

Report on

TCFD

2021



“ The decarbonization of the economy is perhaps the most significant disruption in history. We have 30 years for our society to function without greenhouse gas emissions, an enormous challenge that requires drastic changes in our habits and behaviors but also an important source of opportunities.

SUSTAINABILITY is a main pillar of our strategy and a key driver of growth for BBVA. We want to help our customers in their transition toward a sustainable future, greener and more inclusive, for which we already offer a wide range of sustainable products. ”

Carlos Torres Vila
Chair



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INTRODUCTION



Sustainability and the financial sector

The fight against climate change is the most significant disruption in history. An enormous challenge that demands drastic changes in the habits and behaviors of society.

It is also a huge source of opportunities, because it takes a lot of innovation and investment to deploy new emission-free technologies in all sectors. An investment which some estimates put at 5% of world GDP each year until 2050.

For their part, customers, markets and society as a whole not only expect large companies to create value, but also expect them to contribute positively to society. In particular, that the economic development to which they contribute with their activity is inclusive.

And this is where banks, as the engine that drives economy, are called upon to play a catalytic role in the transition towards a more sustainable world:

1

Mobilizing capital as a channeling agent for public funds, and at the same time, promoting private investment

2

Developing comprehensive financial solutions for companies and individuals

3

Advising and supporting clients in their transition, and

4

Managing the indirect emissions of their portfolios and integrating sustainability into their risk management procedures.

Sustainability: A strategic priority for BBVA

A few years ago, BBVA carried out a process of strategic reflection to continue deepening its transformation and adapt to the major trends that are changing the world and the financial industry, and incorporated sustainability as one of its six strategic priorities, focusing on the fight against climate change and sustainable and inclusive growth.

BBVA is guided by a purpose:

“To bring the age of opportunity to everyone”

A purpose that seeks to have a positive impact on the lives of people, companies and society as a whole. Thus, BBVA's commitment to sustainability is possibly one of the clearest ways to materialize this purpose and help its customers in this transition.

As a financial entity, BBVA has a direct impact on the environment and society, through the use of natural resources and the relationship with its stakeholders; and indirectly, the most relevant, through its credit activity and the projects it finances.

In 2018, BBVA presented its 2025 Commitment to contribute to the achievement of the SDGs and the challenges arising from the Paris Agreement on climate. Since then, the Group has advanced in the development of this priority, integrating sustainability transversally in internal management and processes and also in the relationship with customers and other stakeholders.

In 2021, BBVA has raised sustainability to the highest executive level of the organization with the aspiration of becoming the bank of reference for customers in sustainability solutions and from 2018 has already channeled 86 billion euros in sustainable financing, 35.4 billion in 2021 alone, year in which it has doubled its goal of channeling 200 billion euros by 2025.

In 2021, BBVA has committed to Net Zero by 2050, not only for its direct emissions, goal already achieved since 2020, but also for indirect emissions, that is, those of the customers it finances.

To achieve this goal, BBVA has committed to stop financing coal by 2030, in developed countries, and by 2040 in the rest of the geographies where it operates. In addition, BBVA has set up intermediate objectives to decarbonize its credit portfolio in some of the most carbon-intensive sectors and participates as a founding member of the Net-Zero Banking Alliance (NZBA)

BBVA is also committed to transparency and therefore publishes this third TCFD Report, following the recommendations of the Task Force on Climate-Related Financial Disclosure sponsored by the Financial Stability Board (hereinafter, FSB).

In addition, as described in the Annexes, since 2020 BBVA has published additional sustainability metrics following two of the most advanced standards in the market, such as those issued by the World Economic Forum-International Business Council (hereinafter, WEFIBC) or by the Sustainability Accounting Standards Board (hereinafter SASB).



#1 TOP POSITION

For all this, **BBVA** holds the **top position*** in the **Dow Jones Sustainability Index's** global banks ranking category, which is the world's benchmark index for sustainability.

* Shared ranking position

Our strategic priorities



Improving our **clients'** financial health



Reaching more **clients**



The **best** and **most** engaged team



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



Driving **operational** excellence



Data and **Technology**

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

Extension of the use of the PACTA methodology with metrics and goals to new sectors and implementation of the PCAF methodology



Transparency

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



Direct impacts

Environmental footprint reduction and emissions offset

70% RENEWABLE ENERGY USE BY 2025

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

A top-down photograph showing three hands of different skin tones gently cupping a small green seedling with two leaves in dark brown soil. The hands are positioned around the seedling, with fingers pointing outwards. The soil is rich and textured. Overlaid on the image are two orange text boxes: one at the top center containing 'SECTION 01' and a larger one in the middle containing 'GOVERNANCE MODEL' in white capital letters.

SECTION 01

GOVERNANCE MODEL

Corporate bodies

BBVA's corporate bodies have defined and driven the Group's strategy that incorporates sustainability and the fight against climate change as one of its priorities, having approved its basic elements (through its incorporation to the Group's strategic plan in 2019, and with the approval of the General Sustainability Policy in 2020) and carrying out periodic monitoring of its implementation in the Group.

For the Board of Directors, an essential element of this strategic approach is the integration of sustainability and the fight against climate change into the Group's activities, managing the risks associated with these areas, and considering them a great opportunity for business in which to support its growth strategy.

Combined with this is the establishment of targets which facilitate their execution, supervision and monitoring. This approach allows the Group's corporate bodies to define the basic lines of action for BBVA as regards the management of opportunities and risks arising from sustainability and oversee their execution by the executive areas in all spheres of the Entity's operations.

In monitoring and supervising the implementation of the Group's sustainability, the Board is assisted by its committees specialized in their respective areas:

- **EXECUTIVE COMMITTEE**, driving this strategy in the monitoring of the integration of sustainability in the Group's processes of business and activity, and their impact on its activity and results in accordance with its monitoring and analysis function of the development of the Group's key performance indicators
- **RISK AND COMPLIANCE COMMITTEE**, in the integration of sustainability in the analysis, planning and management of the Group's risks, and in supervising their execution.
- **AUDIT COMMITTEE**, in supervising the public information on sustainability reported to the market;

- **REMUNERATION COMMITTEE**, in driving the integration of indicators related to sustainability in the Group's variable remuneration model.

A specific example of this activity is the work of the Board in adopting very important decisions for the Group in the area of sustainability which are described in this report, such as the increased commitment to sustainable finance (Pledge 2025); the adoption of the Net Zero pledge for 2050; the determination of commitments related to the decarbonization of the portfolio; decisions related to the integration of risks associated with climate change in the management processes; as well as the creation of the Group's new Sustainability Area, raising the function to the highest executive level of the organization, as described in this report.

In addition to this, there is the work of the corporate supervisory and monitoring bodies for the implementation of the Group's sustainability strategy and activity, and compliance with the organization's objectives, which is carried out on the basis of the reports received by the Sustainability Area and the different areas of the Bank which incorporate sustainability into their daily businesses and activities. These reports are carried out for corporate bodies according to their

competence, as described in the above paragraphs, either periodically or ad hoc (worth particular mention are the specific presentations drawn up at least twice a year for the Board of Directors and the Executive Committee).

In addition to the above and in order to achieve the best performance of its duties in this matter, the Board considered it necessary to strengthen its own knowledge and experience in sustainability, by onboarding people with extensive knowledge and experience and by a continuous training program to include sustainability-related subjects, such as sustainable finance or main trends that are being developed in the market on this matter.

Transversal integration of sustainability into the executive sphere

BBVA incorporates sustainability as part of its daily activities and everything it does, encompassing not only relations with customers but also internal processes. In this sense, the definition and execution of a strategy, which includes sustainability and climate change as one of its priorities, has a transversal nature, being the responsibility of all areas of the Group to incorporate it progressively into their strategic agenda and their work dynamics.

In 2021, BBVA gave a renewed boost to its strategy of increasing sustainability to the highest executive level of the organization, reporting directly to the Chief Executive Officer and the Chair (in this case, both linked to strategy and transformation), creating the business area named Global Sustainability Area with the aim of becoming the model bank for customers in sustainability solutions.

In a context in which all the Group employees and areas integrate sustainability into their day-to-day

activity, the new global area will design the strategic sustainability agenda, define and promote the lines of work in this area of the different global and transformation units (including Risk, Finance, Talent and Culture, Data, Engineering, and Organization) and develop new sustainable products.

In addition, BBVA has established a network of experts, comprising sustainability specialists from different areas of the Group (Client Solutions, Corporate & Investment Banking, Global Risk Management, Communication & Responsible Business), coordinated as a network by the global Sustainability area. These experts are responsible for building knowledge in the field of sustainability at the Group. This knowledge is then used to provide customer guidance, support areas in developing new value propositions in the sphere of sustainability, make climate risks part of risk management, and draw up a public agenda and set of sustainability standards.

Business Areas

Responsible for promoting the transformation of the business and guaranteeing the execution of the strategic plan.

Strategy & Development & Data

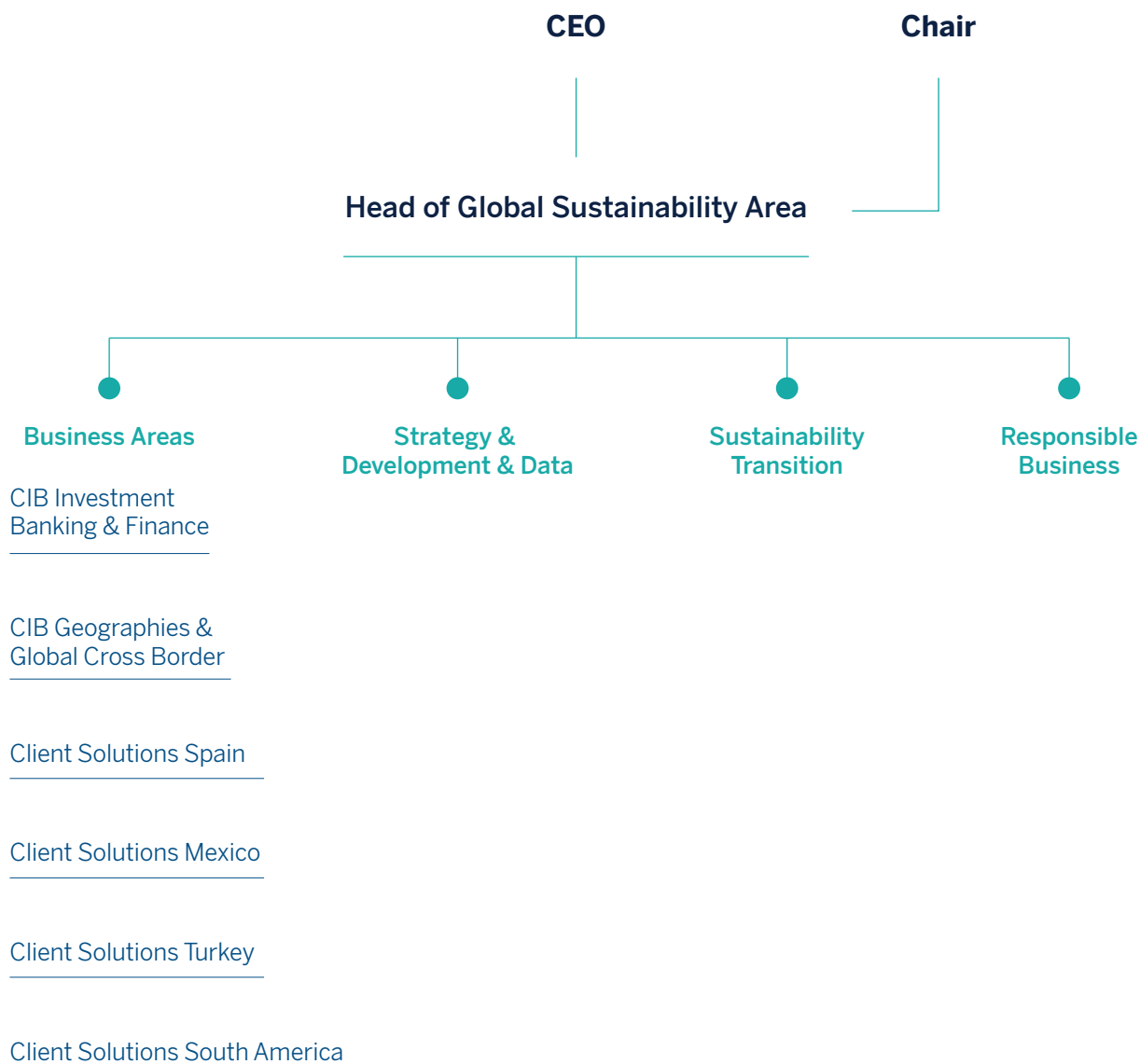
Responsible for promoting, coordinating and tracking the Group's sustainability initiatives as well as designing and developing the sustainability processes and data strategy and training plan.

Sustainability Transition

Responsible for fostering the growth of sustainable business in all countries and across all business segments by developing innovative financial solutions and deployment of new tools.

Responsible Business

Responsible for defining sustainability standards and validating their implementation. Besides this is responsible for public engagement in sustainability, community investment, responsible customer experience and impact management.



Remuneration system



As set out in the BBVA Directors' **REMUNERATION POLICY**, approved by the General Shareholders' Meeting, the remuneration system of executive directors includes **FIXED** remuneration, which will consider the level of responsibility and functions performed, and **VARIABLE** remuneration.



