

BBVA's Sustainability approach: building a greener and more inclusive future

May 2021



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01.

A greener
and more inclusive future:
the challenge of
the century

Sustainability is the challenge of the century



At the top of world leaders agendas

Under clear worldwide roadmaps:

- The Paris Agreement
- The 2030 Agenda for Sustainable Development with the 17 SDGs⁽¹⁾ at heart



Sense of climate urgency

+3.0°C* Current climate trend

+1.5°C* Global warming target for 2100

*Versus pre-industrial levels



Society calling for action

72%⁽²⁾ of companies mention SDGs⁽¹⁾ in their reporting



Private and public sector on board

Sustainable finance policies are widespread and the pace is increasing

Generating an extraordinary business opportunity

Worldwide annual investment
to limit global warming to 2°C

\$5-7Tr⁽¹⁾

Extensive policy responses
geared to sustainability

€750Bn
NGEU⁽²⁾

\$2Tr
Biden's Climate Plan



**Massive electrification
of the economy**

**Cumulative
investments in the
energy system over
the period to 2050
to reach \$110Tr⁽³⁾**

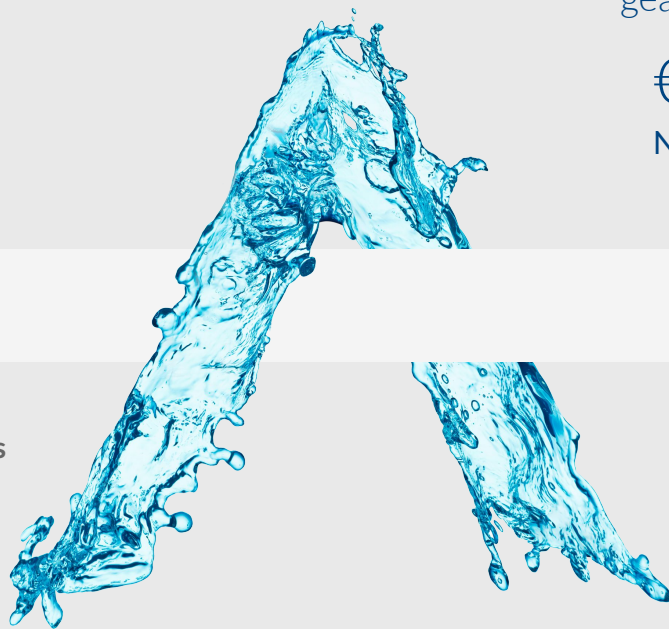
**Over 1Bn⁽⁴⁾
electric vehicles
could be on the
road by 2050**



**Technological
disruption**

**Green hydrogen to
play an increasing
role in industry
decarbonization**

**Carbon Capture and
Storage to take off as
costs of releasing carbon
into the air increase**



(1) "Financing climate futures: rethinking infrastructure", OECD Publishing (2) Next Generation EU Plan to build a digital, sustainable and inclusive future (3) "Transforming the Energy System", IRENA

(4) "Global Energy Transformation, a roadmap to 2050", IRENA

Banks will play a catalyst role in the transition to a more sustainable world

The future of banking is **financing the Future**, with a capital F



Mobilize capital as channeling agent for public funds while encouraging private investment

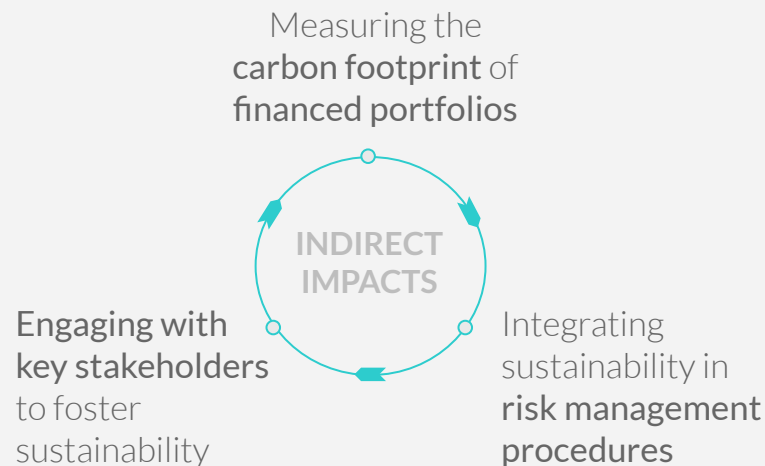


Develop **complete financial solutions** for businesses and individuals



Advise and support clients in their transition

Banks can **make the difference** through the management of **indirect emissions of their portfolios**





02.

