



## Principles to be applied to participants in BBVA's procurement process Supplier relationships

### Objective

The Principles to be Applied to Participants in the BBVA Procurement Process (hereinafter, the PPP Principles) are aimed at developing the contents of the BBVA Code of Conduct with regard to the procurement function in the BBVA Group.

The content of this document shall supersede any contradicting internal rules, unless they demand more stringent rules of conduct.

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### 1. Introduction

#### 1.1. Scope

The content of the PPP Principles is binding on all persons involved in procurement processes in the BBVA Group, irrespective of their BBVA Group unit or entity.

The standards included in this procedure apply not only to the procurement process for consumer goods and services, but also to investing in and provisioning property belonging to the Group's fixed assets, including buildings and other real estate.

The procurement process is a transversal flow applicable to the whole organization. It requires coordination of all parties involved in every phase of the process, from preparation of the budget to invoicing the goods or services contracted.

#### 1.2. Framework of Rules

##### **BBVA GROUP CODE OF CONDUCT**

Exercise of the procurement function is based on assuming and respecting the contents of the Code, to which you are referred for any points not covered in this document. The Code shall prevail in the event of any discrepancy.

##### **APPLICABLE INTERNAL REGULATIONS**

The BBVA Group's procurement model is based on the principles set out in the BBVA Group's Responsible Procurement Policy. All internal regulations referring specifically to the Procurement function must consider the principles and guidelines set out in this document.

### 2. General criteria and guidelines

#### 2.1. General Considerations

The procurement function is also subject to respect for the laws in force in each geographical area in which it conducts its business, in particular rules regarding:

- Contracting and subcontracting
- Personal data protection
- Urban planning
- The environment

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- Occupational Health & Safety

In addition, in exercising the procurement function within the BBVA Group, there is a shared commitment to corporate responsibility across the Group and, in the case of that particular function, to adherence to the social and environmental principles set out in the United Nations Global Compact, respect for which is particularly valued in relationships with contractors and suppliers.

The following principles should not be understood individually, but within the context of exercising the function to which they relate.

### 2.2. General criteria and guidelines

All relations with suppliers in the context of the BBVA Group procurement function must consider the following general criteria and guidelines:

#### **COMPLIANCE WITH REGULATIONS**

BBVA is committed to strict compliance with the law and will especially value those suppliers or counterparties in its operations with a similar public commitment. The procedures for approving suppliers include express requirements in this regard.

#### **RESPONSIBLE BUSINESS AND INTEGRITY COMMITMENT**

BBVA especially values those suppliers and counterparties that share the principles underpinning the BBVA Code.

The criteria to be considered in the supplier approval process include whether suppliers have adopted the principles of the United Nations Global Compact in the conduct of their business operations.

Special mention should be made, in relation to procurement processes, of BBVA's commitment to promoting sustainable development, respect for the environment and the desire for "eco-efficiency" and safety in the work place and the health and safety of workers. These are good practices that BBVA promotes and disseminates among its suppliers and are taken into account in approval processes.

The supplier approval process also considers aspects relating to respect for human rights and business ethics.

#### **RESPECT**

BBVA's relations with its suppliers are based on respect. BBVA does not discriminate, and does not permit its suppliers to discriminate (in both the selection process and the award of orders), on the grounds of gender, race, age, nationality, religion, sexual orientation, disability, family origins, political ideology, political or union affiliation, or on any other grounds that are not objectively

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related to the terms and conditions of the contracting in question, or which is prohibited by prevailing legislation.

### **CONCURRENCE**

In general, procurement processes will be organized to promote the concurrence of a plurality of suppliers of goods and services with characteristics and conditions that meet the needs and requirements of the Group at the time.

BBVA shall only approach a supplier directly: when this process is not possible, for reasons of urgency or because of the low value involved; when goods or services can only be supplied by a specific supplier; or because of urgent user needs. The reasons of urgency or the existence of a single supplier for the goods or services requested must be duly justified in the proposal for the award submitted for approval to the Procurement Committee or equivalent body with suitable authority for the value of the purchase and its importance to the Group.