Annual **FINANCIAL** performance indicators are aligned with the Group's most relevant management metrics. **NON FINANCIAL** indicators will be related to Group-level strategic objectives and, where applicable, to indicators specific to each executive director, which may include **ECONOMIC, SOCIAL** and **ENVIRONMENTAL** aspects, as well as other indicators relating to **DIVERSITY** and **INCLUSION**.



In turn, the **REMUNERATION MODEL** applicable to all BBVA Group employees consists of **FIXED** remuneration and **VARIABLE** remuneration. The corporate variable remuneration model aligns variable remuneration with the Group's strategic objectives.



Variable remuneration for each executive director is based on an **ANNUAL** incentive. This reflects the directors' performance through the **FULFILMENT OF OBJECTIVES SET** to assess each financial years' earnings, based on the strategic priorities set by the Group and considering the risk incurred.



In 2021, BBVA incorporated a new KPI related to Sustainability (Origination of sustainable financing) which is directly related to the **ACTIVITY CARRIED OUT BY THE GROUP** to comply with the commitments assumed with the market in terms of climate change, with a specific weight of **10%** that reinforces the commitment of both the Chairman and the CEO, so that BBVA achieves its sustainable development objectives, in line with the Bank's strategic priority of Helping customers in the transition to a sustainable future, and thus incorporating a metric ESG (Environmental, Social, Governance) to the variable remuneration scheme for executive directors.



Variable remuneration is associated with the **DEGREE OF ACHIEVEMENT** of preset financial and non-financial objectives. Within the non-financial KPIs, since 2021 BBVA set up a new **SUSTAINABILITY KPI** (Sustainable financing origination) in the corporate variable remuneration model that is applicable to all employees.

A close-up photograph of a person's hand reaching out towards the rough bark of a tree. The sun is low in the background, creating a strong lens flare with a bright yellow-orange glow and several colorful, elongated light streaks in shades of green, blue, and purple. The tree trunk is dark and textured, with some moss or lichen visible. The background shows out-of-focus green foliage.

SECTION 02

STRATEGY

Sustainability and the fight against climate change represent one of the greatest disruptions in history with great opportunities for banks, helping clients to move towards a more sustainable world, minimizing the risks while maximizing the opportunities that arise. For BBVA, sustainability includes two areas of action: climate change and sustainable and inclusive growth.

For this reason, BBVA incorporates sustainability at the heart of its strategy, being, as we have previously mentioned, one of the six established strategic priorities. This strategic priority has been divided into four objectives included in BBVA's General Sustainability Policy, which are:

1. Fostering



Sustainable Growth

Consists of **6 workstreams**:

- Solutions for retail clients
- Solutions for enterprise clients
- Solutions for corporate and institutional clients
- Solutions for sustainable investments
- Communications & marketing
- Sustainable and inclusive growth



3. Establishing a unique agenda with stakeholders

Consists of **3 workstreams**:

- Reporting & transparency
- Direct impact
- Public engagement

2. Integrating sustainability risk in the processes



Consists of **3 workstreams**:

- Risk management
- Sustainability Standards
- Process

4. Developing the necessary sustainable capabilities



Consists of **2 workstreams**:

- Data & technology
- Talent

To achieve these objectives, BBVA has established **fourteen workstreams** (See **Main advances by workstream** on page 23) of which two ones have recently been added in 2021, as follows:

■ SUSTAINABLE INVESTMENT SOLUTIONS

with the aim of integrating sustainability into our investment fund offer and complying with the requirements derived from BBVA Asset Management's adherence to Net Zero Asset Managers Alliance. The objective of the initiative is to support the goal of zero net greenhouse gas emissions by 2050 or earlier (for which the signatories commit to include in their portfolios investments aligned with this goal), in line with global efforts to limit global warming at 1.5°C.

- **PROCESSES** with the objective of designing and executing a plan of processes and procedures related to Sustainability to ensure that the group's sustainable activity is carried out in a robust and orderly manner, mitigating application risks, such as green & social washing.

As mentioned in the **GOVERNANCE MODEL** section, in 2021, the bank has reinforced its commitment to sustainability with the creation of the global Sustainability business area, to which BBVA's business units present in all the geographies reports to, with the aim of BBVA developing all the opportunities offered by sustainability.

In this sense, significant progress has been made in the identification and prioritization of large business opportunities (Big Bets) in the different geographies where the BBVA Group is present, which are defined in more detail in the section *"Opportunities on climate change for BBVA"*.

Regarding risks, considerable progress has been made in the identification of risks derived from sustainability, and in BBVA's adaptation to regulatory requirements and initiatives. As a result of the foregoing and the bank's commitment, BBVA has set goals for the decarbonisation of its portfolio (see the section **Management of risks associated with climate change** starting on page 29). In addition, sectoral plans have been drawn up with the development of a transition risk management framework, and the construction of tools such as a transition risk indicator at the client level and for sectors classified as high transition risk, which allows incorporating a vision of the environment and long-term regarding the level of preparation of companies to face the decarbonization process.

This commitment to sustainability is also reflected in leadership and innovation, with BBVA being a pioneer in developing solutions adapted to customer needs (see more detail in the **METRICS AND GOALS** section starting on page 42), which has made it possible to channel, between 2018 and 2021, 85,817 million euros destined for sustainable activities. Lastly, its strong presence in international initiatives and in global indices should be highlighted, highlighting its first position in the Dow Jones Sustainability Index (DJSI) (see the section **Main advances in the execution of the strategy** on page 21).










Definition of risks and opportunities associated with climate change

Climate change brings with it a series of opportunities and risks for the banking business that must be identified and managed in order to minimize the negative impacts on our environment and take advantage of all the positive aspects that arise.

Climate change opportunities for BBVA

A number of associated opportunities have arisen which BBVA plans to pursue to correctly position itself with respect to the major disruption represented by climate change.

TABLE 01. Climate change opportunities for BBVA

Sector	Opportunity	Time Horizon		
		ST 4 years	MT 4-10 years	LT >10 years
 Oil & Gas	Liquefied Natural Gas (LNG) as an alternative to other fossil fuels as it has a much lower level of emissions	ST		
	Possibility of reusing oil & gas transport assets for biofuels and hydrogen		MT	
 Chemicals	Carbon capture and storage through chemical separation of carbon dioxide for later reuse			LT
 Electricity	Strong boost to renewable energy, electricity storage	ST		
	Energy efficiency services and hydrogen development		MT	
	Development of nuclear fusion			LT
 Construction & infrastructures	Boosting the distribution of solar panels	ST		
	Renovation of buildings (headquarters, housing, premises, etc.) as well as industrial plants in need of energy-efficiency improvements because of the increased regulatory impact	ST		
	Infrastructures to improve climate change adaptation: changes in cities, development of a smart grid, charging infrastructure for electric vehicles	ST		
 Transportation	Efficient low-emission and mobility services (electrical and LNG)	ST		
	Efficient transport and mobility powered by hydrogen			LT
 Mining & metals	Production of metals to manufacture electric vehicles (copper, lithium, cobalt and nickel among others)	ST		
 Agriculture	Efficient irrigation systems, use of waste as a source of biogas	ST		
	Usage of energy in agricultural plants		MT	
	Development of new anti-drought products		MT	
 Carbon markets	Creation of carbon credit markets	ST		
 Other sectors	Circular economy, recycling, waste and water treatment, tree planting, food industry, tourism industry conversion to carbon neutrality (Fossil fuel change, etc.)	ST		

Climate change risks for BBVA

There are two type of risks that impact the business of BBVA or its customers:

Transition risks

These are the risks pertaining to the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change.

TABLE 02. Transition risks

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST 4 years	MT 4-10 years	LT >10 years
Legal and regulatory	Increase in the cost of CO ₂ emissions	Financial risk to BBVA clients whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in emission neutralization, resulting from regulatory changes.	ST		
		Increased cost of direct emissions from the Bank in its operations	ST		
	Increase in monitoring and tracking requirements	Increased staffing and economic resources for the study and monitoring of the Group's clients, and tracking of their compliance with environmental requirements	ST		
	Changes in the regulation of existing products and services	Uncertainty for financial agents regarding changes and their implementation	ST		
		Impairment of client asset positions due to the generation of stranded assets (assets that prior to the end of their economic life are no longer able to earn an economic return)		MT	
		Sales drop due to adjustments to offerings, to align with new legal specifications for a product		MT	
	Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of riskweighted assets based on their exposure to physical and transition risks		MT	
		Adverse regulatory changes that may cause certain exposures on BBVA's climate change balance sheet to have higher capital consumption	ST		
	Risks of environmental lawsuits	Possible lawsuits against BBVA for not complying with environmental regulations in its business or supply chain	ST		
	Risk of lawsuits against third parties	Potential lawsuits for environmental crimes against BBVA clients. BBVA could be impacted by its clients' loss of solvency resulting from an increase in litigation costs	ST		

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST 4 years	MT 4-10 years	LT >10 years
Technological	Replacement of existing products and services with lower-emission alternatives	BBVA clients with a position in sectors that are outperformed by alternative technologies could suffer solvency problems and their ability to cope with their credit commitments could be diminished	ST		
	Failed investment in new technologies	Clients that invest in failed technology may go through solvency difficulties and be unable to meet their credit commitments	ST		
	Cost of transitioning to low-emission technology	The investments which BBVA clients need to make to change their production models can be an opportunity but they can also negatively impact the balance sheet structure or profitability of said clients if not done properly. On the other hand, the necessary R&D investments could undermine the clients' ability to meet their commitments	ST		
		Costs of investing in remodeling and adapting BBVA-owned buildings	ST		
Market	Changes in (market) trends, financial agent and consumer preferences	Changes in demand caused by changes in consumer preferences can lead to falls in sales for BBVA clients and result in loss of profits and solvency	ST		
		Reduction in demand for certain products can cause price falls that affect the valuation of companies' assets (crude oil reserves, fossil fuel cars, etc.)	ST		
		Increased demand for certain products or services may impact on the price of certain raw materials. While this may be reflected in prices, it may lead to lower profits or the loss of BBVA's clients' market share	ST		
		Risk of change in the Bank's client preferences for not considering the Bank well positioned in the sustainable segment	ST		
	Uncertainty in market signals	Difficulty or impediments to proper price formation or allocation of financing or investment sums	ST		
		Forecasts made by research agencies or services to dictate the strategy of entities may not be fulfilled due to abrupt changes in the market caused by changes in regulations or demand	ST		
	Increased cost of raw materials	Sharp changes in the price of raw materials, resulting in changes in supply or energy cost, can lead to deteriorating liquidity and declining profits for clients. It can be mitigated with end-product price increases	ST		
		BBVA's energy supply cost could also be affected	ST		

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST 4 years	MT 4-10 years	LT >10 years
Reputational	Financial risks	Risk of a significant increase in the cost of financing clients with higher exposure to climate risks, in a way that affects their solvency by making it more difficult for them to cope with their credit commitments	ST		
		Risk of worsening the credit rating of clients with exposure to climate change risks, with the associated adverse effects for BBVA	ST		
	Change in consumer preferences	Direct risk of client loss for not meeting what various stakeholders expect from BBVA as regards the climate change challenge and fostering a more inclusive world	ST		
		Indirect risk of our clients losing business, which affects their solvency, because they engage in an activity that is not considered sustainable	ST		
		Demand from clients to limit our operations' direct impacts	ST		
	Stigmatization of a sector	Risk of assets stranded by a sharp change in the perception of a sector, with significant loss of sales	ST		
	Investment exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or a sectoral ban	ST		
	Policy implementation	Risk of not accurate implementation of policies and outcoming reputational risk	ST		

Physical risks

Risks which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

TABLE 03. Physical risks

Risk subtype	Risks associated with climate change	Risk description	Time horizon		
			ST 4 years	MT 4-10 years	LT >10 years
Acute risks	Increased severity of extreme weather events, such as cyclones and flooding	Reduced revenue from decreased production capacity (e.g. transport difficulties and supply chain disruptions)		MT	
		Direct losses from asset damage (BBVA and clients)		MT	
		Increased cost of insurance		MT	
	Business continuity problems	Damage to BBVA facilities from environmental catastrophes that hinder normal service provision		MT	
Chronic risks	Changes in precipitation patterns and extreme variability in weather patterns	Loss of value of clients' assets (guarantees) because they are located in areas with water supply problems (desertification)		MT	
		Increases in clients' operating costs (investments in agriculture)		MT	
		Lower renewables production (hydro and wind)		MT	
	Rising average temperatures	Population movements that can lead to depression in certain areas, accompanied by loss of business			LT
	Sea level rise	Threats to client assets that can lead to loss of profits and their solvency			LT

Main advances in the execution of the strategy

Pioneers in sustainability

In 2021, out of the total new origination of business at Group level, 12% of new businesses have been linked to sustainability. Between 2018 and 2021, BBVA channeled a total of €85,817m into sustainable activities¹. Of these, around 20% were an incremental business for the Bank.

This represents 43% of the target for channeling initially set in its Commitment 2025, which BBVA has doubled in 2021 to €200 billion through 2025.



1. BBVA uses as a reference standard to meet the objectives derived from its 2025 Commitment the activities included in the section "Additional information on sustainability standards and frameworks of the BBVA Group", in the Green Bond Principles and the Social Bond Principles, the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles, Sustainability Linked Loan Principles of the Loan Market association and the best market practices.

Committed to sustainability

BBVA has committed to Net Zero by 2050 and aims to align its activity steadily to the Paris Agreement and to use its role as a bank to help its customers through finance, advice and innovative solutions to transition toward a more sustainable future, inspired by the Sustainable Development Goals. Specifically, the Group wants to help face challenges as important as climate change or support sustainable and inclusive growth.

