

BBVA

Creating Opportunities

BBVA 2019 Green Bonds

REPORT



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1. Introduction

BBVA is one of the most experienced financial institutions in the green bond market. Its sustainable investment story began in 2007 with its involvement in the European Investment Bank's first green bond issuance. Since then, the bank has led, structured, provided guidance on, and acted as the placement entity for social and green bonds for clients in Europe, the United States, and Latin America.

In April 2018, BBVA published its framework for the issuance of sustainable bonds, linked to the United Nations' Sustainable Development Goals (SDGs). Days later, BBVA issued its first green bond for a total of €1 billion. At the time, BBVA's inaugural green bond issuance was the largest in the eurozone from a financial institution.

BBVA has become the most active Spanish bank in the green and social bond markets.



In **2019**, the Bank issued its second green bond, for a total of **€1 billion**, and issued the first **structured green bond** using Blockchain technology. In **2020 BBVA** became the first European private financial institution to issue **a social bond** to tackle the impact of **Covid-19**, for a total of **€1 billion**.

Also noteworthy are issuances from BBVA's franchises in Mexico and Turkey. BBVA Mexico became the country's first private lender to issue a green bond, for a total of MXN 3.5 billion, while Garanti BBVA issued the first social bond in Turkey for female entrepreneurs, for a total of \$75 million.

These green and social bonds are demonstrative of BBVA's strategy to support sustainable development and fight climate change. As part of its strategy, and in order to gradually achieve a balance between sustainable energy financing and investments in fossil fuels, the bank aims to align its business activity with the United Nations' Sustainable Development Goals and the Paris Agreement, thereby contributing to the transition towards a low-carbon economy.

Specifically, BBVA wants to play an increasingly pivotal role in the fight against climate change helping its customers and clients as they transition towards a low-carbon economy. This is one of the priorities set forth in BBVA's new strategy, announced in 2020, which aims to accelerate and deepen the Group's transformation in the coming years.

2. Overview of BBVA's Sustainable Development Goals bond framework





In 2018 BBVA published its Sustainable Development Goals (SDGs) bond framework, on which its green bonds are based.

According to this framework, BBVA can issue three types of bonds:



- 1 Green Bonds**
Debt instruments whose funds are exclusively allocated to financing new or existing green projects, in whole or in part.
- 2 Social Bonds**
Debt instruments whose funds are exclusively allocated to financing new or existing social projects, in whole or in part..
- 3 Sustainable Bonds**
Debt instruments whose funds are exclusively allocated to financing new or existing green and social projects, in whole or in part

The most significant features of this framework are summarized below:

-  A standard, transparent framework aligned to the four components of the International Capital Market Association's 2018 Green Bond Principles, the Social Bond Principles, and the Sustainable Bond Guidelines: use of proceeds, process for project selection and evaluation, management of proceeds, and reporting.
-  Aligned to the United Nations' Sustainable Development Goals (SDGs) and the 2030 Agenda for Sustainable Development.
-  Backed by sound governance: BBVA's Sustainable Finance Working Group and its SDGs Bond Committee are responsible for defining which projects will be eligible and included in each bond. The Global Head of the Responsible Business department will have final veto power over which projects are selected.
-  Strict monitoring and management of net proceeds received: Each year from the year following the green bond's issuance and until maturity (or full redemption), BBVA may task a qualified entity with producing a limited assurance report on the allocation of proceeds (to recipient social or green projects) originating from relevant green, social, or sustainability bonds.
-  The annual reports covering BBVA's SDG bonds will be released to the public on the [BBVA website](#).
-  External verification: the framework has obtained an independent verification assessment from DNV-GL



Eligible green categories



Energy efficiency



Sustainable transportation



Water



Waste management



Renewable energy

Eligible social categories



Health



Education



SME financing and microfinance



Affordable housing



Process for project selection and evaluation

- The Sustainable Finance Working Group reviews a list of prospective eligible projects.
- The SDGs Bond Committee provides an additional review of the qualifying projects and decides which ones will definitively be included in each bond issued under the framework.
- The Responsible Business department will have final veto power over the selected projects.



