

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

July 2021



# Disclaimer

This document is only provided for information purposes and does not constitute, nor should it be interpreted as, an offer to sell or exchange or acquire, or an invitation for offers to buy securities issued by any of the aforementioned companies. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by the company in relation to such specific issue. No one who becomes aware of the information contained in this report should regard it as definitive, because it is subject to changes and modifications.

This document contains or may contain forward looking statements (in the usual meaning and within the meaning of the US Private Securities Litigation Reform Act of 1995) regarding intentions, expectations or projections of BBVA or of its management on the date thereof, that refer to or incorporate various assumptions and projections, including projections about the future earnings of the business. The statements contained herein are based on our current projections, but the actual results may be substantially modified in the future by various risks and other factors that may cause the results or final decisions to differ from such intentions, projections or estimates. These factors include, without limitation, (1) the market situation, macroeconomic factors, regulatory, political or government guidelines, (2) domestic and international stock market movements, exchange rates and interest rates, (3) competitive pressures, (4) technological changes, (5) alterations in the financial situation, creditworthiness or solvency of our customers, debtors or counterparts. These factors could cause or result in actual events differing from the information and intentions stated, projected or forecast in this document or in other past or future documents. BBVA does not undertake to publicly revise the contents of this or any other document, either if the events are not as described herein, or if such events lead to changes in the information contained in this document.

This document may contain summarised information or information that has not been audited, and its recipients are invited to consult the documentation and public information filed by BBVA with stock market supervisory bodies, in particular, the prospectuses and periodical information filed with the Spanish Securities Exchange Commission (CNMV) and the Annual Report on Form 20-F and information on Form 6-K that are filed with the US Securities and Exchange Commission.

Distribution of this document in other jurisdictions may be prohibited, and recipients into whose possession this document comes shall be solely responsible for informing themselves about, and observing any such restrictions. By accepting this document you agree to be bound by the foregoing restrictions.

## 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



# 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<sup>(1)</sup> 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%**<sup>(2)</sup> of companies mention SDGs<sup>(1)</sup> 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<sup>(1)</sup>**

Extensive policy responses  
geared to sustainability

**€750Bn**  
NGEU<sup>(2)</sup>

**\$2Tr**  
Biden's Climate Plan



**Massive electrification  
of the economy**

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

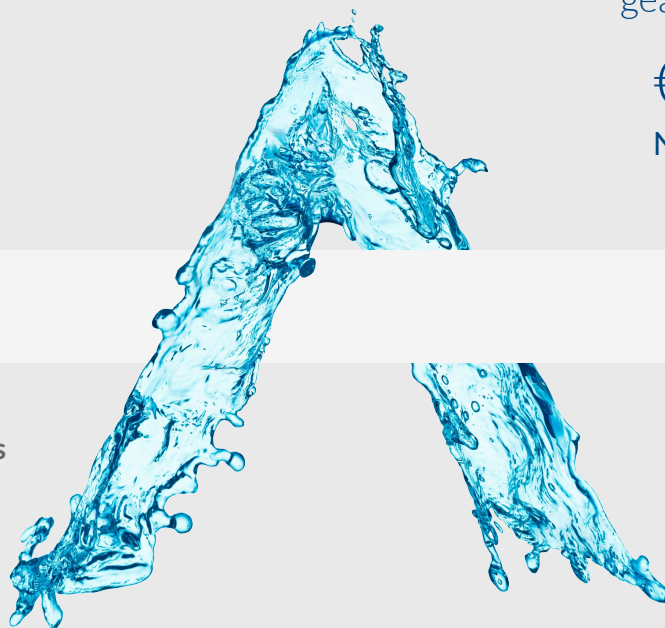
**Over 1Bn<sup>(4)</sup>  
electric vehicles  
could be on the  
road by 2050**