Helping customers in their transition also represents a great opportunity, as it requires an unprecedented level of investment to innovate and deploy new technologies in practically all the sectors.

TABLE 04. **Funds mobilized through the 2025 pledge** (millions of euros)

	Production 2021	%	Production 2020	%
 Climate action	30,640	87	15,341	75
 Sustainable and inclusive growth*	4,737	13	5,175	25
Total	35,377	100	20,516	100
Total 2025 Pledge (accumulated from 2018)	85,817		50,440	

* Given that the TCFD recommendations refer to aspects related to climate, this report does not detail the initiatives related to this line of sustainable and inclusive growth.

Sustainable products and issuances

In 2021, BBVA has led the issuance of green, social, sustainable bonds and bonds linked to environmental indicators for clients in several countries, which have represented a total volume intermediated by BBVA of €6,683 millions. In addition, BBVA has continued to be very active in the field of sustainable corporate loans and in the financing of sustainable projects.

In 2021, BBVA in Spain has fulfilled its commitment to offer a sustainable alternative for all its products in the retail segment. Also in Spain, BBVA has become in 2021 the first entity to use analytics of data to calculate the carbon footprint of all its private and business clients, obtaining an approximate estimate of the emission of CO₂ into the atmosphere based on gas and electricity bills, and the expenses made on fuel.

Alignment of activity to achieve zero net emissions in 2050

With regard to the alignment of its activity, BBVA has been neutral in net emissions due to its direct activity since 2020 (on direct impact management, see the **Management of direct and indirect impacts** section of the **METRICS AND GOALS** chapter of this report) .

In addition, the bank has also committed to its indirect activity, that is, its credit and investment portfolio, also being neutral in net greenhouse gas emissions by 2050. In April 2021, BBVA was one of the founding members of the Net-Zero Banking Alliance (NZBA).

To this end, in 2021 BBVA has continued to make progress in decarbonizing its portfolio.

It has announced its intention of reducing its exposure to coal-related activities to zero, and stopping the finance of companies in these activities by 2030 in developed countries and by 2040 in the rest of the countries where it operates.

It has also set intermediate goals to decarbonize its portfolio in four emission-intensive industries, such as electricity generation, automotive, steel and cement which represent 60% of the world's CO₂ emissions². Moreover, the Group will focus its efforts on supporting customers with finance, advice and innovative solutions in the joint effort of decarbonization. For more information, see the section **Identification, measurement and integration of climate risk in risk management** on page 36 of this report.

2. According to the International Energy Agency and UNEP

Main advances by workstream

TABLE 04. Main advances by workstream

Workstreams	Description	Main advances/milestones in 2021
Solutions for retail clients	<p>Accompany our retail customers in adopting more sustainable habits that help reduce their emissions.</p> <p>Develop a wide catalog of sustainable products and digital solutions</p> <p>Design a business plan for retail clients</p>	<p>Promoted the origination of sustainable businesses in all geographies around 4 pillars: mobility, energy efficiency, agriculture and investment products together with the creation of a sustainability section within the APP with the calculation of the carbon footprint, recommendations, access to digital products and news.</p> <p>More details in the METRICS AND GOALS section.</p>
Solutions for enterprise clients	<p>Define a sustainable value proposition.</p> <p>Develop new standards and products.</p> <p>Specialize teams together with the implementation of management models in all the countries where it operates</p>	<p>Promoted the origination of sustainable business in all geographies with a focus on energy efficiency, mobility, agriculture and construction.</p> <p>More details in the METRICS AND GOALS section.</p>
Solutions for corporate and institutional clients	<p>Develop a sector vision, a personalized advice strategy, and sustainable products for corporate and institutional clients</p>	<p>Integration of sustainability throughout our value chain, extraordinarily promoting the mobilization of funds towards sustainable activities of our clients.</p> <p>More details in the METRICS AND GOALS section.</p>
Solutions for sustainable investments (new in 2021)	<p>Incorporate the sustainability integration model in the investment funds and portfolios managed by our clients based on four pillars: ESG Integration, Commitment, Exclusions and Impact Investing</p>	<p>Integration of sustainability in the investment process and risks of all the assets that are managed in AM Europa</p> <p>Adherence to the Net Zero Asset Managers initiative by the global Asset Management business</p> <p>More details in the METRICS AND GOALS section.</p>

Workstreams	Description	Main advances/milestones in 2021
Communications & Marketing	<p>Increase the presence of Sustainability in the Bank's internal/external communication. Need to strengthen advertising campaigns at the local level.</p> <p>Continue reinforcing BBVA's image/reputation as a benchmark in sustainability through the generation of content.</p>	<p>Great visibility in Google in Spanish: #2 behind Wikipedia. Positioning in SEO with sustainable terms (1,080 keywords).</p> <p>7 million page views with sustainable content in 2021 on bbva.com</p> <p>Media Share of voice - media presence: 1st or 2nd in all geographies.</p>
Sustainable and Inclusive growth	Develop products, businesses and value proposition from the point of view of inclusive financing.	<p>Identification of the financial inclusion segment in each geographical area.</p> <p>Establishment of financing KPIs in all segments and geographies.</p>
Risk Management	Strengthen governance and risk management in sustainability, integrate sustainability into risk processes and build scenario analyzes and stress tests.	<p>Integration of decarbonisation scenarios in the action frameworks that define the appetite for sectoral risk.</p> <p>Calculation of the alignment of the most relevant sectors in issues in the wholesale portfolio and the first set of alignment objectives disclosed.</p> <p>Progressive application of methodologies for calculating financed issues in different portfolios and geographies.</p> <p>Regulatory stress tests.</p> <p>More details in the MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE section.</p>
Sustainability Standards	Develop and update the ESG standards to ensure their alignment with sustainability trends, international regulations, best practices and the demands of our stakeholders	<p>Development of a climate action and inclusive growth standard.</p> <p>Environmental and Social Framework update.</p> <p>Review of the CIB Framework for Sustainable Products.</p>
Reporting & Transparency	Disclose/Publish information related to the environmental field, both about BBVA's strategy and its impact management, so that external agents interacting with the Bank (analysts, investors, rating agencies, etc.) help to value BBVA's current position on these issues and the path the Bank will take in the coming years.	<p>Reporting aligned to metrics with GRI, WEF-IBC and SASB.</p> <p>Leading bank in sustainability according to the Dow Jones Sustainability Index.</p>
Process (new in 2021)	Design and execution of a processes and procedure plan related to Sustainability to ensure that the group's sustainable activity is carried out in a robust and orderly manner, mitigating application risks, such as green & social washing.	<p>Working on the definition of a single Global Processes Reference Framework for the entire organization.</p> <p>Identification of the block of key processes where sustainability is integrated into the group.</p> <p>Development of a documentary framework for corporate and institutional clients.</p>

Workstreams	Description	Main advances/milestones in 2021
Direct Impact	Reduce the direct emissions of the BBVA Group itself, establishing ambitious medium-term goals for the use of renewable energies and the reduction of direct emissions.	<p>Decrease in the direct CO₂ footprint (target 2025 = -68% compared to 2015. In 2021, BBVA reached a decrease 67.5% compared to 2015).</p> <p>79% of the energy consumed by the BBVA Group in 2021 at its facilities comes from renewable energies (above 2025 goal = 70%).</p> <p>Carbon neutral company with the compensation of more than 102,000 t CO₂ in 2021.</p> <p>More details in the METRICS AND GOALS section.</p>
Public engagement	Actively participate in various supranational environmental initiatives with the aim of maintaining leadership on the international agenda to combat climate change.	<p>Founding member of the Net Zero Banking Alliance.</p> <p>Participation in key events and forums (COP26).</p> <p>More details in the Universal reference frameworks section.</p>
Data & Technology	<p>Develop a data strategy to identify, manage and monitor the risks associated with climate change, and identify opportunities for our clients in the field of sustainability with the aim of increasing knowledge of the environmental performance of the Group's portfolio and being able to take better decisions based on data.</p> <p>These data will be used not only for internal management but also for regulatory reporting and market information.</p>	<p>Defined and built a sustainability data strategy identifying data needs and gap analysis.</p> <p>Obtaining and capturing a set of relevant data at the operation level from the different origins of the countries.</p>
Talent	Create a culture around sustainability that allows for the best talent, and raise awareness among BBVA employees.	<p>Training on the key elements of sustainability carried out by more than 85,000 employees.</p> <p>Promotion of specialized training for the business segments (CIB, Companies and Retail) carried out by more than 35,000 employees.</p> <p>Launch of a global course for practitioners in Sustainability.</p> <p>Agreements with top-level educational institutions adding courses for experts in relevant aspects of Sustainability to the bank's training offer (Cambridge, Oxford, Yale, etc.).</p> <p>Launch of certifications in Spain for the sales and advisory teams (EFPAS and IASE) with the aim of certifying more than 10,000 employees.</p>

A global benchmark

BBVA is a member of the main sustainability indices

BBVA participates annually in the main sustainability analyses conducted by rating agencies in this area. Based on the evaluations obtained through these analyses, companies are chosen to be part of the sustainability indices.

In 2021, BBVA has obtained the highest score* (89 points) among world banks in the DJSI, which measures the performance of the largest companies by market capitalization in economic, environmental and social matters. The Group has achieved the highest score (100 points) in the sections on financial inclusion, environmental and social information, development of human capital, materiality and tax strategy. BBVA is a member of the main sustainability indices³.

In addition, in 2020 the Bank joined the Nasdaq Sustainable Bond Network (NSBN). It is the only Spanish entity on this platform, which brings together the world's various issuers of sustainable debt and provides a clear reference framework for socially responsible investment.

3. The inclusion of BBVA in any MSCI indices and the use of the logos, trademarks, service marks or index names does not constitute the sponsorship or promotion of BBVA by MSCI or any of its subsidiaries. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI indices and logos are trademarks or service marks of MSCI or its subsidiaries



* Shared ranking position

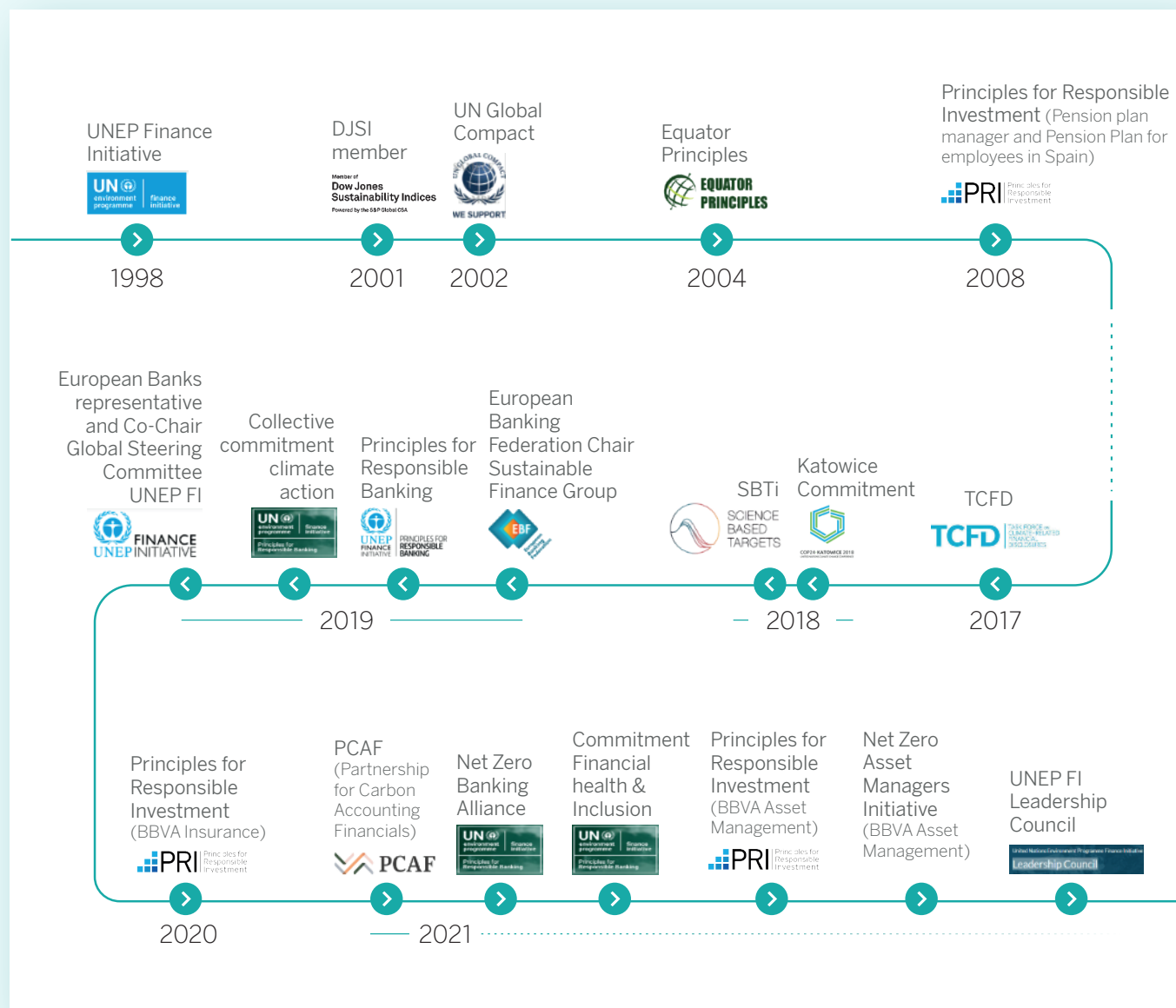
Universal reference frameworks

For over 20 years, BBVA has participated actively in various supranational initiatives. BBVA wants to continue to be the leader in the international agenda in favor of inclusion and the fight against climate change, expressing its commitment to various initiatives.