Management of proceeds

- BBVA will control the use of the proceeds originating from the green, social, or sustainability bonds issued in accordance with the framework.
- BBVA will maintain an excess of projects beyond the proceeds originating from the issuance of the green, social and sustainability bonds in order to guarantee compliance with the requirements for the use of the proceeds.
- Any project assigned to a green, social or sustainability bond that ceases to comply with the qualification requirements within any of the green or social categories, will be substituted by another project that meets these same requirements.



Reporting

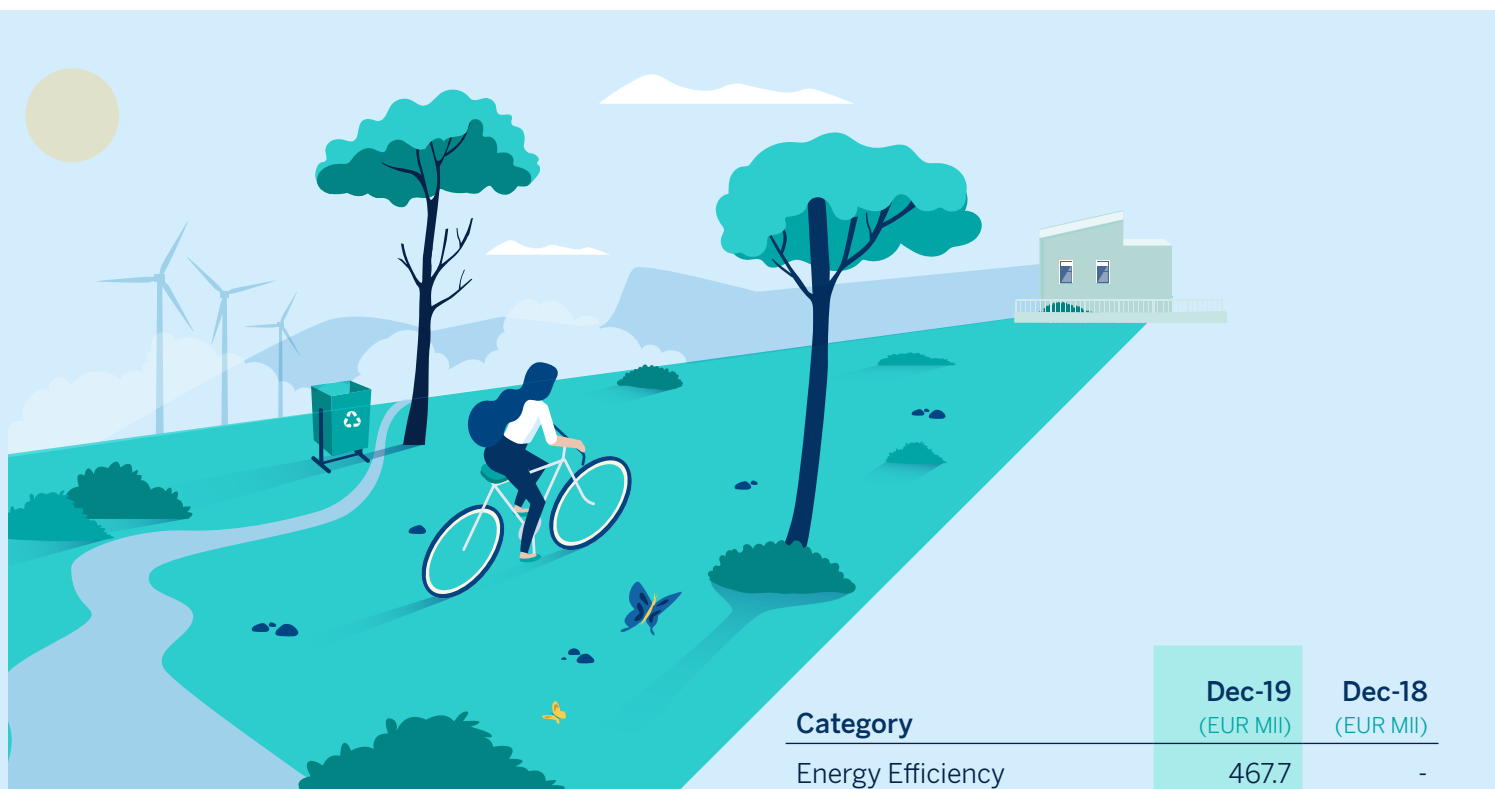
- BBVA will publish a bond tracking report within 12 months from the issuance date.
- The SDGs Bond Committee will be responsible for the content of the report, which will be subject to approval by the BBVA Sustainable Finance Working Group.
- The report may be subject to limited verification conducted by an independent third party in order to guarantee that the issuance framework was adequately followed.

