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

July 2021
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Index

01  A greener and more inclusive future: the challenge of the century
02  Sustainability, at the core of BBVA's strategy
03  BBVA's differential approach towards sustainability
04  International recognition for BBVA's sustainability focus
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

\(+3.0^\circ C\) * Current climate trend
\(+1.5^\circ C\) * 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

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\(^{(1)}\) Sustainable Development Goals  \(^{(2)}\) "From promise to reality: Does business really care about the SDGs?", PWC SDG Reporting Challenge 2018
Generating an extraordinary business opportunity

**Worldwide** annual investment to limit global warming to 2°C

$5-7\text{Tr}^{(1)}$

Extensive policy responses geared to sustainability

€750Bn NGEU^{(2)} $2\text{Tr}$ Biden’s Climate Plan

**Massive electrification of the economy**

Cumulative investments in the energy system over the period to 2050 to reach $110\text{Tr}^{(3)}$

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

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(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
- Manage indirect emissions of their portfolios and integrate sustainability in risk management procedures
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

- **2002** United Nations Global Compact Signature
- **2004** Equator Principles Adoption
  - BBVA’s Corporate Social Responsibility Policy
- **2007** Creation of BBVA Microfinance Foundation
- **2008** UN PRI participant
  - BBVA’s Corporate Social Responsibility Policy
- **2009** Principles for Responsible Investment
  - BBVA Microfinanzas
- **2015** The Green Bond Principles Signature
  - BBVA Microfinanzas
  - The Green Bond Principles
- **2018** Katowice commitment - portfolio alignment to the Paris Agreement
  - BBVA’s 2025 Pledge: €100Bn Sustainable finance origination
- **2019** BBVA incorporates sustainability as a strategic priority
  - Principles for Responsible Banking Signature
- **2020** Sustainability Policy release
  - Execution around 4 goals and creation of the Global Sustainability Office
  - TCFD report release
  - Carbon neutrality in Scope 1 and 2 and travel emissions from 2020
- **2021** BBVA Coal phase-out commitment
  - Net zero emissions by 2050 commitment
  - New pledge target for 2025 from €100bn to €200Bn
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

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

**FINANCIAL INCLUSION THROUGH BASIC DIGITAL SOLUTIONS**
- Provide financial digital solutions 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

- Foster sustainable business growth
- Integrate sustainability risk in the processes
- Develop the necessary sustainability capabilities
- Establish a unique agenda with stakeholders

4 MAIN GOALS

- Solutions for retail customers
- Solutions for enterprise clients
- Solutions for corporate and institutional clients
- Communications & marketing

12 WORKSTREAMS

- Risk Management
- Sustainability Standards
- Talent
- Data & technology
- Reporting & Transparency
- Direct Impact
- Public Engagement
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

**Portfolio alignment**
Adoption of the PACTA methodology with relevant metrics and targets to be defined in 2021, and an updated environmental and social framework

**Direct impacts**
Environmental footprint reduction and emissions offset

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

€200 Bn
FROM 2018 TO 2025
BBVA’s 2025 Pledge

- **Renewable energy use by 2025**: 70%
- **Reduction of CO₂ emissions by 2025 (VS 2015)**: 68%
BBVA is committed to financing sustainability initiatives

BBVA’s sustainable finance origination within its 2025 Pledge

<table>
<thead>
<tr>
<th>GREEN</th>
<th>79%</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIAL</td>
<td>21%</td>
</tr>
</tbody>
</table>

€67 Bn
Originated since 2018*

€200 Bn
Target 2025

And through its community commitment

17.2 million
children, youth, adults and SMEs benefited as of June 2021

€37.9 million
invested in social programs and initiatives as of June 2021

**SOCIAL INITIATIVES**
Financial and digital educational programs, other educational programs and initiatives to support the vulnerable population

**ENTREPRENEURSHIP**
2.7 million
entrepreneurs supported as of June 2021

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)

In June 2021, BBVA double its commitment for sustainable finance origination to €200Bn by 2025