**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



**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

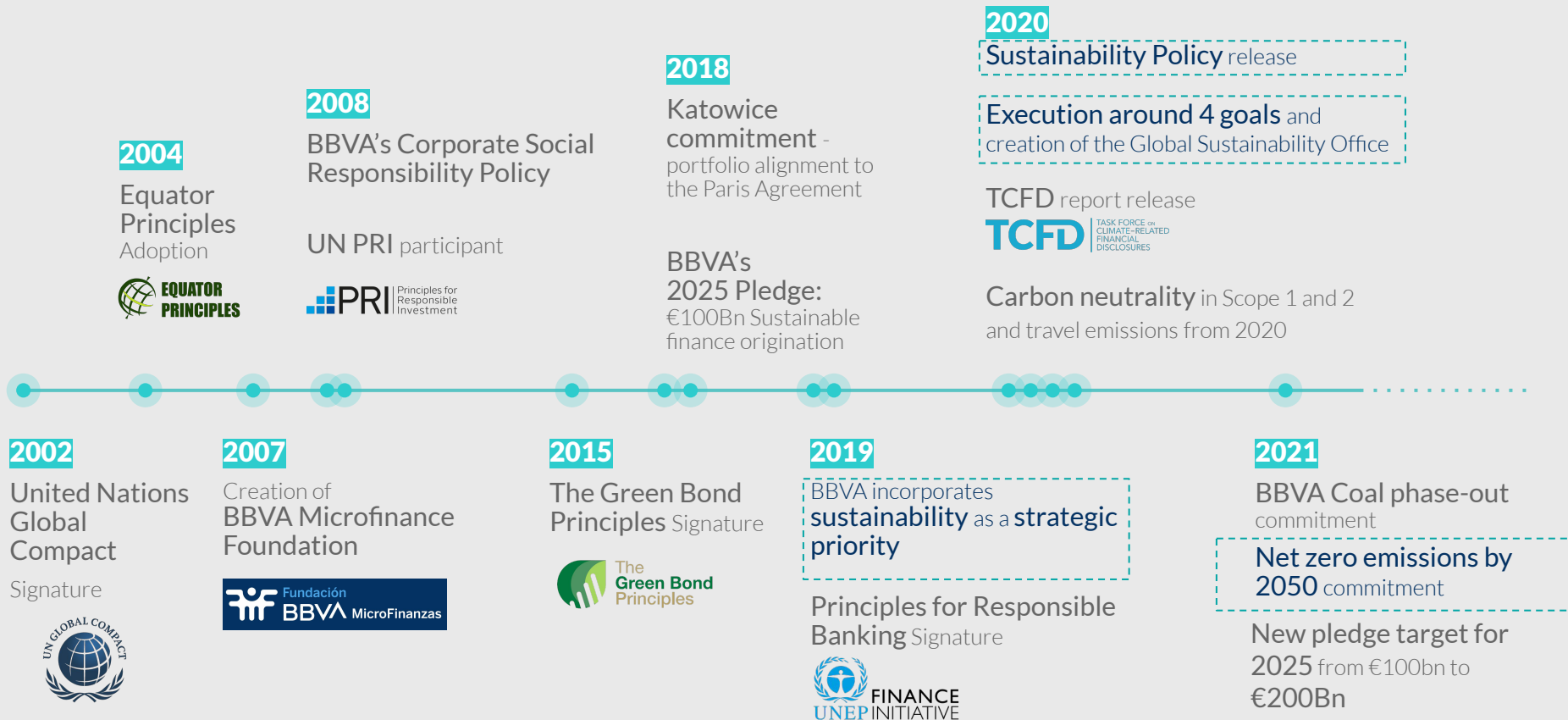


Helping our clients transition  
towards a **sustainable future**





# BBVA has a long standing trajectory in sustainability



# 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

### 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

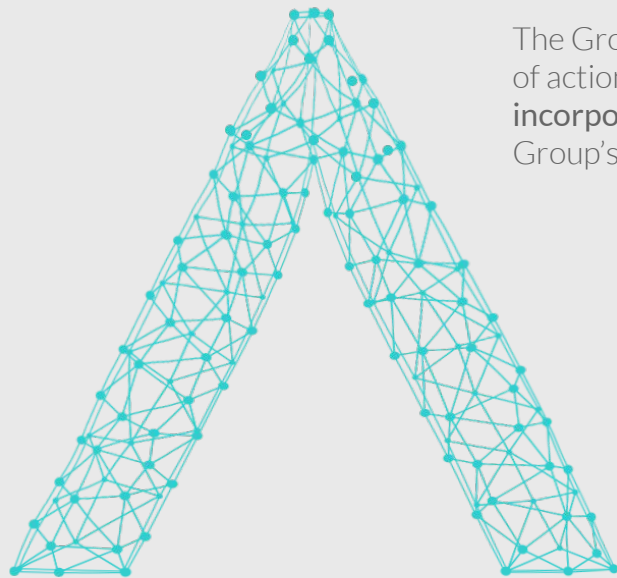
## Setting Goals

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

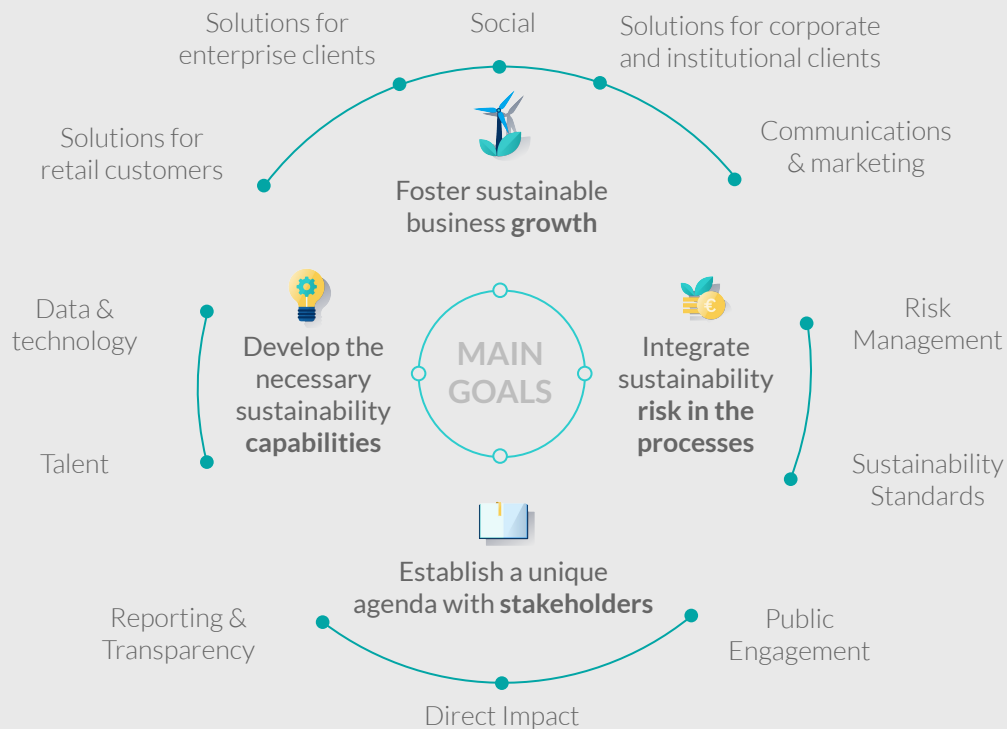
## A global and transversal effort

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



# 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

**€200 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, and an updated environmental and social framework



## Direct impacts

Environmental footprint reduction and emissions offset

**70%** RENEWABLE ENERGY USE BY 2025

**68%** REDUCTION OF CO<sub>2</sub> 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  
79%

SOCIAL  
21%



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

\* Cumulative origination until June 2021