Activities excluded under the SDGs framework

- Nuclear power generation
- Large-scale dams (more than 20 MW)
- Defense
- Mining
- Coal-related
- Oil and Gas

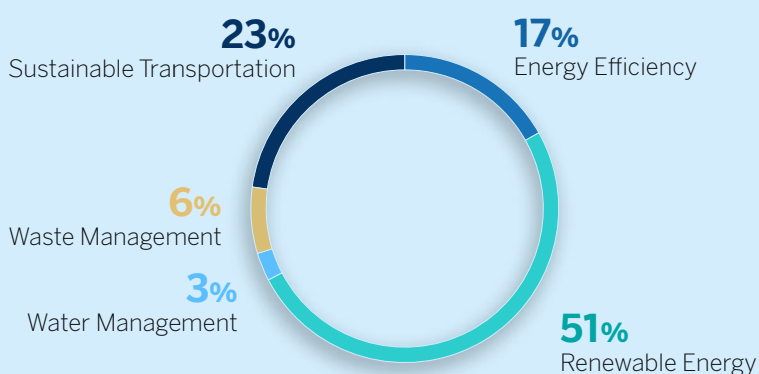
3. Total amount of BBVA's eligible portfolio

As of December 2019, BBVA's portfolio of project finance and corporate lending meeting the eligibility requirements set out in BBVA's Framework for the issuance of bonds linked to the Sustainable Development Goals was worth a total €2.78 billion. This amount represents a net increase of €1.69 billion from the amount in stock in 2018, despite the expected amortization of €500 million. Additionally, the sectoral distribution has been expanded to all eligible green categories, including energy efficiency and waste and water management.



Category	Dec-19 (EUR MII)	Dec-18 (EUR MII)
Energy Efficiency	467.7	-
Green buildings	467.7	-
Renewable Energy	1,421.8	863.4
Wind	783.0	699.7
Solar	490.8	154.9
Other ¹	148.0	8.8
Water Management	78.8	-
Waste Management	184.0	-
Sustainable Transportation	629.5	225.0
Total	2,781.9	1,088.4

(1) Includes power lines and mixed renewable electrical generation projects, as well as corporate financing for projects including solar, wind and hydroelectric power plants.



4. Assets and environmental impacts of green bond issuances

GREEN BONDS ISSUED AND GUARANTEED BY BBVA S.A.

Bond	Issuer	Amount (EUR)	Issue Date	Maturity Date	ISIN
Green Senior Non-Preferred	Banco Bilbao Vizcaya Argentaria, S.A.	1,000,000,000	05/03/2018	05/14/2025	XS1820037270
Green Senior Unsecured	BBVA Global Markets B.V.	35,000,000	02/05/2019	02/19/2025	ES0205067426
Green Senior Non-Preferred	Banco Bilbao Vizcaya Argentaria, S.A.	1,000,000,000	06/12/2019	06/21/2026	XS2013745703

ENVIRONMENTAL IMPACTS OF THE GREEN BONDS

Category	Amount (EURO MII)	Tons of CO ₂ avoided	Generated Electricity (GWh/year)	Water managed (m3/year)	Waste managed ⁵ (Tm/year)	SDG
Energy Efficiency	190	1,073	-	-	-	
Green Buildings	190	1,073	-	-	-	
Renewable Energy	1,282	646,976	2,300	-	-	
Solar	456	53,384	342	-	-	
Wind	446	555,626	1,828	-	-	
Other ¹	380	37,966 ⁴	130	-	-	
Water Management ²	53	-	-	6,964,065	-	
Waste Management ³	94	-	-	-	292,514	
Sustainable Transportation	468	75,957	-	-	-	
Total	2,087	724,006	2,300	6,964,065	292,514	

(1) Includes power lines and mixed renewable electrical generation projects, as well as corporate financing for projects including solar, wind and hydroelectric power plants.