As well as repeating our commitment to the UN Global Compact once more this year, as part of the Pledge 2025, BBVA actively participates in numerous initiatives, always in close collaboration with all its stakeholders (such as the industry itself, regulators and supervisors, investors and organizations from civil society).

BBVA co-chairs the UNEP FI steering committee and represents European banking in said forum. BBVA also holds the chairmanship of the sustainable finance working group in the European Banking Federation and is a member of the steering committee of the Equator Principles.

BBVA is also a member of the Steering Group of the Net Zero Banking Alliance, the Sustainable Finance Working Group of the Institute for International Finance, the Task Force of Voluntary Carbon Markets and the Alliance of CEO Climate Leaders of the World Economic Forum.



Resilience of the strategy against climate risks

The concept of climate resilience implies that organizations develop the adaptive capacity to respond to climate change to better manage associated risks and seize opportunities, including the ability to respond to transition risks and physical risks. TCFD recommends organizations describe how resilient their strategies are to climate-related risks and opportunities, taking into account a transition to a low-carbon economy consistent with a 2°C or below scenario and, where appropriate and relevant to the organization, scenarios consistent with increased climate-related risks.

As mentioned in the section “Defining climate change risks and opportunities for BBVA”, BBVA’s strategy may be affected by climate-related risks and opportunities. For this reason, BBVA is working to measure the impact of the different climate scenarios on its strategy and business. While these analyzes are not complete, early valuations point to a resilient strategy, given the relatively low exposure to clients and sectors with higher climate-related risks. In fact, BBVA’s intensive emissions activities and transition- sensitive wholesale exposures represent approximately 17.4% of total wholesale exposure, and 9% of the Group’s total exposure.

The resilience of the strategy in the face of different climate scenarios is also reinforced by the fact that BBVA has set sustainability as one of its six strategic priorities, with a special focus on the fight against climate change, integrating its commitment to align its financing portfolio with scenarios compatible with the Paris Agreement. More information on risk assessment and scenario analysis in the section “Integration of climate change in risk planning”.



SECTION 03

MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE

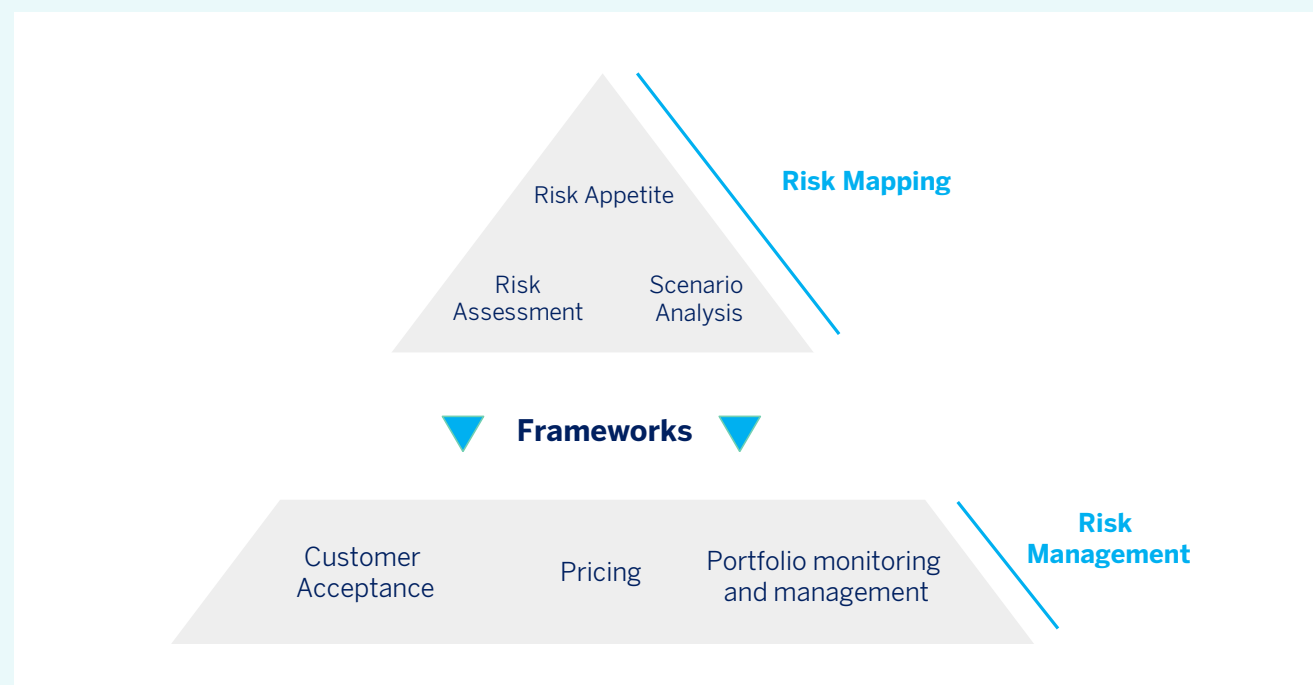
Integrating climate change into risk planning

The risks associated with climate change (transition and physical) are considered an additional factor that impacts the risk categories already identified and defined in the Group. Because of this they are managed through the Group's risk management frameworks (credit, market, liquidity, operational and other non-financial risks). As a result, the integration of the risks related to climate change within BBVA Group's risk management framework is based on the incorporation of correctly established processes and governance, taking into account regulations and supervisory trends.

Correct planning requires reliable, complete and up-to-date data. To this end, in 2021 a sustainable data strategy was implemented, based on the Principles for effective risk data aggregation and risk BSBC239, in which the sustainability data needs have been identified, the data gaps have been assessed and a conceptual model and implementation plan has been drawn up. All this is geared to guaranteeing a comprehensive vision

of the Group's climate risks to ensure their correct control and management. Included in the data considered, which responds both to regulatory and business needs, are those related to customers' climate scores, energy efficiency certificates, environmental indicators, greenhouse-gas emissions, and sector metrics.

Climate risk management in BBVA Group is based on the process of risk planning which is marked by the defined risk appetite and makes use of management frameworks which establish how these risks are to be treated in day-to-day business activity.



Risk planning: Risk Appetite Framework (RAF)

BBVA's Risk Appetite Framework, approved by the corporate governance bodies and applicable to all the Group's material geographical areas, determines the risk levels that BBVA is willing to assume to achieve its targets, considering the organic evolution of the business. It is organized as a pyramid structure that is based on thresholds of core and by risk type metrics and implemented through a framework of risk limits. The Framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. The statement includes a commitment to sustainable development as one of the elements defined by the BBVA business model, stressing customer support in the transition to a sustainable future, and starting in 2022 incorporating the climate factor in risk management. This statement is complemented and detailed with an appetite quantification through metrics and thresholds that provide clear and concise guidance on the defined maximum risk profile.

In 2021 a transition risk metric was incorporated. This High Transition Risk metric measures Exposure at Default (EAD) in relation to capital of the activities most exposed to transition risk in accordance with the Taxonomy defined internally, specifically the activities classified as High or Very High risk. This taxonomy has been developed following recommendations by the TCFD with the aim of developing processes that identify and value climate risks, as well as the ECB Guide on

environmental and climate-related risks. With respect to this metric, the Board of Directors of BBVA has approved thresholds at a Group and geographical area level, which determine the maximum appetite for this risk.

The definition of the levels of tolerance established in the Risk Appetite Framework are based on the Risk Assessment and Scenario analyses described below.

Risk Assessment

This section provides, firstly, a self-assessment of how the different climate-change related risk factors impact on the main types of risk currently existing (credit, market, liquidity, etc.); secondly, an analysis of the sectors that are most sensitive to this risk (under the so-called "internal risk taxonomy"); and, finally, the methodology used to assess the climate vulnerability of the relevant geographical areas where the BBVA Group operates. These last two aspects are integrated into the management through processes such as admission frameworks or the establishment of risk limits.

As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to, among other things, identify material risks that could have a negative impact on its risk profile and to manage those risks actively and proactively. These processes cover all types of risks faced by

the Group in its daily activity, including those risks that are more difficult to quantify. The General Risk Management and Control Model approved this year considers the specific form of sustainability as an essential part of the Group's strategy.

Global Risk Assessment is a prospective exercise which updates at least twice a year, and allows a comparison between risk types, business activities and moments in time, facilitating the understanding of the Bank's positioning and its development, and identifying the material risks to cover with capital. Since 2020 the Group has carried out a qualitative climate assessment, which assesses BBVA's vulnerability to transition and physical risk. As in the case of the global assessment, the climate assessment process is participative and global in the GRM area. The proposed assessment for each risk type is based on the risk specialists' work and verified by other Group and geographies risk units. The results of the assessment are submitted to the highest executive risk committed (GRMC), as well as the corporate bodies, as this assessment is integrated in key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

The climate risk assessment process runs parallel to the Group's global risk assessment, although there are two major differences with respect to it. First, there are still no mature indicators to assess the different risks quantitatively (although they are being developed); and second, the time horizon of the analysis is much more extensive. Specifically, the analysis is carried out for a short-term horizon

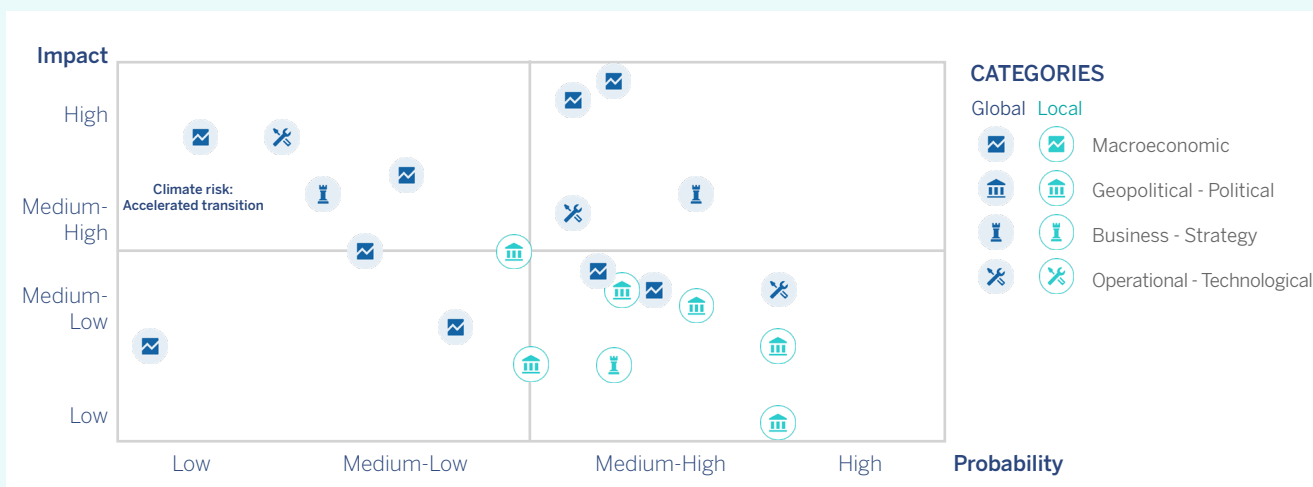
coinciding with the planning horizon (4 years), medium term (4-10 years) and long term (over 10 years). The climate risk assessment, like that of the rest of the risks, is carried out under two perspectives. First, risk events that could materially affect the Group over a 12-18 month horizon are identified. Next, the risk event matrix identified in 2021 is included. The events are ordered according to their severity, which is estimated on the basis of the likelihood allocated to each event and their estimated impact on the BBVA Group. In the event matrix, these risks are represented graphically by their estimated impact on BBVA Group and its allocated probability.

Climate risk has been included as a material event in this inventory since 2019. In the 2021 assessment the analysis of climate risk events has been broken down into physical and transition risks. In the short term an accelerated transition to a low-carbon economy is thought to involve an event of medium-high impact, although the probability given to this type of scenario is currently medium-low. In a long-term time horizon, the risk of physical climate change is incorporated into the inventory of emerging risks (those that could have an impact in a longer time horizon) and it is assigned a medium-high risk.

Risks with materialization in the short term: 12-18 month time horizon

The second approach followed in risk assessment is based on an assessment of the profile of each type of risk expressed in a heat map. In 2021, the climate risk assessment exercise was expanded by including new risk factors, such as the carbon footprint of clients, the energy efficiency of loans with real estate guarantees and financed emissions, among others. Similarly, work has been done on the preliminary inclusion of quantitative metrics for some risk factors and it has been extended to BBVA Group's material geographical areas.

The conclusions of the assessment for 2021 suggest that the main risks emerge in medium- and long-term loan portfolios, with an earlier impact on transition risk in Spain given the speed of this geographical area in adopting decarbonization policies. The factor with the biggest long-term impact on credit risk is that derived from investment in climate change which will have to be carried out by companies in the decarbonization process. With respect to the impact of physical risk on loan portfolios, the greater frequency/severity of extreme meteorological events and structural changes in climate patterns explains the deterioration shown in the assessment at longer-term horizons.



The impact of transition risk on liquidity risk is due to the stability of the retail deposit base and the high asset quality of the liquid asset buffer. Market risk is equally low, due to the diversification of the equity portfolio and low exposure to sectors sensitive to transition risk in the fixed-income portfolio.

