjoy life" program across BBVA's entire footprint.</li> <li>Improvement of teleworking conditions (scope: Spain) to increase flexibility.</li> <li>Retain Workplace Equality Stamp and Family Responsible Company certificate</li> </ul>

# Employees



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Complaint and remedy mechanisms. Employee Service Center	Define an action plan that assesses possible improvements to employee complaint and remedy channels.	Talent & Culture (T&C) and Regulatory Compliance	<ul style="list-style-type: none"> <li>Make the most suitable local channels available to victims of domestic violence across the whole Group.</li> </ul>	<ul style="list-style-type: none"> <li>Global implementation of a tool to improve the management of communications by the Whistleblowing Channel led by Compliance.</li> </ul>
Promote training to increase Human Rights awareness and literacy	Define training plan: <ul style="list-style-type: none"> <li>On a general level. Pill</li> <li>On specialized levels (Legal Services, RB)</li> </ul>	Talent & Culture (T&C) and Responsible Business (RB)	<ul style="list-style-type: none"> <li>Preparatory work to integrate Human Rights training into global training plan.</li> </ul>	<ul style="list-style-type: none"> <li>Launch of a global training plan in sustainability matters, with a specific training program on Human Rights .</li> </ul>



# Real Estate, Services And Security



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Avoid abuse and excessive and discriminatory use of security forces.	Develop a plan taking into account each country's context	Real-estate, services and security	<ul style="list-style-type: none"> <li>Provision of information on the Group's Commitment to Human Rights to the security companies hired by BBVA</li> </ul>	<ul style="list-style-type: none"> <li>New actions currently under review</li> </ul>
Fight against environmental pollution and promote efficient management of resources.	Impact Communication Plan	Real-estate, services and security	<ul style="list-style-type: none"> <li>Publication of piece of news in external (bbva.com, podcast and social media) and internal communication channels (intranet, Google+)</li> <li>Events during the World Environment Day in Spain, Mexico, Colombia and Argentina with different initiatives (e.g. awareness-raising talks, sustainable visits etc.)</li> <li>Continuation of #BBVA sin plasticos (BBVA without plastic) project, replacing single-use plastic cutlery and bottles with biodegradable products. (Scope: Spain)</li> </ul>	<ul style="list-style-type: none"> <li>Continue awareness-raising campaigns on internal and external communication channels</li> <li>Launch of new global Ecoefficiency Plan</li> <li>Minimize BBVA's carbon footprint by reviewing mobility policies towards more sustainable models and implementing a carbon offset plan to raise awareness among the different areas</li> </ul>

# Providers



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Work with suppliers to prevent a negative impact on human rights resulting from their activity and assess the start or ongoing viability of commercial relations with them based on their human rights performance.	<ul style="list-style-type: none"> <li>Define the information plan building on BBVA's human rights commitment</li> <li>Publication of information related to BBVA's commitment to human rights on the Supplier website</li> </ul>	Procurement department	<ul style="list-style-type: none"> <li>Publication on website: <a href="https://suppliers.bbva.com/compras-responsables/">https://suppliers.bbva.com/compras-responsables/</a></li> </ul>	<ul style="list-style-type: none"> <li>Communication to suppliers of a new website, reminding them about the key objectives, including the Commitment to Human Rights.</li> </ul>
	Publication of the Code of Conduct for Suppliers	Procurement department		<ul style="list-style-type: none"> <li>Completed</li> </ul>
Prevent and mitigate the potential negative human rights impact resulting from subcontractor activity linked to the supply chain.	Internal and external audits. Prioritize high-risk sectors and outsourcing.	Reputational Risk	<ul style="list-style-type: none"> <li>Assessment of purchase families with higher Reputational Risk (including Human Rights related variables)</li> </ul>	<ul style="list-style-type: none"> <li>New actions currently under review</li> </ul>
	Supplier reputation assessment in the certification process.	Procurement department	<ul style="list-style-type: none"> <li>50% volume of awards resulting from suppliers evaluated on their reputation (Scope: Spain, Mexico and South America) ( 33% in 2018)</li> <li>37% of suppliers approved assessed according to reputation (Scope: Spain, Mexico and South America)</li> </ul>	<ul style="list-style-type: none"> <li>Reinforce the supplier assessment and approval model, emphasizing risk assessment, including reputational risks. (which includes Human Rights related considerations)</li> </ul>
Remedy mechanisms. Review access to queries and reports filed by supplier employees.	Develop plan based on the results of the remedy mechanisms report.	Procurement department	<ul style="list-style-type: none"> <li>Action deferred until 2020</li> </ul>	<ul style="list-style-type: none"> <li>New actions currently under review</li> </ul>