### **OBJECTIVITY**

The negotiation and award processes shall ensure objectivity, avoiding situations that could affect this, mainly potential conflicts of interest.

The following guidelines for action have been set to ensure this:

(I) From the procedural point of view:

- The presence of more than one person from the unit affected will be sought in negotiations that are presumed in advance to have a certain complexity, or special or unusual circumstances.
- The award is always calculated on a collegiate basis, either by Procurement Committees or other committees or bodies (e.g. in the case of real estate investment) or persons who have been delegated sufficient authority, always respecting the powers attributed to each with regard to the value of the purchases and their importance to the Group.
- The types of meetings used by these Committees or specific bodies will be based on the latest technological developments. These will be used to document, in the minutes, the procurement process followed and the decisions and comments made in the meetings.

(II) From the perspective of the proper treatment of personal situations involving potential conflicts of interest:

- Before any action is taken, participants should consider any conflicts of interest that might arise for the people involved, in both the negotiation process and at the award stage.

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- To do this, when one of the participants has a vested interest in the operation, or is closely linked to a person with such an interest, or performs or is about to begin performing the role of a director, advisor, consultant or agent in a supplier company, their line manager shall be notified of this circumstance and the individual shall not participate in the negotiation process or award.

- Should any cases of potential conflict of interest occur, they must be reported to the individual's line manager for analysis and assessment prior to any action. Appropriate measures will be taken to ensure the objectivity of the process in view of the circumstances of the case and considering how they would be evaluated by an impartial third party unconnected with the situation.

(III) From the perspective of the proper treatment of institutional situations of potential conflict of interest, the guidelines for action differ according to the collective:

- a) Active employees of BBVA Group or subsidiaries controlled by BBVA Group

When it is known by any of the parties involved in the procurement process, no contracts may be concluded with this collective.

- b) Former employees, companies controlled by them or companies that have former - employees

Contracts may be made with this collective provided that the absence of undue influence in the contracting is guaranteed, for this it will be necessary that:

- The former employee is not part of the bid submission process or negotiation process - The former employee will dialogue exclusively with the responsible of technical area and Purchasing management, or higher levels (never lower)
- The conditions of provision of the service or supply are strictly market, for which at least two alternative proposals from independent companies must have been duly requested and analyzed. If there are no alternatives in the market, there must be sufficient cause based on the specialty of the service or procurement to be contracted (e.g. advisory or consulting services)
- They may not ask for additional information that is not shared with other bidders or the market.
- They may not exert pressure during the process.

- c) Early retirees, companies controlled by them or companies that have early retirees from Group BBVA

In addition to the action guidelines established for the previous group, early retirees collective will not have to intervene during the three years following the acquisition of this condition.

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In all cases, the award proposal must inform of any situation of potential conflict of interest, so that the corresponding contracting committee is aware of these situations before the award.

Appropriate measures will be taken in all supplier certification processes to detect whether the supplier employs active, former employees or early retirees of BBVA Group. If so, who, what for and under which conditions.

In exceptional and duly justified circumstances, the Contracting Committee (or equivalent committee to decide on the specific procurement) can make exceptions to this standard, provided that, before approving the awards, it is ensured and documented the aforementioned.

The existence of these special situations and the reasons for their approval shall be duly detailed in the Minutes of the Contracting Commissions (or equivalent committee deciding on the specific procurement).

In the event that the Technical Area / User or the Purchasing Manager team perceives the existence of undue influence or improper requests for additional information by any intervening party in the procurement process, the person responsible for the negotiation shall discard the supplier from the procurement process and inform the relevant Commission.

(IV) In relation to gifts and donations:

In order also to ensure objectivity, professional relationships between employees in Procurement units and others involved in the BBVA Group procurement process will strictly follow the guidelines for acceptance of gifts and compensation set out in the Code.

### **TRANSPARENCY**

The negotiation and award processes will ensure that suppliers have the same opportunities and have access to the same information, with the criteria used in the award being duly set down. To do so, before receiving the relevant bids, the negotiation manager will make the technical conditions for the goods or services required, and any specific delivery conditions, available to all suppliers. These may subsequently be modified, provided that the changes are made known to all suppliers involved in the process under equal conditions.