In operational risk, there is a difference in the perceived risk in Spain (medium-low) and in the rest of the geographical areas (medium-high), due to the greater exposure of the latter to physical risk in the medium and long term.

TABLE 05. Risk assessment climate change 2021

	Spain			Rest of geographical areas		
	ST 4 years	MT 4-10 years	LT >10 years	ST 4 years	MT 4-10 years	LT >10 years
TRANSITION RISK						
Credit						
Liquidity and funding						
Structural equities risk						
Credit spread risk						
Markets (trading)						
Insurance						
Operational						
Reputational						
TOTAL						
PHISYCAL RISK						
Credit						
Liquidity and funding						
Structural equities risk						
Credit spread risk						
Markets (trading)						
Insurance						
Operational						
TOTAL						

Low risk Moderate-low risk Moderate-high risk High risk

In 2021 there has been an increase in transition risk, derived from the drive in Europe for both new regulations and updates of existing ones. Similarly, the determination of the decarbonization path to be taken in carbon-intensive sectors represents an expected increase in investment in capital expenditure (CAPEX), with the resulting impacts on credit risk. To this has to be added the greater awareness of people in general, foreseeable change in the demand for these emission-intensive sectors, as well as the increase in the price of CO₂ emission rights, which hit a high in Europe of €88.87/TCO₂ in December 2021.

All this has highlighted the importance of clearly defining what sectors include a material transition risk and to what extent this could affect BBVA.

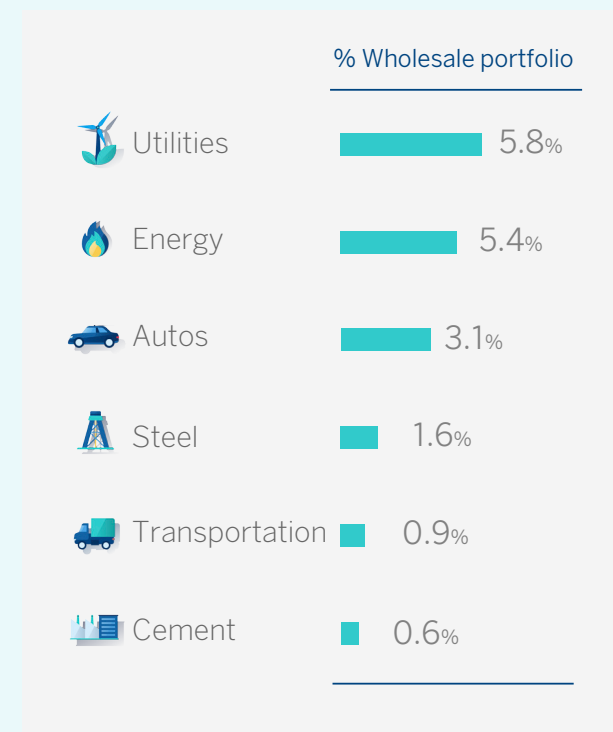
BBVA, within the scope of preparing and defining its industry frameworks governing the credit admission process, has developed an internal Taxonomy of transition risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the client level to assess their vulnerability and to integrate this aspect into risk and customer support decisions.

The estimation of the transition risk-sensitivity level is based on the qualitative analysis of the amount of exposure to regulatory, technological and market changes caused by decarbonization that may have a financial impact on the companies of the industry and on the estimation of the time horizon impact of these effects.

Thus, industries are categorized according to their level of sensitivity to transition risk: very high, high, moderate or low. The industries identified as most sensitive to transition risk are energy or fossil fuel generation sectors (energy, Oil & Gas, utilities, coal mining); emission-intensive basic industries (steel, cement); and activities that are final users of energy through their products or services (vehicles manufacturers, air and sea transportation).

As a result of this exercise, with data at 31 December 2021, 17.4% of the exposure measured by EAD of the wholesale portfolio (equivalent to 9.0% of the Group's portfolio) has been identified as corresponding to sectors defined as "high transition risk", with a high or very high level of exposure to this risk. This calculation was made on a portfolio of €190,880m (of the Group's total EAD of €368,819m), corresponding to the EAD of the wholesale lending portfolio.

The percentage of exposure measured by EAD of the sectors sensitive to the transition risk of the wholesale portfolio over the EAD of the wholesale portfolio at December 31, 2021 are as follows:



Internal development. It includes the percentage of exposure (exposure at default) of activities internally defined as "transition risk sensitive" over the EAD of the wholesale portfolio at December 31, 2020 (does not include subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The "transition risk sensitive" portfolio includes activities that generate energy or fossil fuels (energy, utilities - excluding renewable generation and water and waste treatment -, coal mining), basic industries with emission-intensive processes (steel, cement) and final activities users of the energy through their products or services (vehicles manufacturers, air and sea transportation), with an intermediate, high or very high level of sensitivity to this risk.

Work is also being done to extend this calculation to the SME and self-employed sector. The preliminary results obtained with data as of June 2021 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and focused mainly in Spain and in the automotive (components) sector.

In addition, climate and environmental risk impact has been incorporated into country risk analysis since 2019, as an additional input for establishing risk policies affecting exposures to private or sovereign administrations of all the countries with which the Bank has some type of risk (100+ countries).

To this end, a Climate Vulnerability Index (hereinafter, the CVI) has been created for more than 190 countries, which captures the physical risk and, to a lesser extent, the transition risk of each country, based on international indicators (e.g., Global Adaptation Index of the University of Notre Dame, ND-GAIN, and the Energy Transition Index, ETI, produced by the World Economic Forum). Subsidiarily, vulnerability indices issued by other international organizations and by the three rating agencies are also taken into account.

The methodology establishes 5 climate vulnerability levels, which are a comparative classification, as all countries have a certain level of vulnerability given the global nature of this phenomenon. The CVI has been integrated into

risk management by including a specific section in country risk reports, so it is a factor that is taken into account when establishing risk limits (particularly in the most vulnerable countries). It is also taken into account in setting country ratings and outlooks.

In 2020 a methodology was also launched to determine climate vulnerability at the sub-national level (regions, provinces, cities). To this end, indicators developed by internationally renowned institutions such as the Andean Development Corporation (CAF), the EU or BBVA Research have been used. Work has also been done to incorporate transition risk to a greater extent in the CVI.

Analysis of scenarios and stress testing

Scenarios and internal stress tests

Scenario analysis is one of the main tools for integrating climate change into risk management, as it allows a valuation of the vulnerabilities with a prospective vision, thus allowing early adoption of mitigating measures which prevent the materialization of severe shocks. Scenario analysis also enables the assessment of the risk factors' impact on the metrics defined in the Risk Appetite Framework.

In 2021 the climate scenarios have been integrated into the governance of BBVA Group's internal scenarios, with initiatives being developed in three areas:

1. Reflection on the climate has been present in preparing the baseline budget scenario for 2021.
2. The climate driver has been integrated into the high-level risk scenarios (HLRS) which are monitored and assessed continuously in the Group by the Scenario Working Group. They serve as a basis for choosing the scenario which is used in the Group's internal capital adequacy process (ICAAP).
3. An internal pilot project has been carried out to assess the short-term (4 years) and long-term (20 years) impact on credit risk of two climate stress scenarios. A start has been made in Spain, the most important geography for the Group, and for transition risk, because of its greatest relevance, severity and plausibility in the short term, rather than physical risk, which has longer-term material and persistent impacts.

To do so, and in line with supervisory expectations, three alternative transition risk scenarios have been selected based on a set of representative scenarios defined by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS):

- **CURRENT POLICIES HOT HOUSE** in which only the climate policies currently implemented are continued and therefore there is no transition risk, but with a high exposure to physical risks given the increase in global warming. This is considered the baseline scenario.
- **ORDERLY TRANSITION WITH CARBON DIOXIDE REMOVAL (CDR)** (Carbon Dioxide Removal), managing to limit temperature increase to 1.5°C.
- **DISORDERLY TRANSITION WITH LIMITED CDR**, managing to limit temperature increase to 1.5°C.

The two transition scenarios are relevant for the purposes of a bank stress test. The disorderly scenario of 1.5°C is not only consistent with the Paris Agreement target, but requires the highest carbon prices of all the set of NGFS scenarios; it is therefore the most intense transition scenario and the highest risks, which makes it an obvious candidate for a stress test. Moreover, the orderly 1.5°C scenario presents a trajectory in which the adjustments for transition are progressive and gradual, as well as ambitious, although they also represent vulnerabilities.

The pilot internal stress test has been structured on the basis of these latest scenarios. This pilot project has been undertaken with a sector-based approach, adapting existing models, and transferring to the main macro variables the impact of temperature increase.

This analysis concludes that in the short term, the most affected portfolios will be SMEs and Mortgages. In SMEs the most emission-intensive sectors have a high impact at expected loss level, although the impact on the credit classification it is very low as a result of the good quality of the current portfolio. In terms of the impact by sectors of Transition Vulnerability Factors (TVFs), which are risk factors specific to the industry which capture the dependence of an industry to CO₂ emissions in relation to the economy as a whole, in the short term both in the orderly and disorderly transition scenarios the greatest impact is observed in the same emission-intensive sectors.

In the long term, the impact of TVFs does not alter the order of the top 3 obtained in the short term.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for the stress tests on climate change risk programmed for 2022 in the months March to July. This test represents major challenges from the perspective of data and methodologies. In 2021 work has been done on a preparatory phase for providing a response to it.

Identification, Measurement and Integration of climate change into risk management

Once climate risk is incorporated into the Risk Appetite Framework and the business strategy, it also must be included in the day-to-day risk management, which is a part of the risk decision making that supports the Group's clients.

For that purpose, the identification and measurement of this risk type for subsequent integration into the existing management frameworks and processes is required, including the adaptation of policies, procedures, tools, parameterization, risk limits and risk controls in a consistent manner. In a first phase, adaptation is focused on the integration of this risk in the industry frameworks (a basic tool in the definition of our risk appetite in wholesale loan portfolios), and in the Mortgage and Auto Operating Frameworks in retail credit. Currently, BBVA is developing the methodologies and tools it needs to identify and measure the different components of climate risk, and the financial impact analysis of each of them for subsequent integration into the management.

Loan portfolio alignment with Paris Agreement

The role of the bank is key as the financier of all the productive sectors. The influence which may be exercised by this finance on its customers' behavior and in their environmental performance, is critical for achieving the targets of the Paris Agreement.

Within the framework of this focus of climate action, in April 2021 BBVA announced the Net Zero 2050 commitment (net zero emissions by 2050), including the emissions of customers who receive finance from the Bank. BBVA wants to support its customers in their transition towards a more sustainable future, with plans and specific targets. It has undertaken to publish alignment targets for the sectors defined in the Guide to set the Net Zero Banking Alliance objectives.

BBVA has pledged to reduce its exposure to carbon-related activities to zero, and stopping the finance of companies in these activities by 2030 in developed countries and by 2040 in the rest of the countries where it operates.

BBVA, together with four banks which have signed the Katowice commitment, and with the support of the think tank 2 Degree Investing Initiative (2DII), has adapted the methodology called PACTA (Paris Agreement Capital Transition Assessment) to the banking sector. The concept of alignment

seeks the transformation of activities considered particularly CO₂ intensive, and as a result contrary to compliance with the Paris Agreements. This alignment creates an incentive for companies to shift their productive model to greener activities.

The commitment to alignment acquired by BBVA implies establishing a framework which is composed of objectives and commitments for the different sectors committed within the methodology chosen over the next 20 years. In 2021, BBVA published intermediate

decarbonization objectives through 2030 for the electricity generation, automobile, steel and cement sectors which represent, together with coal, 60% of the global CO₂ emissions.

Below are details of the metrics chosen to measure alignment within the framework of the Katowice group for the sectors in which decarbonization targets have been set for 2021. Included are the scope of emissions considered, benchmark scenarios, the metrics of the current situation and the target for decarbonization through 2030.

TABLE 06. Metrics chosen to measure alignment within the framework of the Katowice group

Sector	Emissions scope	Metric	Benchmark scenario	BBVA baseline (2020)	BBVA 2030 target	Absolute effort	CAGR**
Power	1+2	kg CO ₂ e/MWh	IEA Net Zero 2050	249	120	(52) %	(7.0) %
Auto	3	g CO ₂ /km	IEA Net Zero 2050	220	118	(46) %	(6.0) %
Steel	1+2	kg CO ₂ /tonne steel	IEA Net Zero 2050	665	515	(23) %	(2.5) %
Cement	1+2	kg CO ₂ /tonne cement	IEA Net Zero 2050	695	575	(17) %	(1.9) %
Coal	NA*	Portfolio tred (€Mn)	NA*	Phase out plan already announced in March 2021: • 2030 for developed countries • 2040 globally			

* Does not apply

** Percentages are the Compound Annual Growth Rate between the base year (2020) and 2030

BBVA continues to work on expanding the perimeter of sectors with objectives of alignment with the objectives of the Paris Agreement. One of the priorities is to establish objectives for the Energy sector (oil and gas). In this sense, BBVA participates in the NZBA working group that is defining specific guidelines to establish net zero objectives for this industry.

Additionally, as a complement to the estimation of emissions financed with the PCAF (Partnership for Carbon Accounting Financials) methodology, BBVA is working on establishing alignment targets based on the SBT (Science Based Targets) methodology and the IEA decarbonization scenarios (International Energy Agency) for the Real Estate sector (Commercial Real Estate in the wholesale portfolio and mortgage portfolio in the retail portfolio), as well as for the retail vehicle financing portfolio.