## 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)

### BBVA MICROFINANCE FOUNDATION

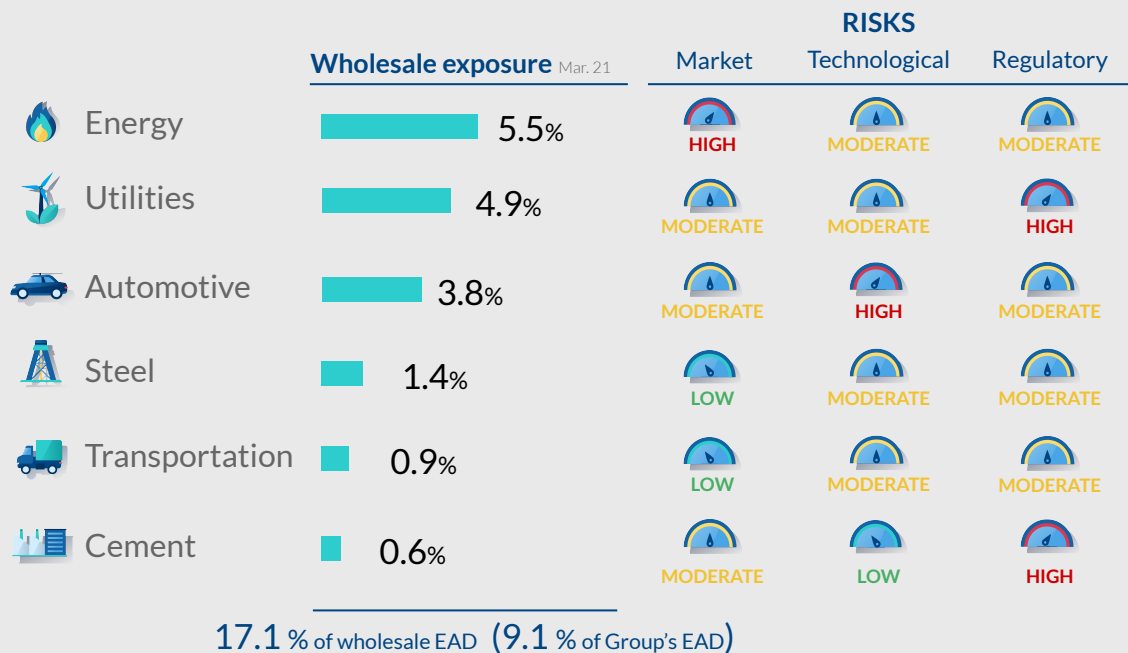


**2<sup>nd</sup> largest philanthropic initiative globally and 1<sup>st</sup> in LatAm**



**1<sup>st</sup> 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



## PACTA METHODOLOGY

Sector scope	Metric	Emission scope*
Oil & Gas	Emission intensity (Kg CO2 / MJ)	1&2&3
Power generation	Emission intensity (Kg CO2 / MWh)	1&2
	Technology mix	-
Automotive	Emission intensity (g CO2/v-km)	3
	Technology mix	-
Steel	Emission intensity (Kg CO2 / tonne steel)	1&2
Cement	Emission intensity (Kg CO2 / tonne cement)	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

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

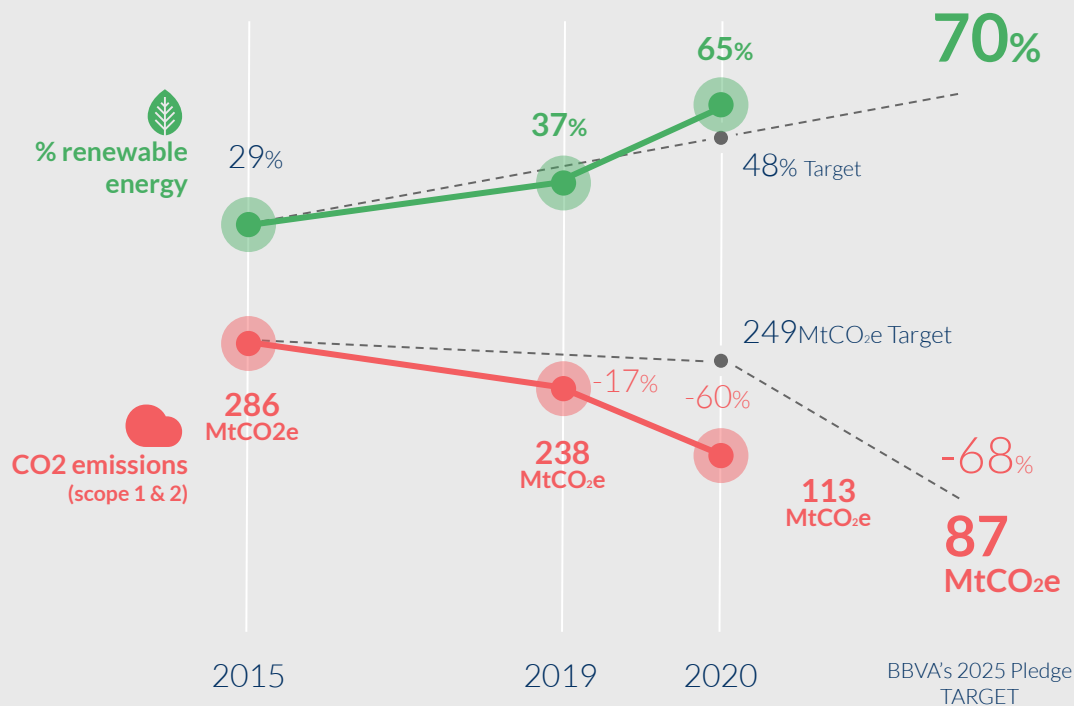
\* Coal clients are defined as companies with greater than 5 percent of revenues from thermal coal mining for power generation and thermal coal-fired power generation. NPLs are excluded

# 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**





# 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



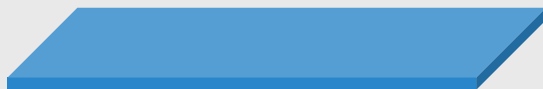
- Group's Strategic Plan and Sustainability Policy **approval**
- **Oversight** of policy implementation
- Sustainability origination **KPI monitoring** & embedding climate risk in analysis and management
- Executive directors' **variable remuneration linked to sustainability**

## 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

Net-Zero Banking Alliance Steering Group



## 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

**1<sup>st</sup> European Bank  
2<sup>nd</sup> Worldwide Bank**



FTSE4Good

**4/5  
Score**

**MSCI**



**AAA  
rating**



DRIVING SUSTAINABLE ECONOMIES

**A-  
score**



**Gender equality  
index**



**Sustainability  
Excellence  
Global and Europe**



INDICES EUROZONE120



**Eurozone 120  
Score 57/100**

## 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)**

**The Banker**

**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 beneath it, giving the impression of floating or falling. The leaves are oriented in various directions, some pointing towards the top, some towards the bottom, and some horizontally.

thank you