### **VALUE CREATION**

Goods and services are acquired by seeking the best conditions for BBVA in each transaction, recognizing the value of long-running relationships with certain strategic suppliers.

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### **CONFIDENTIALITY**

All non-public information on suppliers and transactions is confidential and may not be disclosed or made use of by any person for reasons other than for the professional relationship, whether for their own benefit or for the benefit of third parties.

The principle of confidentiality shall not be considered breached where BBVA participates in surveys, studies, and benchmarking against other companies, provided these are conducted in accordance with professional criteria, restricting the information to the field of study, for the purposes of comparing BBVA's efficiency levels with the market.

Employees who, by virtue of their role or professional activity, possess or have access to non-public information are responsible for its safekeeping and proper use.

Similarly, BBVA requires compliance with all applicable legal requirements in each case - through the incorporation of relevant obligations in contractual documents - in jurisdictions where there are specific personal data protection regulations, if the supplier has access to, or processes, personal data belonging to BBVA.

Likewise, BBVA will encourage checks on the adequacy of the security measures implemented by the supplier in its facilities, as it considers appropriate in each case.

### **2.3. Basic elements of supplier relationships**

The BBVA Group is aware of the importance of supplier relationships. It has defined a procurement process, implemented a specific procurement negotiation and management methodology, and established the criteria for approval of suppliers. It associates with suppliers by considering them collaborators in the procurement process. This process is becoming ever more efficient, due to the electronic procurement and negotiation tools implemented.

### **PURCHASING METHODOLOGY**

For the BBVA Group, an effective negotiation is one where the real needs of internal customers are met with the highest quality and best service levels, at the lowest possible cost, on schedule.

Another aim is to achieve a medium/long-term relationships with suppliers based on trust, in which the interests of all parties - the BBVA Group, users and suppliers - are met.

### **SUPPLIER APPROVAL**

BBVA undertakes an approval process for recurrent suppliers with large purchasing volumes.

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This approval involves assessing the financial, legal, employment and reputational situations of the suppliers, understanding their basic technical capabilities and verifying that they share the Group's social responsibility values.

The approval process covers various aspects of the business, such as: its identity and economic, organizational and production aspects; and the degree of the supplier's commitment to business responsibility, as set out in the Principles of the "United Nations Global Compact," to which BBVA is a signatory.

The Procurement Area has set global criteria for supplier approval. These must be followed in all BBVA Group procurement. These criteria ensure common guidelines for supplier approval in all geographical areas. Based on these criteria, each geographical area distinguishes the supplier segments that need approval and establishes an approval process reflecting this segmentation, focusing on those segments that pose the greatest risk to the Group.

The main criteria for determining whether a third party poses a reputational risk are:

- High visibility of the relationship with the Bank
- Strategic partners, or partners with significant impact on operations
- Access to personal, financial and health information
- Direct and continuous contact with customers and average business volumes
- Belonging to a sensitive sector from the human rights perspective, with large business volumes with the Bank

The Procurement Area assesses whether suppliers subject to approval comply with these criteria from a reputational standpoint, following the analysis methodology defined by Responsible Business. Responsible Business, and business and technical areas, are also involved in this reputational assessment process, as appropriate.

### **COLLABORATION WITH SUPPLIERS**

BBVA Group Procurement Units provide the means to ensure the most favorable conditions for the Group in every negotiation, seeking to build sustainable relationships over time with strategic suppliers.

- Satisfaction survey. A supplier satisfaction survey is conducted periodically to uncover suppliers' concerns, satisfaction levels and suggestions for improvements for the Group.
- Framework agreements with strategic suppliers. The BBVA Group uses framework partnership agreements with strategic suppliers to establish strong and lasting relationships with suppliers, providing stability and quality in the way the Group's systems, infrastructure and operations function.



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- Meetings with suppliers. Meetings are held with suppliers to analyze progress with procurement and share knowledge on markets and products.
- Supplier payment. BBVA is aware of the importance of complying with payment periods for its suppliers. It seeks to ensure that all developments, circuits and procedures foster prompt and responsible payment.
- Contracts are drafted transparently and clearly, so that they are easy to understand for all suppliers.