

Environment: sustainable finances and environmental performance

Each year, environmental challenges take on greater importance for communities, organizations and countries. In a world with finite resources, financial institutions play an important role; in this connection, the BBVA Mexico Group demonstrates its commitment to the environment, implementing various actions, both individually and in conjunction with international organizations, such as the United Nations and its Sustainable Development Goals.



Social, environmental and reputational risks

To mitigate the impact of its services, the BBVA Mexico Group has implemented measurement and situation control strategies that, in turn, favor the creation of sustainable markets based on the issuance of Green Bonds and/or the financing of sustainable projects. The institution aims to enhance its positive impact through financial instruments, aligning itself with global initiatives such as:

- The United Nations Environment Program Finance Initiative (UNEP FI).
- Equator Principles.
- Principles for Responsible Investment (PRI).
- The United Nations Global Compact
- Carbon Disclosure Project (CDP).



7 AFFORDABLE AND CLEAN ENERGY

Ensure access to affordable, reliable, sustainable and modern energy for all.



8 DECENT WORK AND ECONOMIC GROWTH

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

Build resilient infrastructure, promote sustainable industrialization and foster innovation.



12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Ensuring sustainable forms of consumption and production.



13 CLIMATE ACTION

Take urgent action to combat climate change and its impacts.

Sustainable finances

The BBVA Group's responsibility for sustainable development is reflected in its global environmental commitment. This commitment is based on three lines of action:

1. Finance: the BBVA Group undertakes to mobilize EUR 100 billion in green finance, social infrastructures and sustainable agribusiness, entrepreneurship and financial inclusion.
2. Manage the environmental and social risks associated with the BBVA Group's activity, to minimize its potential direct and indirect adverse effects.
3. Involve all its stakeholders to collectively boost the financial industry's contribution to sustainable development.

Equator Principles

As part of the risk analysis and decision-making process, the BBVA Group assesses and takes into consideration not only financial aspects, but also environmental, social and reputational factors.

The energy, transport and social service infrastructures that boost economic development and create jobs can have an impact on the environment and society. The BBVA Group is committed to assessing the finance of these projects in order to decrease and avoid their negative impacts and thus boost their economic, social and environmental value.

All decisions on project finance are based on the criterion of return adjusted to principles. This means meeting stakeholders' expectations and social demand for adapting to climate change and respecting human rights.

In line with this commitment, in 2004 the BBVA Group signed up to the Equator Principles (EP), which set out a number of standards for managing environmental and social risk as part of project finance. The EPs are based on the International Finance Corporation's Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety general guidelines. These principles have set the benchmark for responsible finance.

Project analysis consists of subjecting each operation to a process of environmental and social due diligence. The first step is to assign a category (A, B, or C) depending on the risk level associated with the project. 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. The application of the Equator Principles across the BBVA Group is integrated into the internal processes for structuring, admitting and monitoring transactions, and is subject to regular checks by the Internal Audit division.

GRI 102-11, 103-1, 103-2, 103-3, 412-3, FS7, FS8 and FS11



The BBVA Group has strengthened due diligence procedures in place, associated with the financing of projects whose development affects indigenous communities. When this occurs, free, prior and informed consent (FPIC) by these communities will be necessary, regardless of the geographic location of the project. This means extending the current requirement concerning the EPs to all countries. During 2019, the BBVA Group actively contributed to the development of the fourth version of the Principles, participating in two working groups.

One of the main transformations in the version on which the BBVA Group is working on is stakeholder engagement, which refers to principle number 5. It consists of the inclusion of new special circumstances by which the free prior informed consent (FPIC) will be required from the indigenous peoples affected by all projects, provided that they are:

- Projects with an impact on lands and natural resources subject to traditional ownership or usually used by indigenous peoples.
- Projects that require the relocation of indigenous peoples from land and natural resources subject to traditional ownership or in regular use.
- Projects with a significant impact on the critical cultural heritage essential to the identity of indigenous peoples.
- Projects that use their cultural heritage for commercial purposes.

On a global scale, for projects that meet these new circumstances, the Equator Principles Financial Institution (EPFI) will require an independent environmental and social consultant to assess the indigenous peoples consultation process, in addition to the outcome of this process.