Sustainability,
at the core
of BBVA's
strategy

Sustainability, at the core of BBVA's strategy

OUR PURPOSE

“To bring the **age of opportunity** to everyone

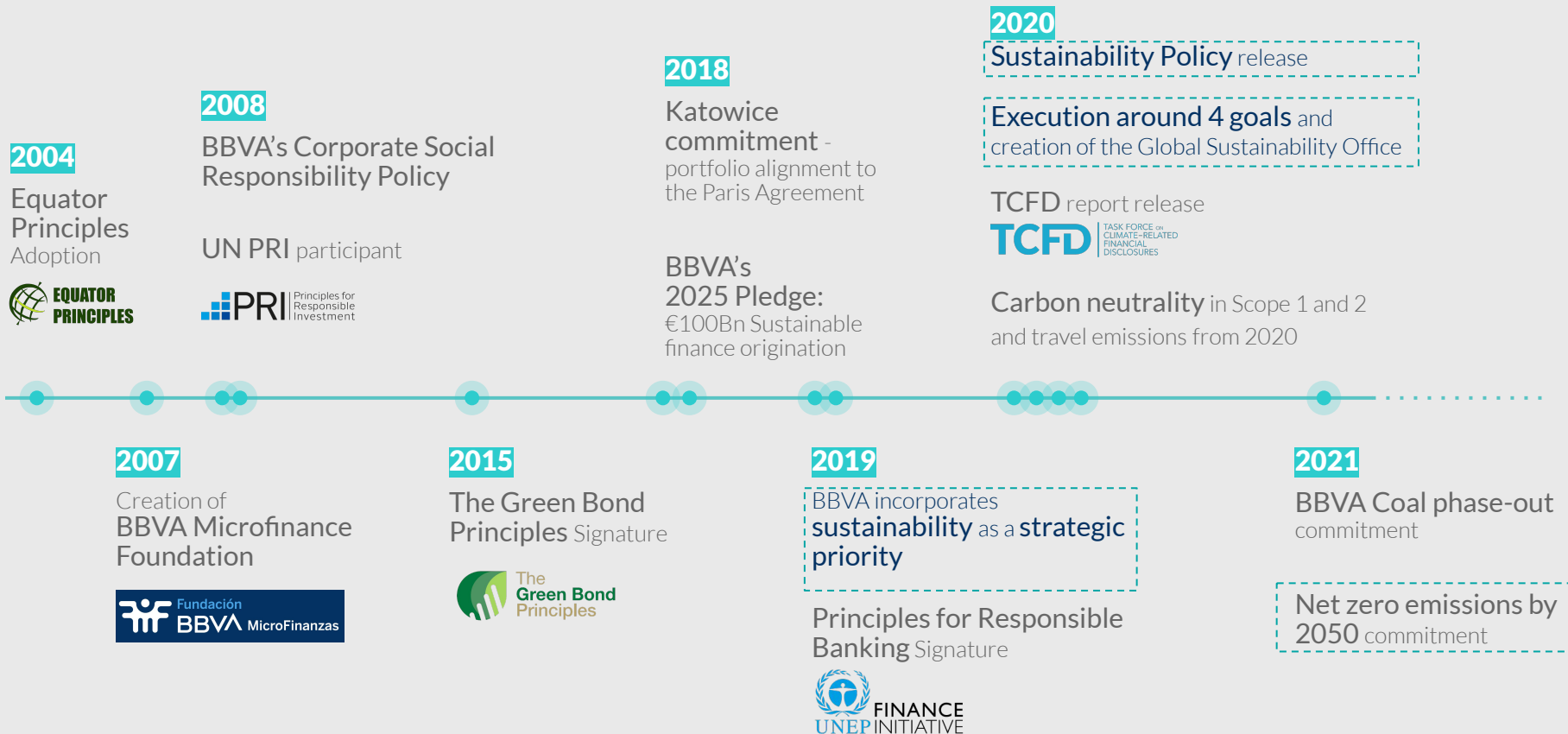
A STRATEGIC PRIORITY



Helping our clients transition
towards a **sustainable future**



BBVA has a long standing trajectory in sustainability



Renewed push to sustainability in BBVA's strategic plan

Creating opportunities for a greener and more inclusive future for all our stakeholders

Using our role to impact on our clients' behaviors inspired by selected SDGs

Incorporating climate change risks and opportunities in our strategy and business processes



CLIENTS

EMPLOYEES

SHAREHOLDERS

SOCIETY

Climate Change

ENERGY EFFICIENCY

Technologies that reduce energy use

CIRCULAR ECONOMY

Recycling, new materials, responsible use of natural resources

CO2 REDUCTION

Renewables and other clean energy sources

Inclusive and sustainable social development