(2) For water management projects, the following impacts have also been identified: Volume of managed water equivalent to the consumption of a population of 200,752 people, 12,485,516 m³ of supplied drinking water and 96,925 people with access to clean water.

(3) For waste management projects, the following impacts have also been identified: 511,156 tons per year of waste collected and 370,974 people benefited by the collection service.

(4) Emissions avoided by the power line project have not been included due to the lack of data to perform the calculation.

(5) Refers to reclaimed waste.

The projects financed with BBVA's green bonds have



Avoided a total of 724,006 tons in CO₂eq atmospheric emissions, equivalent to what more than 285,000 cars emit in one year¹

(1) Impact calculated based on a reference travel distance of 15,000 km per year by a typical diesel car.



Managed a total volume of water of 6,964,065 m³, equivalent to the annual water consumption of more than 140,000 people²

(2) Impact calculated taking as a reference the per capita water consumption in Spain in 2018.

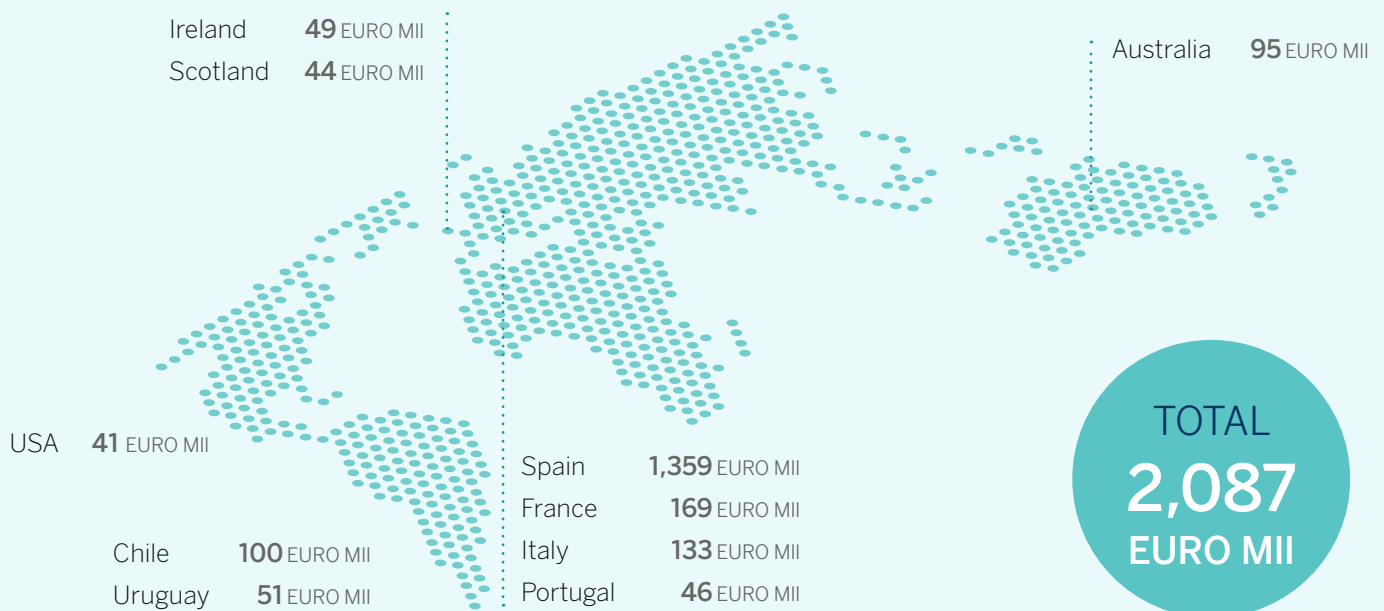


Managed a total volume of waste of 292,514 tons, equivalent to the waste almost 600,000 people generate in one year³

(3) Impact calculated taking into account per capita waste generation in Spain in 2017.