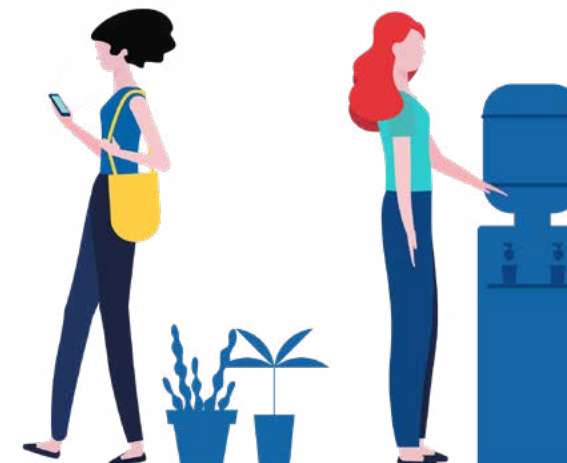
As part of this new version, the Equator Principles Association has recognized the need to update the Principles to being them in line with the changing landscape of sustainable finance.

For the BBVA Mexico Group, the EPs are the starting point for contributing to: transparency, the improvement of environmental regulations in Mexico, implementing best practices and generating a framework of dialogue with clients and groups interested in the projects it finances.



Transactions financed under the Equator Principles in Mexico and signed in 2019

Category	Sector of operations	Amount financed by BBVA Mexico Group in million MXN
B	Real estate (8 projects)	\$ 23,020.48
C	Property assets	\$ 4,200.00
B	Oil & gas (2 projects)	\$ 4,235.47
B	Renewable energies	\$ 9,048.51
Total	12 projects	\$ 40,504.47



Green bonds

The BBVA Mexico Group has a major responsibility to support projects that benefit society, aim to generate sustainable communities and contribute to the fight against the climate crisis. As part of its Responsible Banking strategy, the BBVA Mexico Group uses financial instruments for the purposes of comprehensive risk management and opportunities in climate change issues.

A key aspect of the Bank's strategy is to support projects that foster global sustainability, providing customers with innovative solutions and financing initiatives that generate positive environmental and social impacts.

The aim is to promote sustainable financing, assess its strategic impact and drive management transformation initiatives that best respond to the challenges relating to climate change and other pressing social issues.

The bonds issued by BBVA Mexico seek to finance companies or projects in five eligible areas:

- Energy efficiency (including buildings to have earned environmental certification, such as LEED or BREEAM)
- Renewable energy
- Sustainable transport
- Waste management
- Water

In 2019, no green bonds were issued.

The BBVA Mexico Group's stakeholders are invited to learn more about the framework for the issuance of BBVA SDGs-linked bonds: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/04/BBVA_Sustainable_Bonds_Framework-Presentation-25042018-1.pdf.

GRI FS8





Global Ecoefficiency Plan

Starting in 2016, the BBVA Group established different objectives based on its commitment to the environment to establish the 2016-2020 Global Eco-Efficiency Plan (GEP). Year after year, the BBVA Mexico Group has worked on and implemented various initiatives to continue reducing its environmental footprint and reaching the goals that the GEP set for 2020.

GRI 103-1, 103-2, 103-3, 301-1, 302-1, 302-2, 302-3, 302-4, 302-5, 303-1, 303-3, 305-1, 305-2, 305-3, 305-4, 305-5 and 306-2

 **6 CLEAN WATER AND SANITATION**
Ensure access to and sustainable management of water and sanitation for all.

 **7 AFFORDABLE AND CLEAN ENERGY**
Ensure access to affordable, reliable, sustainable and modern energy for all.

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Environmental management and sustainable construction

Building	ISO 14001:2015 certified buildings	LEED certified buildings	Number of occupants per building
1 BBVA Tower	X	X	6,069
2 Parques BBVA	X	X	5,423
3 DPC	X		705
4 TecnoParque	X		620
5 Murano Tower		X	3
6 Torre Danos (Toreo)		X	3
7 5 de Mayo headquarters			239
Total	4	4	13,062

	2016	2017	2018	2019
Occupants in environmentally certified buildings	20%	23%	23%	28%



Energy and climate change



2020 Objectives:

3% reduction in electricity consumption per occupant.

65% of energy from renewable sources.

56% reduction in CO₂ emissions per occupant.

Energy

The BBVA Mexico Group's energy sources are divided between electricity consumption (supplied by CFE and a private company that supplies renewable wind energy), LP gas consumption, natural gas and diesel.