DIGITAL SOLUTIONS

Provide financial services to unbanked population

INCLUSIVE INFRASTRUCTURES

Basic services and affordable and sustainable transport

SUPPORT FOR ENTREPRENEURS AND UNEMPLOYMENT

Economic growth and productive employment

BBVA's Sustainability Policy sets our guiding principles for sustainable development

Defining Principles

The Group will follow a set of **general principles** of action with regards to sustainability in order to **incorporate opportunities and risks** into the Group's strategy, processes and risk management

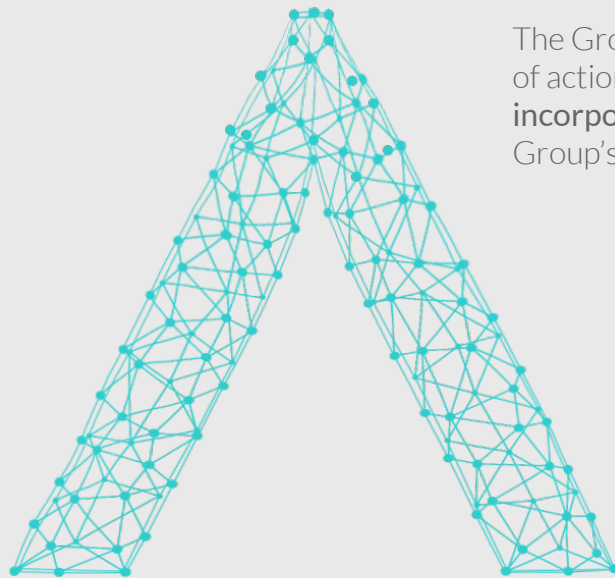
Setting Goals

To make sustainability an organization-wide effort, BBVA has set out clear **sustainability goals**

Enhancing the governance with full bank involvement

The **Board of Directors** has approved BBVA's Sustainability Policy and monitors its execution

All **business units** are working on **integrating** sustainability in their operational models and internal processes