Calculation of financed emissions

BBVA has been working on this carbon footprint measurements for customers or financial assets, so that it attributes to BBVA in its accounting or indirect emissions the equivalent percentage issues of the debt.

To make this measurement, BBVA is implementing the PCAF (Partnership for Carbon Accounting Financials). This project will cover all the portfolios and geographies to obtain a global vision of the emissions financed, identify in what portfolios and sectors these emissions are focused and then define mitigation plans for them, and a cross-cutting vision of the quality of the data we have available to make these calculations.

A first estimate of issues financed in the portfolio of corporate clients, companies and SMEs in the perimeter of BBVA Bank shows that most of the issues correspond to manufacturing activities, highlighting the production of cement, steel and refining industry, extractive industries (mainly oil extraction activity), power generation and transportation.

Measurement and integration of transition risk

The need to decarbonize the economy, as a consequence of climate change, requires a reallocation of resources between more emission intensive activities and those less affected. This dynamic between sectors can be further accelerated in those industries where transition risk brings the time horizon impact closer, or where regulatory measures or technological developments set the implementation schedule.

It is therefore natural to integrate these two factors results in the integration of climate factors into credit risk management processes. through the wholesale credit industry frameworks of those sectors most strongly impacted.

In 2021, sustainability factors have been incorporated as one of the dimensions of the analysis in the Operating Framework of all the sectors that are included in the taxonomy as "high transition risk". These frameworks analyze, based on long-term scenarios aligned with the targets of the Paris Agreement, the financial impact of decarbonization of risks and opportunities, as well as the time horizon of the changes generated by climate transition. This is done by considering the impact on the sector of factors such as the carbon price, new regulations related to the climate transition, technological investment or transformation (change in the generation mix of energy/utilities, or electrification in the case of vehicles) and the changes in the patterns

of consumption of customers or consumers. The industry frameworks take into account the transition strategies developed by the Bank's main client in each sector.

This exercise has allowed climate transition risks and opportunities to be incorporated in the risk portfolio view exercise which is carried out every year, where risk appetite is defined at sector level. Based on the analysis, the vision of risks of some of the sectors and subsectors with greatest exposure to transition risks has been revised.

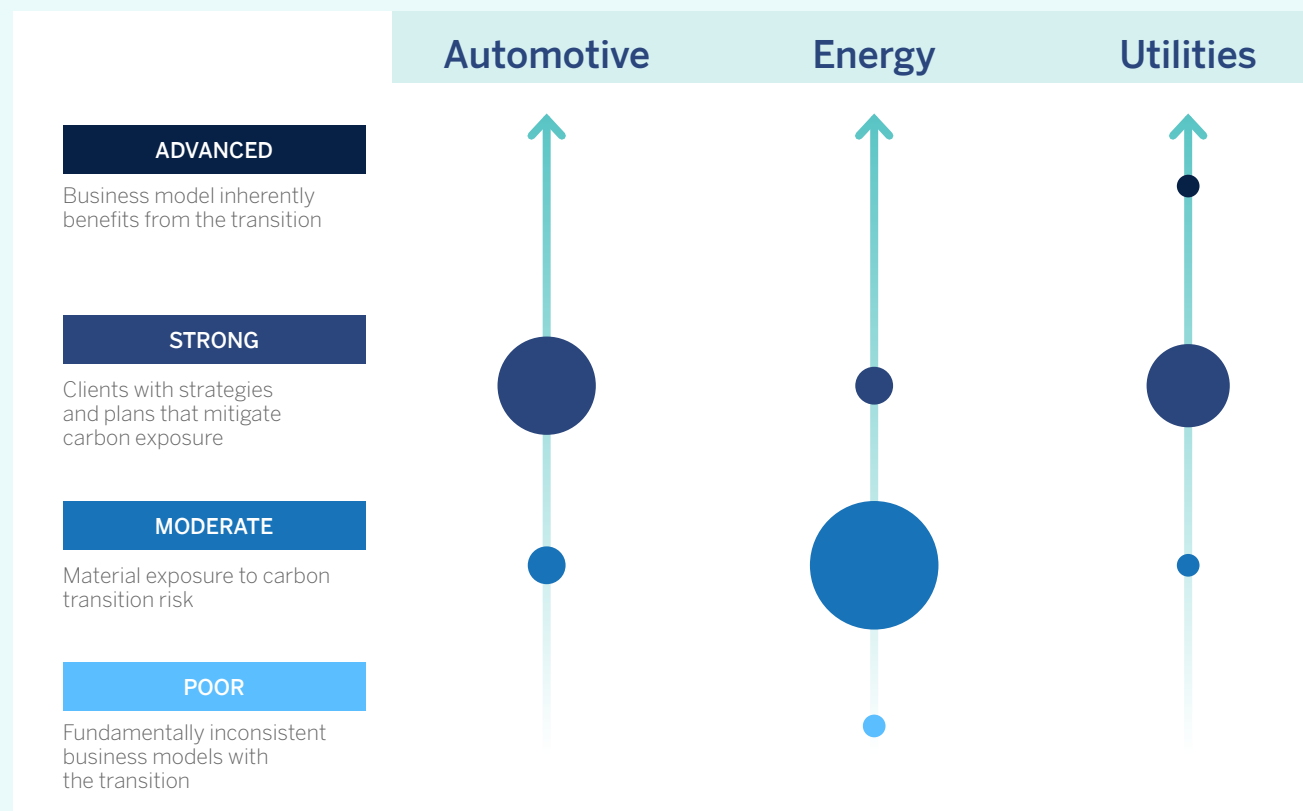
Together with the integration into the industry frameworks, the systematic integration of sustainability factors into the customer analysis processes for credit origination purposes began in 2021, thus allowing their incorporation in decision making. BBVA has aligned the loan policies to origination and monitoring guidelines issued by the European Banking Authorities. It assesses customers' ESG and climate risks, with particular attention to the sectors classified as sensitive, called sectors with high transition risk.

This analysis is carried out based on an ESG questionnaire which reveals the climate change strategies, governance strategies and climate change risks and opportunities, decarbonization metrics and targets, and progress made in the management of other material ESG aspects for the customers' sector of activity. This questionnaire allows us to generate a transition scorecard for customers in any sector.

Moreover, for sectors classified as of high transition risk, an advanced scorecard has been developed to incorporate transition risk dimensions in the customer's profile. The scorecard assesses the current low-carbon profile; its transition risk in the geographical areas where it operates (and the measures taken to mitigate its exposure to long-term transition risk); its level of reporting on climate management, and the integration of results into the Paris Agreement commitments.

The result of the scorecard is a valuable tool to enhance commitment to customers by identifying their strengths and weaknesses and allows specific products to be defined to help them in the transition to low-carbon business models.

The following chart shows the results of the scorecard of the main customers in BBVA's automobile, oil and gas as well as utilities portfolio.



The size of the circles is proportional to the number of customers.

In 2022, work was done to integrate these tools and measure the transition risk of customers and portfolios (in the rules, policies and procedures for managing habitual risks).

In the retail area the transition risk analysis was focused on the Mortgage, Auto Loan and SME portfolios. In all of them, one of the main aspects that determines the transition risk are carbon emissions associated with each of them. These emissions are associated with the use of fossil fuels or electricity, or dependence on them for the correct operation of the asset or customer. The PCAF financed emissions are thus used as a level to identify the customers or assets most sensitive to changes in regulation, fuel prices or depreciation of certain types of “unsustainable” assets. In turn, to mitigate risk, BBVA also acts as a financing facilitator to address the investments required for climate change mitigation and adaptation to climate change with more sustainable forms of life and products.

In the case of mortgages, significant progress has been made to define the sustainable criteria for classification when a mortgage collateral is considered sustainable according to its efficiency in the use of energy or water resources. These criteria determine the customer’s option to choose a sustainable product which, in general, includes discounts. Thus in 2021 the necessary mechanisms have been implemented to promote the acquisition of sustainable housing, thus increasing BBVA’s ratio of sustainable finance. Moreover, it is worth noting that for transition risk and the estimation

of emissions, detailed information is needed on the characteristics of mortgage collateral (size, efficiency, location, etc.). In 2021, in geographical areas such as Spain (the most important geography in the portfolio by volume of exposure), these data were captured for the first time with an extensive coverage. In 2022 work will continue to improve the availability of data in the rest of the geographical areas.

In the case of vehicle loans, as well as the type of fuel, mechanisms are being implemented to have information available associated with average emissions of each vehicle based on its make, model and version. As in the case of mortgages, finance with sustainable products is promoted when they comply with sustainability criteria, which define the maximum emissions for each geographic area under the Worldwide Harmonized Light Vehicles Test Procedure (WLTP), a protocol for the approval of vehicles within the European Union).

Classification and measurement of physical risk

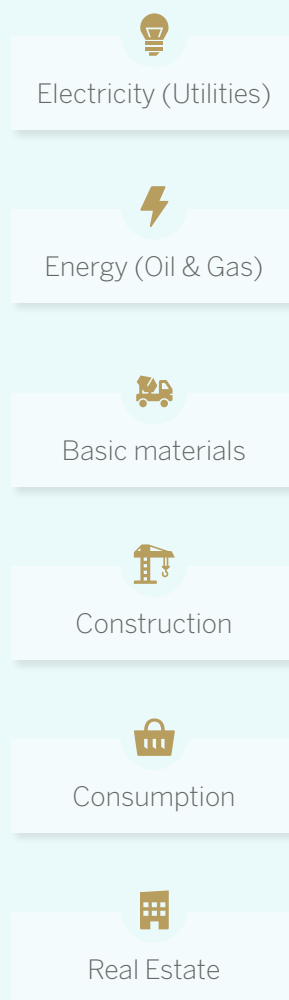
Physical risk is associated with the location of customer assets and activity. It may be materialized in credit risk by different channels of transmission, impacting multiple forms such as customer purchasing power, business productivity, market demand and asset value. In 2021, BBVA’s learning curve increased exponentially in this field and its level of maturity and knowledge of the different methodologies to evaluate the physical risk made considerable progress. The most relevant initiatives to highlight are the construction of sector vulnerability heat maps, the assessment of sources of climate data and market suppliers and the physical risk exercises carried out with a variety of suppliers to calculate a marker with both end-to-end solutions and with geospatial technology suppliers. This work will continue very active in 2022.

With respect to sector vulnerability, a physical risk vulnerability heat map has been developed for Wholesale and Investment Banking and SMEs, following the best practices identified by the Taskforce on Climate-Related Financial Disclosure (TCFD) and the United Nations Environment Program Finance Initiative (UNEP FI). The heat map is the basis for generating a qualitative classification of the portfolios in accordance with their potential exposure to climate risks. It also allows the identification of sectors whose business model and activity may be impacted by chronic or acute changes in the climate.

The heat map indicates the potential exposure, according to eight vulnerability indicators at the subsector level which allows the identification of vulnerability at the different stages of the value chain:

- **SUPPLY CHAIN:** dependence on natural resources and sensitivity of the supply chain to climate changes
- **LOGISTICS:** dependence on transport routes.
- **OWN OPERATIONS:** vulnerability of assets and processes, dependence of the labor force and vulnerability of its productivity, dependence on energy supply and impact of physical risks in the social and environmental performance of the asset.
- **SALES:** sensitivity of sales to physical climate change.

As a result, the sectors identified with the greatest vulnerability to physical risks, have been:



In addition, as part of the work group of UNEP-FI, BBVA carried out an exercise to assess the physical risk score with a sample of the mortgage portfolio, based on the location of the collateral. For this, physical risk was analyzed for a variety of climate hazards estimated for the year 2040 with a scenario of a greenhouse gas concentration of RCP 8.5 (hot house IPCC scenario). The results obtained show that in the case of Spain the most significant hazards are water stress, wildfires and heat stress. These hazards are related to the increase in temperature and reduction in average precipitation. The risks of flooding are limited and focused on the coast and river banks. In the case of Mexico, the most significant risks are the same as for Spain, with the added risk of hurricanes, which are extremely significant in the far east and west of the country. In South America, the risks associated with water stress, heat and wildfire are relevant, but also worth noting is the greater risk of flooding due to the local geography and changes in expected precipitation patterns.

The progress made in 2021 has allowed a definition of an action plan whose objective is to measure the exposure of wholesale and retail portfolios to the different climate hazards and begin to integrate risks into the risk policies and processes.

A woman with long brown hair, wearing a white shirt with small red polka dots and a black tie, is sitting in a blue office chair. She is smiling and talking on a black smartphone held to her right ear. In front of her is a silver laptop, which she is looking at with her left hand. The background is a bright, out-of-focus office space with large green plants and a window letting in natural light.