	2016	2017	2018	2019	Units
Total electrical power consumption	261,238	239,917	202,189	206,565	MWh
	940,456	863,701	727,880	743,635	GJ
Electrical power consumed per occupant	5.78	5.40	4.44	4.46	MWh/employee
Total LP gas use	156,722	146,673	164,155	136,810	Liters
	3,758	3,805	4,284	3,571	GJ
Total natural gas use	63,892	67,083	68,148	68,862	m ³
		2,753	2,820	2,847	GJ
Total diesel use	331,810	200,451	279,990	310,997	Liters
	12,096	7,086	10,631	11,809	GJ

Scope: BBVA Mexico Group.

1. The total number of occupants is considered as the sum of BBVA Mexico Group employees plus the number of external employees at the institution's buildings and offices in 2019.
2. The number of external employees in 2019 came to 38,228 and the number of external employees came to 8,094, providing a total of 46,322 occupants.
3. Figures at year-end 2019.
4. Total electricity consumption at the BBVA Mexico Group's buildings does not take into account certain locations that fall outside the centralized collection agreement with CFE. Energy consumption at these buildings remains unknown, partly because the cost is included within the rent for the building.





Renewable Energy

During 2019, the Bank continued with the “Enel Green Power” program to provide wind energy to our network of branches and corporate headquarters.

Project	2017	2018	2019	Units
Electricity use from renewable sources	14,321	54,074	61,677	MWh
	51,556	194,666	222,037	GJ

In 2019, the BBVA Mexico Group increased its renewable energy consumption by 14% year-on-year.

Energy efficiency initiatives

Energy View

A tele-management monitoring system for efficient electricity usage and to keep a controlled degree of air conditioning. The system monitors the temperature and controls air conditioning by remotely switching the system on and off. Its purpose is to save energy and maintain an appropriate temperature through a monitoring and management system applied to control Air Conditioning (HVAC) and Lighting.

Lighting control

Torre BBVA and Parques BBVA have smart lighting systems capable of dimming or brightening the lights in response to levels of natural sunlight. The lights are switched on at 06:00 and are gradually dimmed by up to 80% as the day progresses. All the floors in both buildings are programmed to switch off at 21:00 if no presence is detected for five minutes within an area of 50 m².

PACOM

An automatic system for switching off lights inside branches, which uses a security alarm system. When the branch is closed, and the alarm system is turned on, the PACOM system begins to work, switching off all lights which are not essential.

PACOM	2017	2018	2019	Units
Technological	194	16	194	Branches
Monetary saving	\$3,196,341	\$8,639,318	\$3,696,948	MXN
Energy saving	2,239,893	5,598,086	2,525,171	kWh

Emissions

Total emissions generated

	2016	2017	2018	2019	Units
Total CO ₂ eq. emissions released	128,855	122,703	112,144	114,520	Tons
Direct emissions of CO ₂ eq (scope 1)	1,314	881	1,161	1,203	Tons
Indirect emissions of CO ₂ (scope 2)	117,838	111,223	94,547	99,358	Tons
Indirect emissions of CO ₂ (scope 3)	9,686.15	10,599	16,436	13,958	Tons
Total CO ₂ per employee	2.87	2.76	2.46	2.47	Tons / occupant

Scope: BBVA Mexico Group.

- Total CO₂ emissions are calculated by adding scope 1 (fossil fuels), scope 2 (electricity) and scope 3 (air travel) emissions.
- **The conversion factors of the International Energy Agency (IEA) were used to calculate scope 2 emissions, while those of the Department of Environment, Food and Rural Affairs (DEFRA) were used to calculate the scope 1 and 3 emissions.
- Total number of employees is the sum of employees of the BBVA Mexico Group plus the number of external staff at the institution's buildings and branches in 2019.
- In 2019, the number of employees totaled 38,228, plus an average of 8,094 external employees, making a total of 46,322.
- Figures at close of 2019.

Km traveled by plane

	2016	2017	2018	2019	Units
Journeys less than 500 km	4,591,489	947,602	6,522,604	5,457,212	km
Journeys between 500 and 1,600 km	22,056,761	16,826,091	26,068,301	23,478,538	km
Journeys higher than 1,600 km	24,483,086	39,067,562	25,159,809	21,954,350	km
Total	51,131,336	56,841,255	57,750,714	50,890,100	km

The total amount of air travel does not include trips made outside the agreement with the supplier.