Accelerating our execution for sustainability

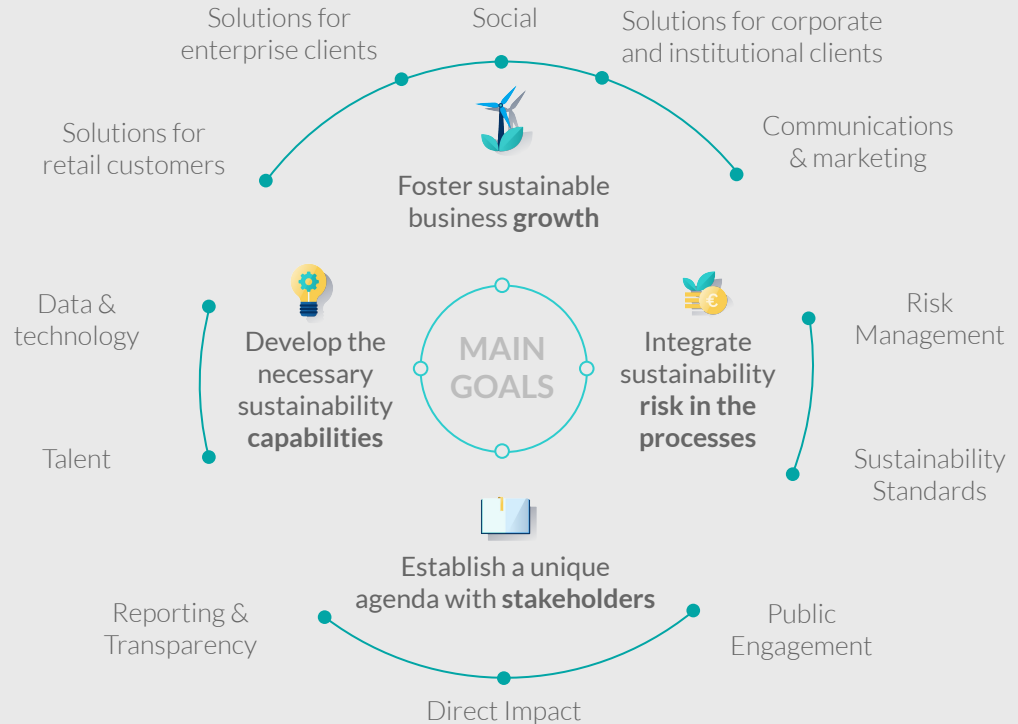
A global and transversal effort

With the support of top managers in the Group's global and local areas

Global Sustainability Office responsible for promoting and coordinating the Group's sustainability initiatives

Developing proprietary knowledge and skills to create a competitive advantage

EXECUTION ORGANIZED AROUND 4 GOALS AND DECLINED IN 12 WORKSTREAMS



Adopting the Net Zero 2050 commitment



The Net Zero 2050 commitment aims at a targeted increase in temperature of 1.5°C, the most ambitious scenario within the range of the Paris Agreement goals



The target requires nearly double the decarbonization effort for the economy and brings the previous deadline forward from 2070 to 2050



BBVA is a founding member of the Net-Zero Banking Alliance



Banks in the international alliance commit to ensuring that credit and investment portfolios are neutral in net emissions of greenhouse gases by 2050

Commitment achievable by accelerating BBVA's execution plan and increasing the ambition of the KPIs already defined

Specific KPIs defined to follow **our progress**



Business origination

Maximize sustainable finance origination

€100 Bn
FROM 2018 TO 2025
BBVA's 2025 Pledge



Portfolio alignment

Adoption of the PACTA methodology with relevant metrics and targets to be defined in 2021



Direct impacts

Environmental footprint reduction and emissions offset

70% RENEWABLE ENERGY USE BY 2025

68% REDUCTION OF CO₂ EMISSIONS BY 2025 (VS 2015)



Transparency

Integration of sustainability related topics in corporate reporting, according to international standards



BBVA is committed to financing sustainability initiatives

BBVA's sustainable finance origination within its 2025 Pledge

GREEN FINANCING
62%

OTHER SUSTAINABLE
ORIGINATION
15%

FINANCIAL INCLUSION
AND ENTREPRENEURSHIP
12%

SOCIAL INFRASTRUCTURES
AND AGRIBUSINESS
11%



In 2020 achieved half of the objective foreseen for the 2018-2025 period, one year ahead of schedule

And through its foundations



SOCIAL INITIATIVES

12.2 million
children, youth, adults and SMEs
benefited in 2020

€142.2 million
invested in social programs and
initiatives in 2020



ENTREPRENEURSHIP

2.61 million
entrepreneurs supported as
of 2020

Highly recognized initiatives
BBVA Momentum, Open Innovation
and BBVA Microfinance Foundation