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

* Cumulative origination until June 2021
Progressive alignment of our portfolio with the goals of the Paris Agreement

<table>
<thead>
<tr>
<th>Wholesale exposure</th>
<th>Energy</th>
<th>Utilities</th>
<th>Automotive</th>
<th>Steel</th>
<th>Transportation</th>
<th>Cement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mar. 21</td>
<td>5.5%</td>
<td>4.9%</td>
<td>3.8%</td>
<td>1.4%</td>
<td>0.9%</td>
<td>0.6%</td>
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</tbody>
</table>

**RISKS**

- **Market**: HIGH
- **Technological**: MODERATE
- **Regulatory**: MODERATE

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**PACTA METHODOLOGY**

<table>
<thead>
<tr>
<th>Sector scope</th>
<th>Metric</th>
<th>Emission scope*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil &amp; Gas</td>
<td>Emission intensity (Kg CO2 / MJ)</td>
<td>1&amp;2&amp;3</td>
</tr>
<tr>
<td>Power generation</td>
<td>Emission intensity (Kg CO2 / MWh)</td>
<td>1&amp;2</td>
</tr>
<tr>
<td>Automotive</td>
<td>Technology mix</td>
<td>-</td>
</tr>
<tr>
<td>Automotive</td>
<td>Emission intensity (g CO2/v-km)</td>
<td>3</td>
</tr>
<tr>
<td>Automotive</td>
<td>Technology mix</td>
<td>-</td>
</tr>
<tr>
<td>Steel</td>
<td>Emission intensity (Kg CO2 / tonne steel)</td>
<td>1&amp;2</td>
</tr>
<tr>
<td>Cement</td>
<td>Emission intensity (Kg CO2 / tonne cement)</td>
<td>1&amp;2</td>
</tr>
</tbody>
</table>

* 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

**Wholesale exposure**

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

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

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 TCFD stand-alone report, first in October 2020 and second in June 2021.

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.
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 bring 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 advice in the APP increasing awareness
A pioneer in innovative sustainable products

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

Wholesale clients

- 1st Green bond worldwide
  - 2007
- 1st syndicated green loan worldwide
  - 2017
- 1st green project finance worldwide
- 1st green hybrid bond emission worldwide
- 1st green CoCo bond by a financial institution worldwide
- 1st social Covid bond by a financial institution worldwide
- 1st social Covid bond by a financial institution in Europe
- 2018
- 1st structured green bond on DLT worldwide
- 1st gender loan worldwide
- 1st sustainability-linked facility in LatAm
- 2019
- 2020
- 2021
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
Net-Zero Banking Alliance Steering Group

Member
IIF Taskforce on Scaling Voluntary Carbon Markets

Member
Private Finance Hub COP26

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**

<table>
<thead>
<tr>
<th>Index</th>
<th>Score</th>
<th>Rating</th>
<th>Index</th>
<th>Score</th>
<th>Index</th>
<th>Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dow Jones Sustainability Indices</td>
<td>1st</td>
<td>AAA</td>
<td>2nd Worldwide Bank</td>
<td>4/5</td>
<td>A- score</td>
<td></td>
</tr>
<tr>
<td>FTSE4Good</td>
<td></td>
<td></td>
<td>MSCI</td>
<td>AAA</td>
<td>Gender equality index</td>
<td></td>
</tr>
<tr>
<td>MSCI</td>
<td></td>
<td></td>
<td>CDP</td>
<td>A-</td>
<td>Sustainability Excellence Global and Europe</td>
<td></td>
</tr>
<tr>
<td>Bloomberg Gender Equality Index</td>
<td></td>
<td></td>
<td>Literature</td>
<td></td>
<td>Eurozone 120 Score</td>
<td>57/100</td>
</tr>
<tr>
<td>Euronext indices</td>
<td></td>
<td></td>
<td>Viegold indices</td>
<td></td>
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</tr>
</tbody>
</table>

**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)
thank you