# Customers & Clients



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Prevent and mitigate potential negative impacts, in terms of human rights, of transactions with corporate customers and assess the advisability of starting or maintaining commercial relations with them.	<p>Development of Social and Environmental Framework</p> <ul style="list-style-type: none"> <li>▪ Sector Policies</li> <li>▪ Inclusion of RB in the new product and business committee</li> <li>▪ Integration of CIB customer due diligence in risk-prone sectors (onboarding &amp; repapering)</li> <li>▪ Protocol in connection with controversial issues / engagement</li> </ul>	CIB & RB	<p>Within the framework of sector norms (mining, energy, infrastructure and agribusiness):</p> <ul style="list-style-type: none"> <li>▪ Extension of funding restrictions to high environmental and social impact sectors</li> <li>▪ Review of major financing transactions prior to their assessment by the Business Committee to verify compliance thereof with applicable norms</li> </ul> <p>Update of the Rules of Conduct in Defense:</p> <ul style="list-style-type: none"> <li>▪ Extension of the concept of controversial weapons (inclusion of depleted uranium and white phosphorus).</li> <li>▪ New ban on manufacturers of assault weapons for civil use.</li> </ul>	<p>Within the framework of sector norms</p> <ul style="list-style-type: none"> <li>▪ Expansion of scope: E.g. Elimination of exceptions in the case of new coal mines or expansion of existing coal mines using Mountain Top Removal (MTR) months.</li> <li>▪ Engagement plans with CIB clients that partially comply with sector norms.</li> <li>▪ Engagement with stakeholders during the annual review of sector norms</li> </ul>
			Extension of Free, Prior, and Informed Consent (FPIC) policy to all projects regardless of geographic location going beyond the requirements of the Equator Principles	<ul style="list-style-type: none"> <li>▪ Preparatory work for the Protocol in connection with controversial issues / engagement</li> </ul>

# Customers & Clients



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Remedy mechanisms. Remedy mechanisms. Review access to queries and reports on corporate finance topics	Define plan to establish corporate finance query mechanisms	CIB & RB	<ul style="list-style-type: none"> <li>Action deferred to 2020</li> </ul>	<ul style="list-style-type: none"> <li>New actions currently under review</li> </ul>
Prevent and mitigate potential negative impacts, in terms of human rights, on the development of products and businesses	Inclusion of RB in the new product and business committee	RB	<ul style="list-style-type: none"> <li>Incorporation of Responsible Business (RB) into new product committees in Argentina and Uruguay*, maintain RB in Spain, Mexico, United States, Colombia, Peru, Venezuela and Turkey</li> <li>Expand RB specialist role at group level to encompass other work groups and committees (e.g., product design boards, new business models, internal control committees, etc.)</li> <li>New internal control model for Non-Financial Risks where the Reputational Risk is included as a separate function (qualified opinion prior to presentation in committees)</li> </ul> <p>*BBVA sold its Paraguay subsidiary in 2019</p>	<ul style="list-style-type: none"> <li>New actions currently under review</li> </ul>
Protect and ensure the responsible use of our customers' personal information and their right to privacy, as well as to guarantee that the algorithms we use are documented, auditable and strict.	Draw up a manifesto on the responsible use of data	RB and Data	<ul style="list-style-type: none"> <li>Finalize the drafting of the principles for the responsible use of algorithms to guarantee that they are documented, auditable and strict</li> </ul>	<ul style="list-style-type: none"> <li>Drawing up of a principle-related action plan</li> </ul>

# Own Capital Businesses



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Ascertain the absence of human rights issues when investing in or acquiring a company	<ul style="list-style-type: none"><li>▪ Include human rights-related criteria in company acquisition processes. Human Rights Check-List in due diligence processes</li><li>▪ Include human rights-related criteria in company acquisition processes</li></ul>	M&A and Digital M&A	<ul style="list-style-type: none"><li>▪ Strengthening of Due Diligence process through the inclusion in the MIGRO (non-financial risk admission framework) project</li></ul>	<ul style="list-style-type: none"><li>▪ New actions currently under review</li></ul>

# Other



TOPIC	PLAN	LEADER	PROGRESS IN 2019	GOALS 2020
Ensure the adequate interpretation of domestic laws and regulations that may not take Human Rights into consideration	Training plan to include Human Rights in the interpretation of the standard	RB & Legal services	<ul style="list-style-type: none"> <li>Continue working on integrating Human Rights considerations in training modules (especially in Legal Services area)</li> </ul>	<ul style="list-style-type: none"> <li>Launch of specific training course on Human Rights in Business for Legal Services personnel (lawyers)</li> </ul>
Fight against tax fraud, avoidance and evasion	Definition of a new plan against tax fraud, avoidance and evasion	Tax	<ul style="list-style-type: none"> <li>Continuation of the Reduction of Offshore Financial Centers Plan, incorporating both the list included in Royal Decree 1080/1991 (Spain) and the black EU list of non-cooperative jurisdictions (2019).</li> <li>Continuation of implementation tax avoidance prevention measures, such as DAC 6, an EU directive that requires notifying authorities about specific transactions -both by the bank and its clients and customers.</li> <li>Engagement with different stakeholders (NGOs, regulatory bodies etc.--) on fair taxation issues.</li> </ul>	<ul style="list-style-type: none"> <li>Assessment of steps required to incorporate new tax reporting standard GRI 207</li> </ul>