KNOWLEDGE AND CULTURE

Grants for cultural creators and collaboration with reference
entities (museums, theaters, others)

BBVA MICROFINANCE FOUNDATION

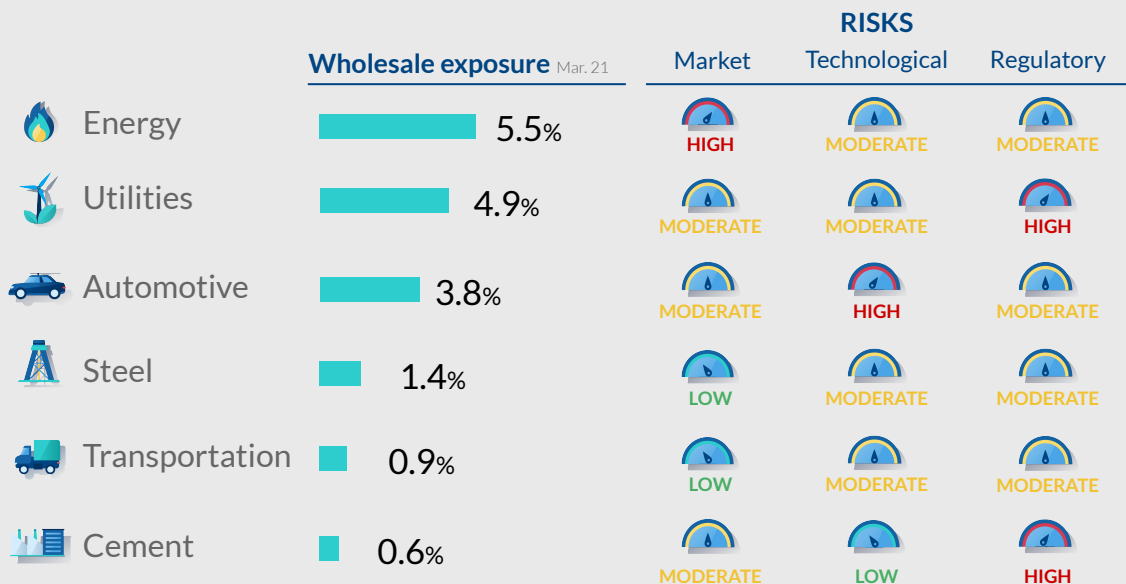


2nd largest philanthropic
initiative globally and
1st in LatAm



1st private organization
contributing in the development
assistance for gender equality,
according to OECD

Progressive alignment of our portfolio with the goals of the Paris Agreement



17.1 % of wholesale EAD (9.1 % of Group's EAD)

PACTA METHODOLOGY

Sector scope	Metric	Emission scope*
Fossil Fuels Upstream	Emission intensity	1&2&3
Power generation	Emission intensity Technology mix	1&2
Car manufacturers	Emission intensity Mix EV/PHEV/ combustion	3
Steel manufacturers	Emission intensity	1&2
Owners & Operators	Emission intensity	1&2
Cement manufacturers	Emission intensity	1&2

* Scope 1: Direct emissions from sources that are owned or controlled by the organisation | Scope 2: Indirect emissions from sources that are owned or controlled by the organisation | Scope 3: Emissions from sources not owned or directly controlled by the organisation but related to its activities

BBVA incorporates climate change risks in its: (i) Risk Appetite Framework, (ii) Internal Taxonomy on Transition Risks, (iii) Country Risk analysis (iv) wholesale credit Industry Frameworks and (v) retail Operating Frameworks

BBVA's Environmental and Social Framework updated to increase the commitment

Reflects our commitment to promote sustainable development and human rights

Based on international standards of reference

Criteria relies on potential impact of business activities on nature and communities and exposure to risks of a transition to a low carbon economy


Establishes general exclusions on activities and clients as well as sector specific limitations



Framework updated in March '21 to reflect BBVA's coal phase-out commitment:
Zero exposure to coal clients* by 2030 in the developed countries and by 2040 globally.
BBVA will actively help its clients in this journey, supporting them with financing and advice