Main features of the selected loans:

- 69% of the proceeds from the green bond issuances correspond to project finance and 31% to client loans.
- 27% of these loans were originated in 2019.
- The following graph shows the geographic distribution of the selected assets:



5. Sample projects financed under BBVA's green bonds



BBVA provided corporate financing to Naturgy Renovables for its portfolio of renewable energy generation and cogeneration installations in Spain, with an installed capacity of 2,200 MW (more than 90 MW of these went into operation in 2019/20). BBVA participated with a 50% take in the operation. The portfolio in its entirety has almost 120 assets: 80 wind farms, 26 min hydro plants, 6 photovoltaic plants and 5 cogeneration/slurry plants. Naturgy

Renovables generated 3,164 GWh in 2019, avoiding 2.8 million tons of CO₂.

BBVA signed with Terna, the Italian electricity company, the first worldwide green loan for project finance for the design and construction of a transmission line between the cities of Melo and Tacuarembó in Uruguay. The 213 kilometre long 500 kv transmission line connects renewable energy projects to the national grid. The project is commissioned by the Administración Nacional de Usinas y Trasmisiones Eléctricas (UTE), Uruguay's state-run electric utility, and is an integral part of Uruguay's National Energy Policy 2005-2030. This long term energy plan's overall objective is to diversify the energy mix, reduce dependence on fossil fuels, improve energy efficiency, and increase use of endogenous resources, mostly renewables.



6. Calculation methodology

The methodology used by BBVA to calculate the emissions avoided from projects included in this report is based on internationally renowned standards and guidelines, ensuring that results are certified, reliable and verifiable. Specifically, the methodology is based on the generation of equivalent and comparable scenarios following the baseline scenarios proposed in standard ISO-14.062, and specifically on section 2: “Greenhouse Gases. Specification with guidance at the project level for quantification and reporting of greenhouse gas emission reductions and removal enhancements.”

In the case of renewable energy projects, the avoided CO₂ emissions have been calculated multiplying the renewable electricity injected into the local power grid by the CO₂ emission factor of the national energy mix. CO₂ emission factors of the energy mix used in each country were the following:

Country	Emission factor (ton CO ₂ /MWh)	Source
Spain	0.190	Red Eléctrica de España
Scotland	0.242	International Energy Agency
Italy	0.233	International Energy Agency
Portugal	0.266	International Energy Agency
Uruguay	0.106	International Energy Agency
Chile	0.419	Comisión Nacional de la Energía (Chile)
United States (Indiana)	0.805	US Energy Information Administration
United States (Wyoming)	0.952	US Energy Information Administration
Ireland	0.282	International Energy Agency

The renewable electric power generated by these projects has been calculated based on the electric power generation estimates available during the due diligence of each investment project for the P90 value.

In the case of the mixed renewable power generation projects (with consumption of natural gas for producing electricity), emissions have been calculated exactly as in the previous case, but the emissions resulting from the combustion of natural gas from the avoided emissions were deducted. The emission and power mix factors considered have been the same, while the emission factor used for natural gas has been 0.252 ton CO₂/MWh (official data of the Environmental Transition Ministry of Spain).

In the case of energy efficient building construction projects, energy savings have been calculated as a result of the difference between the consumption of non-renewable primary energy of the building and the consumption of primary non-renewable energy of a building according to the national standard (net zero energy buildings, or nZEB). This power is multiplied by the CO₂ emission factor of the national energy mix, stated in the table above. Transitorily, and for projects with completion date earlier than 31 December 2019 without LEED or BREEAM certification, the savings threshold has been set in the limit between energy certification letters A and B (as the national standard for nZEB had not been defined at that time). As for projects with completion date prior to 31 December 2019 certified according to LEED or BREEAM standards, energy savings have been calculated as the difference between the building's consumption without the certification and the building's consumption with the certification. The saved amount has then been multiplied by the emission factor of the domestic energy mix (TonCO₂/MWh).

For sustainable transport projects, emissions have been calculated as the direct difference of emissions between the 50 gCO₂/p.km threshold (proposed by the Expert Group that collaborated in the drawing up of the Proposal for an EU Green Bond Standard and defined in document Technical Annex to the TEG final report on the EU Taxonomy) and the emissions generated by the investment project. The emission factors used for the investment projects are the ones defined by the European Environment Agency in its document entitled "*Energy Efficiency and Specific CO₂ Emissions*" (Train: 28.39 gCO₂/p.km).

For power transmission line projects for the evacuation of output from renewable facilities, the transported energy is considered to replace the net power injected into the electric grid, in a way such that the line is considered as another part of the property that contributes to curtailing emissions. Emissions have been assigned just to the financed amount, in this case, the transmission line.