Audiovisuals

These tools make it possible to hold meetings or conferences remotely, with the aim of reducing costs and the impact of the emissions generated when employees are required to travel.

WEBEX	2018	2019
Sessions held	64,265	158,956
Connections made	389,483	620,715

	2016	2017	2018	2019
Videoconferences	16,558	17,889	12,103	37,343
Rooms equipped with video-conferencing equipment	178	165	175	183
Audioconferences	21,552	20,656	14,575	2,525
Telepresence	0	12	74	405

Scope: Headquarters and offices of the BBVA Mexico Group.



Water



2020 Objectives:

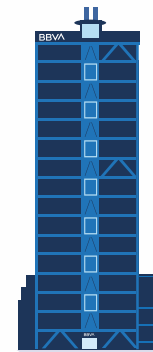
3% reduction in water consumption per occupant.

11% of occupants in real estate with alternative sources of water supply.

	2016	2017	2018	2019	Units
Total water consumption	624,359	731,840	471,435	428,051	m ³
Water consumption per employee	13.81	16.44	10.35	9.24	m ³ /employee

Scope: BBVA Mexico Group.

1. The total number of occupants is considered as the sum of BBVA Mexico Group employees plus the number of external employees at the institution's buildings and offices in 2019.
2. The number of employees in 2019 came to 38,228 and the number of external employees came to 8,094, providing a total of 46,322 occupants.
3. Figures at year-end 2019.
4. Annual water consumption at the BBVA Mexico Group's buildings and facilities does not take into account certain locations with unknown levels of water consumption, partly because the cost is included in the rent for the building.
5. From 2018 onwards, in order to align with the BBVA Global guidelines, the methodology for calculating water consumption considers a different corporate factor from the local factor used in previous years. Using the local factor may reflect variations in water consumption reported from 2018 onwards.



The BBVA Tower, Parques BBVA and the Data Processing Center (DPC) are capable of recycling both rainwater and waste water. We use the treated water in: WCs, cooling towers, water mirrors and gardening.

Paper and waste



2020 Objectives:

23% reduction in paper consumption per occupant.

29% of occupants in properties with selective waste collection.

Paper consumption

	2016	2017	2018	2019	Units
Total paper consumption	1,769,841	2,480,687	1,662,173	1,246,244	kg
Total paper consumption per employee	39.17	55.72	36.51	26.9	kg/employee

Scope: BBVA Mexico Group.

1. The total number of occupants is considered as the sum of BBVA Mexico Group employees plus the number of external employees at the institution's buildings and offices in 2019.
2. The number of employees in 2019 came to 38,228 and the number of external employees came to 8,094, providing a total of 46,322 occupants.
3. Figures at close of 2019.

25% reduction in paper consumption compared to 2018.

Waste managed

	2016	2017	2018	2019	Units
Non-hazardous waste	954,115	954,115	1,137,588	1,125,661	kg
Hazardous waste	6,085	6,085	16,202	18,167	kg

Extended commitment

Communication and awareness

In 2019, in addition to the different communication campaigns to inform employees about recycling, waste management, water and energy saving issues, among others, the BBVA Mexico Group installed a sensory exhibition at the BBVA Tower for all employees and occupants could live this experience and learn about the importance and to raise awareness of caring for the environment.

Environmental Ecoefficiency Policy

To contribute to a more sustainable world, the BBVA Group has an Environmental Ecoefficiency Policy, in which it reveals its strong commitment to the environment, its objectives and promotes environmental education among all its employees.

In 2019, the institution launched an Environmental Management course for its employees as part of its communication and awareness strategy and as part of its application for the ISO 14001: Environmental Management System certification.

Visit the following page to learn more about sustainability developments and BBVA's commitment to the environment: <https://www.bbva.com/es/medio-ambiente/>.



Suppliers and responsible purchasing

The integration of ethical, social and environmental factors into the supply chain is part of the BBVA Mexico Group's responsibility to its stakeholders and the creation of a sustainable market and institution.

Relations between the BBVA Mexico Group and its suppliers are governed by:

- The Code of Conduct approved in 2015.
- Code of Ethics for Suppliers.
- Responsible Procurement Policy.
- Corporate Rules for the Procurement of Goods and Contracting of Services.