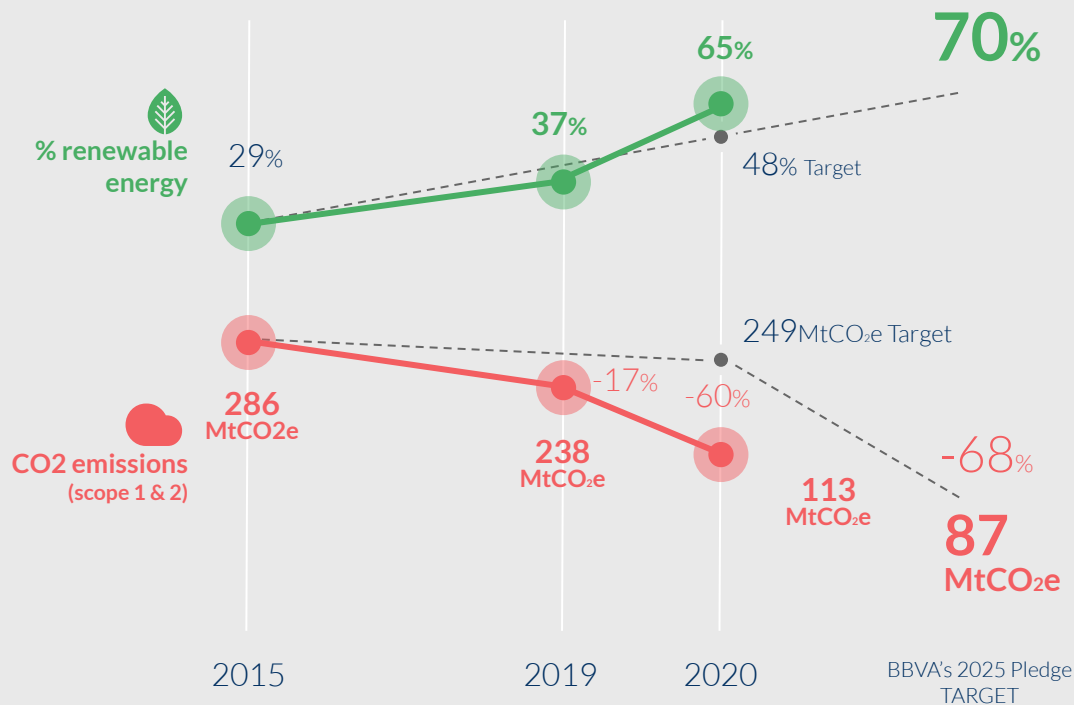
* Coal clients are defined as companies with greater than 5 percent of revenues from thermal coal mining for power generation and thermal coal-fired power generation. NPLs are excluded

Setting ambitious 2025 targets to reduce our environmental footprint

 BBVA **carbon neutral** in Scope 1 and 2 and travel emissions **from 2020**

Internal carbon price definition for the group's budgeting process

100% renewable energy by 2030 in line with Science Based Targets Initiative & RE 100 Initiative



BBVA promotes transparency in its sustainability reporting

BBVA Group's 2020 annual report aligned with the most advanced standards in the market



Commitment to TCFD recommendations of the FSB led to the publication of BBVA's **1st TCFD stand-alone report in October 2020**



Among first entities in the world to support the Measuring Stakeholder Capitalism initiative from WEF-IBC



Disclosure of BBVA's progress with respect to ESG reporting according to SASB - Commercial Banks standards



Global reporting initiative standards through the publication of BBVA's Non-financial Information Report (NFIR)

And is committed to continue developing **reporting initiatives**





03.