SECTION 04

METRICS AND GOALS

Sustainable finance

As aforementioned, regarding finance, in 2021 BBVA increased its Pledge 2025, doubling its initial target of channelling sustainable finance to 200 billion euros through 2025. From 2018 to 2021, BBVA earmarked a total of €85,817m in sustainable activities, distributed as follows:

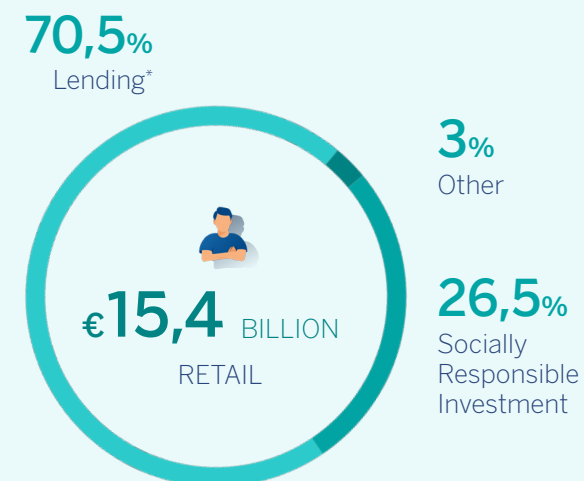
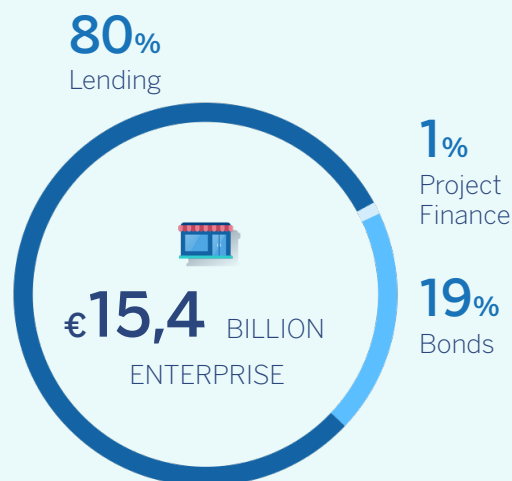
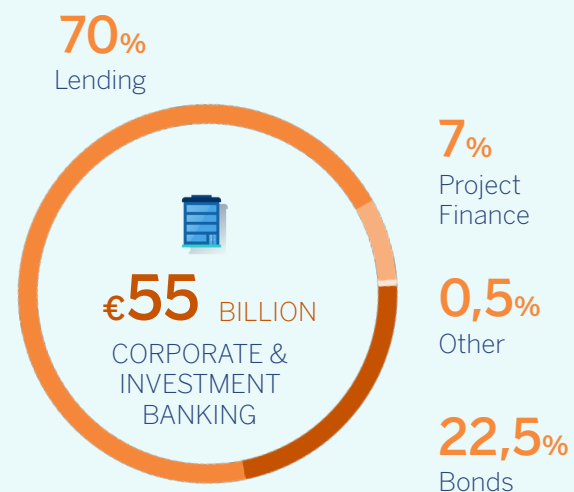
CATEGORY BREAKDOWN



CLIENT BREAKDOWN



PRODUCT BREAKDOWN



* Includes €8.5 Bn of financial inclusion financing. €4.8 Bn from the BBVA Microfinance Foundation

In 2021 the Group has also strengthened its community involvement to support sustainable and sustainable and inclusive growth in countries where it operates, for which €550m will be allocated directly and through its support to foundations between 2021 and 2025. For more information about the community involvement, see the section “Community Commitment” in the chapter “Our stakeholders” in the BBVA Group Management Report 2021.

Likewise, and as indicated in the section “Alignment of the loan portfolio with the Paris Agreement” of this report, in 2021, BBVA has published intermediate decarbonization objectives to 2030 for the electricity generation, automobile, Steel and cement and a commitment to eliminate its exposure to coal clients in 2030 for developed countries and in 2040 globally, through dialogue with such clients and active monitoring of their portfolio.

Among the solutions promoted by BBVA focused on identifying opportunities arising from climate change and sustainable and inclusive growth, as well as creating value propositions and offering advice to individual and corporate customers that can be highlighted are:

Sustainable solutions for wholesale (corporate and institutional) customers as well as businesses

Sustainable corporate lending

In 2021, in the sphere of sustainable corporate lending, the Bank mobilized globally a total of €10,044m in financed linked to the achievement of certain environmental and social indicators (KPI-linked) and linked to the customer’s ESG rating (ESG-linked), both bilaterally and as a syndicate, among which are pioneering operations in the food sector, such as operations with Bimbo, Medina, Fini, RBL, among others. In Spain, BBVA has been a pioneer in incorporating mechanisms for the donation of part of the profit margin to sustainable or charity projects and BBVA remains one of the leading entities in the market in sustainable finance, having been lead sustainable coordinator for the fifth year in a row in significant deals such as Iberdrola, Atresmedia, Werfen, Metrovacesa, Roca Sanitarios y Elecnor, among others.

Outside Spain, BBVA has spearheaded several landmark operations, including a number of the main syndicated finance deals in Germany (Lafarge Holcim), the UK (Wood Group), Belgium (Cofinimmo), Mexico (Coppel, Bimbo, Terrafina, Excellence, Fibra Hoteles, Corporación EG, FINSA, Grupo Alfar, Greenpaper), Peru (Cerro Prieto), Colombia (Aviatur) or Asia (Cofco). BBVA continues to work with its customers to develop new and demanding formats to link its long-term commitment to sustainability and to the objectives set by the European taxonomy and the Paris Agreement respectively.

2021 APRIL

USD 1,250,000,000

Syndicated Sustainable
ESG-linked Facilities



Sustainability Agent
BBVA GRESB

2021 MAY

MXN 45,000,000,000

Syndicated Sustainable
KPI-linked Facilities



Sustainability Coordinator
BBVA vigeciris

2021 AUGUST

EUR 3,000,000,000

Syndicated Sustainable
KPI-linked RCF



Sustainability & Global
Coordinator, Bookrunner & MLA Agent
BBVA

2021 SEPTEMBER

USD 700,000,000

Syndicated Sustainable
KPI-linked TL



Sustainability & Sole Global
Coordinator, Bookrunner & MLA Agent
BBVA SUSTAINALYTICS

Financing of sustainable projects

Furthermore, BBVA remained extremely active in the financing of sustainable projects throughout 2021, participating in the mobilization of €1,274 millions (BBVA participation) of sustainable finance in the following main areas:



Renewable projects

BBVA has consolidated its position as one of the **WORLD LEADING** banks in this type of project, having closed operations among which financing for the first large-scale offshore wind farm in the United States is found, which shows BBVA's support for leading companies in the implementation of new **SUSTAINABLE TECHNOLOGIES** in this case in a strategic market such as the American one, which has a large infrastructure plan for the implementation of renewable energy generation.



Projects of self-generation and energy efficiency

At BBVA, financing products have been created for customers so that they **REDUCE THEIR ELECTRICITY BILLS** while protecting the environment. In Spain and Portugal the focus has been on the deployment of solutions to improve **ENERGY EFFICIENCY**. For this, agreements have been developed with the main energy service companies, being able to offer our clients a comprehensive range of services.



Social projects

BBVA has followed its activity in the **HEALTH SECTOR** and has also been particularly active in financing **TELECOMMUNICATIONS** projects, given their importance from a social point of view as facilitators of access to new technologies, digitization and contribution to economic development. BBVA has participated as a leading bank in the financing of **OPERATIONS** in this sector, focused on the field of health and the deployment of fiber optic networks.



Sustainable mobility

With the aim of promoting more sustainable mobility, a **PORTFOLIO OF PRODUCTS** has been developed for the purchase and lease of more **ECO-EFFICIENT** vehicles and fleets.



Finance of sustainable agriculture

A **SPECIFIC VALUE OFFER** has been created for the agricultural sector in Mexico and Latin America, allowing us to accompany our clients in the agro-export sector, in their **TRANSITION TO MORE EFFICIENT METHODS** of production and consumption of resources, to promote more sustainable food value chains.



Sustainable infrastructures

Sustainable infrastructure projects where BBVA is a pioneer both in operations linked to **SUSTAINABLE TRANSPORT**, and in **BUILDINGS** that reduce environmental impact and that have international certifications such as **LEED, BREAM AND EDGE**. In Mexico, an important campaign and sustainable proposal has been carried out for the hotel and tourism sector, leveraging the strength that BBVA has in this sector. In Colombia, the financing of the Bogotá electric metro stands out.

Throughout 2021, BBVA has been very active in the issuance of green, social and sustainable bonds, and bonds linked to environmental indicators for customers in the United States, Mexico, South America, Asia and Europe, including Spain, with BBVA's total intermediated volume being €6,683 millions. In 2021 European customers were very active. BBVA continues to support the development of the green bond market in Mexico, Colombia, Argentina and Asia, as lead arrangers of the inaugural issuance of bonds in many of these regions.

During 2021, European clients have been very active and BBVA has been able to advise, participate and place as Bookrunner in issues of green, social, sustainable bonds and bonds linked to environmental indicators ("Sustainability-Linked Bonds" or "SLB"). Of all these issues, those that have been inaugural in the corporate sector stand out in different sectors such as Telecom Italia, ACEA or A2A or the electricity company RWE, the inaugural social

bond of EDF or Virgin Media. In Spain during this 2021 it is worth highlighting the debut in the green bond market of Acciona Energía, Vía Célere and Aedas or Repsol's issuance of its first Sustainability-Linked Bond, which undoubtedly caught the attention of European institutional investors. In addition, for public and financial sector issuers, BBVA has led important issues of green, social and sustainable bonds such as the inaugural green bond of the Kingdom of Spain, the inaugural sustainable bond of the Junta de Andalucía and the inaugural green bonds of Abanca, of Kutxabank and Unicredit. In the US, BBVA has observed how new issuers are encouraged to participate in the ESG bond market, as in the case of Colgate-Palmolive. Also noteworthy are recurring issuers that continue to support this market with operations such as those of Iberdrola, Enel, EDP, EnBW, Engie, ADIF AV, Telefónica, REE, BA Glass, Avangrid, CAFFIL, Intesa Sanpaolo, the Basque Government or the Community of Madrid.

In addition, BBVA continues to support the development of the green bond market in other geographies such as Mexico (leading the inaugural bonds of Arca Bebidas, Vesta, Nemak, Betterware de México, KOF, Volaris, and GAP and other recurring issuers such as the Special Fund for Agricultural Financing (FEFA), Banobrás or Fibra Prologis), Colombia (Inaugural social issue of Bancamía and inaugural green bond of the Government of Colombia), Argentina (Genneia and Luz de Tres Picos) or Asia (Inaugural green issue of Hutchinson). In addition, in the transactional area, BBVA has signed operations for an amount of 4,958 million euros, using its sustainable transactional banking framework (see the section **Transactional framework for sustainable products** on page 63), in addition to also adding related-party transactions to sustainability to its sustainable product offering. The market for financial products linked to sustainability is relatively new and growing rapidly, allowing companies and sectors looking for ways to start or expand their sustainable journey, access to sustainable finance. Products linked to sustainability are intended to facilitate and support economic activity and growth in the environmental and social spheres. This new angle allows BBVA to actively support its customers in the transformation towards more sustainable business models, such as the support provided to Enel by signing a guarantee linked to sustainable indicators (KPI-linked) or to Alstom, with whom we signed a green guarantee, which will help companies promote their sustainable strategies.

2021 SPAIN**€ 200,000,000**

Sancho - Onshore Wind Portfolio Refinancing

UW, Mandated Lead Arranger,
Bookrunner & Hedge Provider**2021 USA****€ 2,448,077,760**

Vineyard Offshore Wind Farm (800MW)

Joint Lead Arranger, Syndication
Agent and Senior Lender**2021 SPAIN****€ 320,000,000**

Acquisition Finance Data Centers

Underwriter, Bookrunner, Agent
Bank, MLA and ESG Coordinator**2021 SPAIN****€ 128,900,000**

Real State Finance Victoria Hotels & Resorts

Sole-Bookrunner, MLA
Sustainability Coordinator,
Hedging Bank & Agent**FEBRUARY 2021****€ 2,000,000,000**

PNC6 & PNC9 - Green Hybrid

Structuring Bank, Global
Coordinator & Bookrunner**MARCH 2021****£ 500,000,000**

7 & 15 years - Green Bond



Structuring Bank & Bookrunner

**SEPTEMBER 2021****€ 5,000,000,000**

20 years - Green Bond

Co-Structuring Bank
& Bookrunner**NOVEMBER 2021****€ 500,000,000**

8 years - Sustainability Bond

Co-Structuring Bank
& Bookrunner



KPI - Linked Guarantee Facility

1,35Bn - ITALY

BBVA closed a 1,35Bn KPI-Linked Guarantee Facility with Italian utility, ENEL. This deal is fully aligned with the sustainable financing strategy that Enel has been following over the last two years. The energy company has been a pioneer in the issuance of bonds and financing linked to sustainability in Europe and the United States, and has also been the first company to formalize a currency derivatives agreement linked to sustainability. Specifically, the facility margin is linked to the performance of an environmental indicator: the percentage of renewable production capacity.



Green Guarantee Facility

400Mn - FRANCE

BBVA closed a 400Mn Green Guarantee Facility with Alstom. This deal is a milestone for both companies, as it is Alstom's first green guarantee line and the first of its kind that BBVA has formalized with a client in France. Proceeds from this first green guarantee line will be used for rail infrastructure and public transport systems that contribute to reducing road traffic; development, operation and upgrading of rail infrastructure for freight transport; renewal or replacement of vehicle, train or ship fleets with technologies that include electricity or hydrogen; and manufacturing of components related to the above categories. With this facility, Alstom contributes to the United Nations Sustainable Development Goals (SDGs) 9 (Industry, Innovation and Infrastructure) and 11 (Sustainable Cities and Communities).

ESG Advisory

To complete the sustainable offer, in 2020 the ESG Advisory service was created to help global customers in their transition to a sustainable future, with advice based on data and geared to facilitating commitments that customers are assuming, each from a different starting point, to align with the Paris Agreement and make progress in the UN Sustainable Agenda 2030. BBVA offers value-added information on regulation, best practices and the challenges and opportunities to sectors faced by the path to sustainability.

Moreover, BBVA promotes an overview of the whole range of sustainable products and services that can be offered from the Corporate & Investment Banking area, both in terms of debt and equity. This service has a global scope and is open to all sectors of activity.