The documents mentioned above are published on the supplier portal for consultation. As part of the supplier registration process, they are provided with a welcome kit that includes the Supplier Code of Ethics for their knowledge and affiliation. Furthermore, as part of the approval process, reviewed suppliers are provided with the Code of Ethics for their knowledge.

For further details, please visit the supplier portal: <https://suppliers.bbva.com/>.
At the following link, you can find documents relating to responsible purchases, including the Code of Conduct and the Code of Ethics: <https://suppliers.bbva.com/compras-responsables/>.

GRI 102-9 and 412-1

 **8 DECENT WORK AND ECONOMIC GROWTH**
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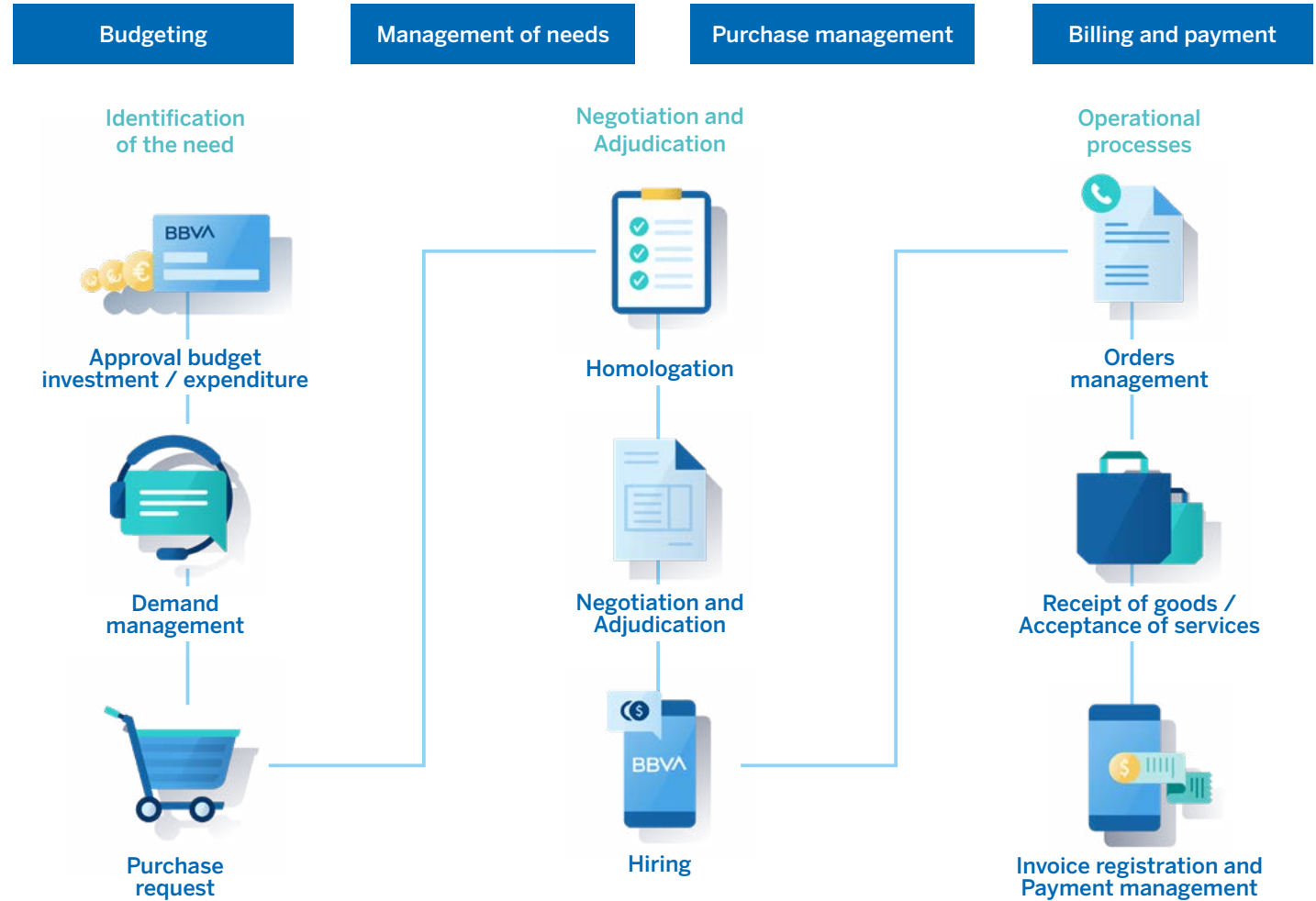
 **12 RESPONSIBLE CONSUMPTION AND PRODUCTION**
Ensuring sustainable forms of consumption and production.