BBVA's differential
approach towards
sustainability

BBVA's differential approach **towards sustainability**



Strong
commitment
from **governing
bodies**



Executing on **new
business opportunities**
through a transversal
action plan



Leveraging BBVA's
differential **data
and technology**
capabilities



Pioneer in
innovative
sustainable
products



Leading major
international
initiatives

Strong commitment from BBVA's top governing bodies

01 Board of Directors



- Group's Strategic Plan and Sustainability Policy **approval**
- **Oversight** of policy implementation
- Sustainability origination **KPI monitoring** & embedding climate risk in analysis and management
- Executive directors' **variable remuneration linked to sustainability**

02 Senior Management



- Monitoring of the Group's **Sustainability Policy** and its **implementation**
- Incorporate **sustainability challenges and opportunities** in our business
- Gearing of sustainability into the Group's **business processes**

03 Business Units



- Integration of **sustainability in day-to-day operations**, both in relation to clients and internal processes
- All BBVA Group employees' **variable remuneration** aligned with the Group's strategic objectives - including sustainability

Executing new business opportunities through a transversal action plan

Opportunity drivers

01

Sustainability at the core of many government's **recovery plans**

02

New disruptive technologies and cost reduction of existing technologies critical for economy decarbonization

03

New sustainable **regulation** passed in many countries

Main areas of focus



Renewables



Energy efficiency
(housing and industry)



Electric
Vehicles



Green
Hydrogen

Transversal action plan

Commercial plans leveraging the opportunities and focus areas (client advisory and partnership are cornerstones of the plans)

Business' management model integration (KPI monitoring, incentives)

Value proposition enhancement (e.g. ESG funds in Spain and Turkey, electric vehicles financing in Colombia, green mortgage in Mexico and Peru, and agribusiness green financing in Argentina)

Short term focus on Europe and the opportunities derived from the **NGEU Plan**

Leveraging BBVA's digital edge

Sustainable finance and digital transformation are a win-win alliance

-  Digitalization boosts inclusiveness in financial services for the underbanked
-  Mobile platforms brings sustainable financial services to mass markets
-  Data analytics help identify risks and opportunities and develop customized solutions and services



BBVA, the world's first bank to complete a green bond using blockchain technology



BBVA, the world's first bank to use data analytics to calculate companies' carbon footprint



BBVA, pioneer bank in adding sustainability advices in the APP increasing awareness

A pioneer in innovative sustainable products

Wholesale clients



New sustainable solutions for all clients



Energy-efficient linked mortgages



Carbon footprint calculator for corporates & SMEs



Energy efficiency advisory for enterprise clients



Hybrid and electric vehicles loans

BBVA Spain offers a sustainable alternative for all its main products

BBVA leading major international initiatives

With an active role in the crafting of new worldwide initiatives



Chair

European Banking Federation Working Group for Sustainable Finance



Co-Chair

UNEP FI Global Steering Committee



Member

IIF Taskforce on Scaling Voluntary Carbon Markets



Member

Private Finance Hub COP26

European Clean
Hydrogen Alliance



Member

Alliance to promote green hydrogen in Europe



04.

International recognition
for BBVA's sustainability
focus

BBVA rewarded internationally for its sustainability focus

SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED

Dow Jones Sustainability Indices

Powered by the S&P Global CSA

1st European Bank
2nd Worldwide Bank



FTSE4Good

4.4/5
Score



AAA
rating



A-
score



Gender equality
index



Sustainability
Excellence
Global and Europe

SUSTAINABILITY AWARDS



Best Investment Bank for
Sustainable Financing Worldwide
(2021)



Best Investment Bank for Sustainable
Finance in Europe and Latin America
(2020)



Latin America's Best Bank for
Sustainable Finance
(2020 & 2019)



Best bank in Turkey in
sustainable finance
(2020)



Best Bank in Central and
Western Europe in
Sustainable Finance
(2020)



Best Sustainable Bank in
Spain
(2020)



Sustainability linked loan
Deal of the year
(2020)



Best Investment Bank for
Sustainable Financing in Latin
America and Western Europe
(2020)

The background is a solid teal color. Scattered across the entire surface are numerous small, green, oval-shaped leaves. Each leaf has a slight shadow, giving it a three-dimensional appearance as if it is floating or lying on the teal surface. The leaves are distributed randomly, with some appearing in small clusters and others in isolation.

thank you