For waste management projects, the amounts assigned to the collection and valuation thereof, as well as the population served, have been estimated applying a specific ratio for each project and indicator. This ratio was built based on each project's economic-operating variables. The information used has been extracted from their year-end annual account reports and information disseminated through the official pages of the public bodies responsible for awarding the respective service contracts.

In the case of projects and activities related to the sustainable management of water resources, the total amount of wastewater treated, the equivalent population, the volume of drinking water supplied and the number of people with access to drinking water have been estimated applying a specific ratio for each project and indicator. This ratio was built based on each project's economic-operating variables. Specifically, for the metric of the volume of drinking water supplied has been estimated taking into account the average consumption of the communities within the aquifer service area (obtained in all cases from official sources of statistics).

The timeframe for the calculation of the impacts of the chosen projects is January 1 through December 31, 2019, taking into account the month of which the loans originated in 2019 were formalized.

The calculation methodology applied by BBVA for the calculation of environmental impacts of this report has been developed by an independent advisor (Ecodes), which guarantees its impartiality and the use of objective and comparable sources of information

7. Independent review report



This version of our report is a free translation of the original, which was prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

Independent limited assurance report

To the Management of Banco Bilbao Vizcaya Argentaria, S.A.:

We have carried out our work to provide a limited assurance on the information related to (re)financed assets of the Green Bonds of 2018 and 2019 (ISIN XS2013745703 and ISIN XS1820037270) issued by Banco Bilbao Vizcaya Argentaria, S.A., and the structured Green Bond of 2019 (ISIN ES0205067426) guaranteed by Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the Bonds), contained in the “BBVA 2019 Green Bonds Report” of Banco Bilbao Vizcaya Argentaria S.A. (the Parent company) and its subsidiaries (hereinafter, BBVA) for the year ended 31 December 2019, and prepared in accordance with the “Sustainable Development Goals (SDGs) Bond Framework” document dated on April 2018, available in the web page <https://shareholdersandinvestors.bbva.com/debt-investors/issuances-programs/sustainability-bonds/> (hereinafter, “the Framework”).

The aspects of the information subject of our review are the following:

- The allocation of the funds obtained through the Bonds to the assets or projects refinanced by it and that the capital invested in the refinanced assets or projects is attributable to the Bonds.
- The verification that the impact indicators are prepared in accordance with their calculation methodology, defined in the mentioned “BBVA 2019 Green Bonds Report”.

Responsibility of Management

Management of BBVA is responsible for the preparation, content and presentation of the “BBVA 2019 Green Bonds Report”, in accordance with the requirements included in the Framework in which the allocation of funds and the impact indicators are described.

Management’s responsibility includes establishing, implementing and maintaining the internal control required to ensure that the information included in the “BBVA 2019 Green Bonds Report” is free from any material misstatement due to fraud or error.

Management of BBVA is also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the mentioned “BBVA 2019 Green Bonds Report”, is obtained.



Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling test. The general procedures employed are described below:

- Meetings with BBVA's personnel from various departments who have been involved in the preparation of the "BBVA 2019 Green Bonds Report" in order to know the characteristics of the projects (re)financed by the Bonds, the internal management procedures and systems in place, the data collection process and the environment control.
- Analysis of the procedures used for gathering and validating the information and data presented in the impact indicators included in the "BBVA 2019 Green Bonds Report".
- Verification that the investments undertaken by BBVA in the projects refinanced have been made in accordance with the Framework criteria.
- Verification through random sampling tests revisions and substantive tests of the information related to impact indicators. We have also verified whether they have been appropriately compiled from the data provided by BBVA's sources of information.
- Obtainment of a management representation letter from the Company.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standard Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.



Conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that:

- The funds obtained through the Bonds have not been assigned to the assets or projects refinanced by them and that the capital invested in the refinanced assets or projects is not attributable to the Bonds.
- The impact indicators contain significant errors or have not been prepared, in all their significant aspects, in accordance with what is indicated in the Framework in the "BBVA 2019 Green Bonds Report" in relation to its calculation.

Use and distribution

Our report is only issued to the Management of BBVA, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than BBVA's Management.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Pablo Bascones

22 June 2020

BBVA