Procurement Model

The BBVA Group has a common and homogeneous Global Procurement Processes Model, which is applicable in all geographies where it operates. This model covers the end-to-end procurement circuit, from the time an approved annual budget is made until invoices are paid to suppliers. And it is supported by a common technology platform for all countries.

As part of the approval process, one of the aspects considered is the matter of corporate social responsibility; to this end, suppliers are provided with a questionnaire aligned with the 10 principles of the UN Global Compact, including anti-corruption issues. This questionnaire is only shared as part of reviews carried out by certifying bodies. It does not include internal reviews or preferred suppliers. The topics covered by the questionnaire are:

- Human rights
- Working conditions
- Civil protection
- Community involvement
- Care for the environment
- Anti-corruption and best practices



Supplier certification

The supplier approval process is essentially a review, conducted in accordance with the corporate rules and regulations, that suppliers of goods and/or services to the BBVA Mexico Group must undergo, based on the following segmentation:

1. The supplier's level of annual expense, using as a reference the billing with the supplier and/or the amount of contracts awarded or expected to be awarded.
2. The potential impact on the business of the services and/or products to be delivered by the supplier.
3. In new negotiations between suppliers and the institution, where the relationship has already reached at least two years.

The following points are checked as part of this process:



Legal



Financial



Tax



Labor



Corporate Social Responsibility (CSR)



Reputational



Technical



Regulatory



Internal control

In 2019, the Bank arranged the services of five certifying entities to carry out reviews of suppliers and to verify that they meet regulatory approval criteria.

Supplier certification	2017	2018	2019
Number of suppliers to have undergone the approval process	849	1,829	2,026
Number of approved suppliers	579	1,760	1,768
Percentage of purchases from suppliers who underwent the approval process	67%	88%	96%*
Number of suppliers who failed the approval process (not approved)	213	69	84
Number of suppliers who ended up without status during the approval process	57	N/A	N/A
Number of suppliers subject to a remediation plan during the approval process (no sanction)	19	107	13**
All active suppliers across the BBVA Mexico Group	6,136	6,722	8,104

96.53% of the suppliers active in 2019 are Mexican; 1.23%, Spanish; 1.34% are from the United States, and 0.90% from other nationalities.

*To calculate this percentage, only suppliers that meet the criteria applicable to the approval process and awards made during 2019 without taking regularizations into account are considered.
**Two suppliers removed from the 2019 Approval Plan services are no longer awarded to them and 11 suppliers given an additional period to mitigate any risk or observation detected during their review have all been included.



Number of suppliers to have undergone the approval process



Increase of 11% in the number of suppliers to have undergone the approval process in comparison with 2018.

Number of approved suppliers



Of total suppliers that underwent the approval process in 2019, 87% were approved.

Number of suppliers who failed the approval process



Supplier mailbox

In the event of an incident in the procurement process or if any suggestions need to be transferred, the following process applies:

- Contact the requester or contact person in the Procurement Department.
- If this fails to resolve the issue, it is sent via the following link: <https://bbva-suppliers.appspot.com/presencia-bbva/>. The corresponding country is selected and an email is sent that will be answered as soon as possible.

- As a BBVA Mexico Group supplier, if you notice any activity or situation affecting the institution that may be contrary to the applicable legal provisions or the standards of the suppliers' code of ethics, you must communicate this via email to canaldenuncia@bbva.com or by telephone to (34) 91 537 72 22.

Initiative 2020

The project is designed to create a model that helps improve the supplier certification control process. The intention is to implement a methodology at a corporate-wide level that mitigates the risks that may arise at the time of the allocation of goods and services to suppliers as part of the procurement process.

The topics covered as part of the project include, but are not limited to:



Financial



Compliance (legal, labor and tax)



Conflicts of interest



Reputational



Anti-corruption



Technological risk

Target 2020

Increasing the scope of suppliers currently participating in the approval process, in addition to incorporating suppliers that were previously excluded from the process.