The ESG Advisory model for smaller companies is complemented by external capabilities with which BBVA builds its commercial service model. In this sense, strategic alliances are being developed, key to generating an ecosystem to support the sustainable transition of companies. Among them, it can be highlighted:

- **THE DEVELOPMENT OF SUSTAINABLE BUSINESS IN COMPANIES IN SPAIN**, focused in the promotion of sustainable mobility, energy efficiency and renewables, has made it possible to close agreements with Faconauto for the distribution of electric cars and with Anese to promote energy saving projects. On the other hand, the search for the multiplying effect of banking on subsidy programs has facilitated the closing of an agreement with Minsait so that we make the use of subsidies available to BBVA customers.
- **THE BOOST OF SOLAR SELF-CONSUMPTION IN ALL COUNTRIES**, it has allowed building alliances and agreements with solar panel installation companies. In Colombia, for example, agreements have been closed with Greendipity, Clarsen, Energytel and in Mexico with Energyza or Powen.
- Among the agreements with multilateral organizations and development banks, the **AGREEMENT WITH INTERNATIONAL FINANCE CORPORATION** (hereinafter, IFC) should be highlighted where there is a commitment to mobilize more than 115 million euros in the landlord in Mexico. At this time, the agreement is geographically limited to Mexico, Peru and Colombia.

Sustainable solutions for retail customers

BBVA wants to support its retail customers adopt more sustainable habits that help reduce their CO₂ emissions and wants to do so proactively, through the use of data-based tools and solutions that help control their consumption and emissions. To this end, it is working on making a wide range of investment and finance products available to customers to help them in this transition, adapting to the situation in each of the geographies in which the Group operates.


In 2021,

BBVA originated a total amount up to

€6.471 millions

 €4,250  €56  €121

 €548  €19

 €350  €13

BBVA Microfinance Foundation

 €1,114

Amounts in millions of euros

The sustainable solutions offering in the different countries aims to support energy efficiency and the decarbonization of the economy with products such as financing lines for the acquisition of hybrid and electric vehicles, green mortgages for sustainable housing, or loans for improving the efficiency of homes. In 2021, BBVA achieved its commitment in

Spain of offering a sustainable alternative to all its products in this segment.

Also in Spain, in 2021 BBVA became the first entity to use data analytics to calculate the carbon footprint of all its individual customers, obtaining an approximate estimate of CO₂ emissions into the atmosphere, based on gas and light bills and payments for fuel.

Also, a line of sustainable and inclusive growth is being boosted in the retail segment, mobilizing funds to the investment needed to build inclusive infrastructures and support inclusive economic development. Within this line, the products targeted at individuals are credit (cards, loans and mortgages), which comply with the income and/or vulnerability thresholds established for each country. Worth noting is the social mortgage, which is targeted at the segments of the population with the lowest purchasing power, and which subsidizes part of the total amount of the mortgage.

In this way, BBVA has the loan for ecological vehicles launched in 2019 and the "Hipoteca Casa Eficiente" ("Efficient Home Mortgage"), launched in 2020, which is aimed at individuals who purchase a home with maximum energy efficiency. These two products have been joined in 2021 by the "Préstamo Eficiencia Energética" ("Energy Efficiency Loan") which aims to finance works and improvements in the customer's home as long as they reduce their environmental impact and allow energy savings.

SPAIN



Regarding to investment, BBVA in Spain has a range of sustainable investment products. Specifically, three investment funds with ESG criteria:

- BBVA Bolsa Desarrollo Sostenible ISR, FI (Equity investments),
- BBVA Sostenible Bonos ISR, FI (Debt investments),
- BBVA Futuro Sostenible ISR, FI (Mixed Debt investments);

and a pension plan that also incorporates sustainability criteria:

- BBVA Plan Sostenible Moderado ISR, PPI.

Regarding SMEs, BBVA has an Ecological Car Loan in Spain for small and medium-sized companies and self-employed workers, allowing them to purchase electric or hybrid cars for the development of their professional activity. In addition, it has loans for farmers and ranchers who seek to convert conventional agricultural or livestock operations into organic ones. Lastly, and with the aim of making companies more energy efficient, BBVA has recently signed two collaboration agreements with the Association of Energy Services Companies (Anese) and with Ateinsa to offer customers a comprehensive advisory service with the best market collaborators and financing for their environmental projects.

TURKEY



In other geographies, BBVA's offer in Turkey stands out, which has green mortgages and loan lines for electric and hybrid vehicles on the financing side.

Within the framework of investment products, in January 2021 BBVA in Turkey launched three investment funds with a sustainable theme:

- ESG Fund,
- Sustainability Stock Fund,
- Clean Energy Fund.

In addition, throughout 2021 the BBVA team in Turkey has developed a technological process by virtue of which customers access, through the App, financing for equipment that promotes energy efficiency such as solar panels or thermal enclosure, when these are acquired in the establishments of distributors with whom BBVA in Turkey has entered into agreements.

PERU



In Peru, BBVA has increased its mortgage base since, in addition to offering the "My Green Home" product, a mortgage loan with a State subsidy granted for the purchase of a house certified as a green project that includes sustainability criteria in its design and construction it has launched a new green mortgage in collaboration with the IFC, aimed at a segment of the population with greater economic resources. In addition, the first loans for the financing of electric vehicles have been granted through a differentiated offer in Consumer Finance.

MEXICO



In Mexico, the launch of BBVAESG stands out, the first investment fund with sustainability criteria, whose strategy incorporates sustainable investment criteria in the selection of assets, so that it seeks to invest in companies with a high environmental, social and corporate governance rating, avoiding exposure to industries involved on controversial issues, sectors that are intrinsically harmful to society and seeking to reduce the carbon footprint.

BBVA in Mexico has a credit for hybrid and electric vehicles with special conditions. In addition, the financing line continues to be promoted to improve the energy efficiency of homes for individuals, as well as for SMEs. The financing of solar panels under agreements with the main manufacturers of panels in the country stands out here.

ARGENTINA



In Argentina, consumer loans aimed at improving the energy efficiency of homes stand out. In addition, BBVA in Argentina promotes sustainable mobility through the financing of hybrid vehicles, bicycles, electric bicycles and electric scooters. Added to this is the relevance of financing machinery and efficient irrigation systems in the agribusiness sector, once BBVA approved the agro standard.

In 2021, BBVA in Argentina has entered into agreements with the dealers of the main brands that offer hybrid vehicles in the country, as well as with Frávega, one of the main distributors of both electrical appliances and electric bicycles and scooters.

COLOMBIA



Finally, in Colombia there are lines of financing for hybrid and electric vehicles and a green mortgage for houses that are certified as sustainable, in both cases with preferential rates. In addition to insurance associated with mobility and sustainable housing, BBVA's product catalog in Colombia has been expanded to finance agricultural machinery and medical equipment for SMEs, while promoting the financing of energy-efficient equipment for the home, such as solar panels.

CIRCULAR ECONOMY



As far as the circular economy is concerned, BBVA is committed to all its cards being made from recycled material. The Aqua card has been launched for Spain in its credit, debit and prepaid modes. BBVA's Aqua card is a sustainable card, since 85.5% recycled PVC (polyvinyl chloride) plastic is used in its composition materials, thus reducing the amount of new natural resources that have to be exploited to proceed to its manufacture.

Along these lines, BBVA in Argentina also offers sustainable cards with 85.5% recycled PVC plastic for customers who renew a Visa International and Visa Gold credit card, with the idea of extending sustainability to all credit cards and BBVA debit.

In addition to all this mobilization focused on supporting energy efficiency and the decarbonisation of the economy, the line of growth is being promoted from retail inclusive by mobilizing resources towards the investment needed to build infrastructure and support inclusive economic development in line with SDG 8 (decent work and economic growth) and SDG 9 (industry, innovation and infrastructure).

Within this line, the products intended for individuals are loans (cards, loans and mortgages) to people who meet the income and/or vulnerability thresholds established in BBVA's social taxonomy for each country. The social mortgage stands out, which is the one that is aimed segments of the population with less purchasing power and in which the state subsidizes part of the total amount of the mortgage.

Specifically, this section includes "Techo propio" (the "Own Roof") product that BBVA has launched in Peru, and the mortgage constituted on social interest housing that BBVA has in Colombia

BBVA also supports entrepreneurs by granting loans to individuals or legal entities that have started an economic activity within a period of 3.5 years and grants financing to micro-enterprises, provided that they meet the billing thresholds established in BBVA's social taxonomy for each country. In this segment, the program for financing women entrepreneurs that BBVA has in Turkey is relevant, so that women who have small and medium-sized companies can access loans under preferential conditions.

Sustainable investment solutions

In 2021, BBVA Asset Management (BBVA AM), the Group's investment management unit that brings together all its asset management activities around the world, has made significant progress integrating sustainability, above all in the following aspects:

- **INCORPORATION OF THE ESG CRITERIA**, in the process of investment and risk control decision-making for vehicles and portfolios they manage, both in the investment process and voting policy, through the following pillars of action:

Incorporation of the ESG criteria in the process of investment, carried out through the development of a proprietary model that integrates extra-financial criteria in management. To this end, BBVA AM has developed an internal ESG measurement rating for all the instruments in its portfolio, whether they are government debt issues, company debt or shares, as well as investment funds. Instruments with the worst rating are not investment grade. This model is already applied to all vehicles and portfolios managed in Europe.

Engagement and voting policy: A voting policy has been developed with the support of an external advisor, in such a way that it incorporates the best practices in the industry and BBVA's beliefs on how to promote the sustainable creation of long-term value of the companies. The scope of the voting policy has been expanded this year, so that votes are held at the meetings of the companies in Europe and the USA that are in the portfolios of the vehicles that are managed in Spain, Portugal and Luxembourg. Also for vehicles managed from Mexico, a voting policy has been established in the local companies present in the portfolios. In 2021, BBVA AM exercised its political rights by attending 250 general shareholders' meetings (of Spanish companies and foreign companies in Europe and the United States whose securities are in the portfolios of the different investment vehicles managed by BBVA AM). BBVA AM will use the dialogue with the companies in which it invests to encourage them to incorporate the sustainability issues that are considered most relevant into their strategic plans.



- **COMMITMENT TO BEST SUSTAINABLE INVESTMENT PRACTICES** which, in 2021, has consisted in adherence to the Responsible Investment Principles promoted by the United Nations, the Net Zero Asset Managers Commitment, to arrive in 2050 with net zero emission portfolios and the participation in other collective initiatives involving companies and governments.

ACT-Accelerator (WHO): Initiative of institutional investors to ask governments and pharmaceutical companies to develop actions that allow access to COVID vaccines to emerging countries.

Initiative promoted by Investor Agenda to which global institutional investors have joined to ask governments for action against the climate crisis.

- **EXCLUSION POLICIES.** The exclusion policy affects companies which belong to sectors that are considered intrinsically harmful to society. For its application, BBVA uses exclusion lists of companies and countries, drawn up and updated periodically, with the help of an independent expert advisor. These lists include companies and countries related to defense material (military, police and security armaments, ammunition, explosives, etc.). Also excluded are investments in companies that severely infringe the principles of the United Nations Global Compact.

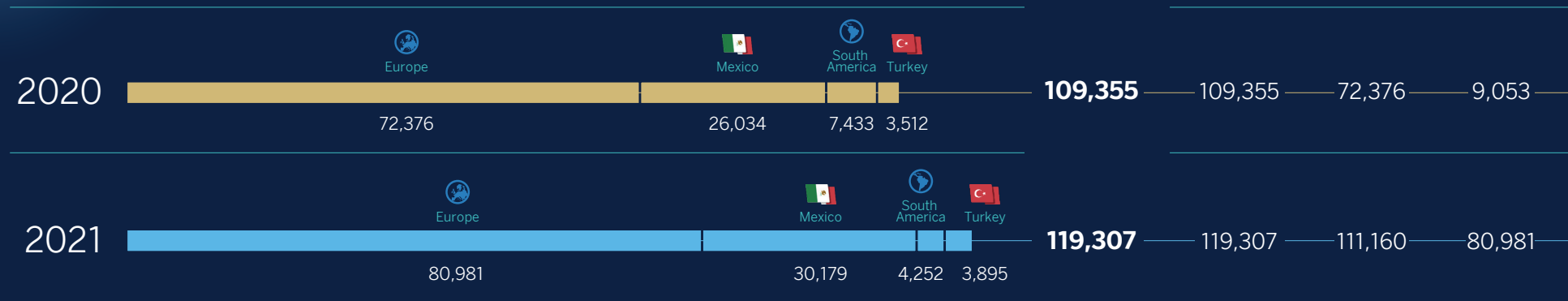
Sustainable investment solutions offering

In 2021, the offer of sustainable products has been extended, meaning products which incorporate sustainable targets or metrics in their investment policy; with a total of 4 new mutual funds (2 in Spain, 1 in Mexico and 1 in Peru) and 7 pension plans (6 in Spain and 1 in Portugal). The assets under management in sustainable solutions at the close of 2021 was €5,598m and net new assets amounted to €1,559 millions.

For more information on how the group integrates ESG aspects in its customer relations, see the section "Integration of ESG aspects in the relationship with clients" in the chapter "Additional information" in the BBVA Group Management Report 2021.

Assets under management with SRI criteria

BBVA Asset Management. Millions of euros



* The exclusion strategy applies to 100% of the assets under management.

** The vote strategy applies to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European geographical area.

*** The integration strategy is applied in SRI pension plans and mutual funds of the Europe business.

Management of direct and indirect impacts

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly, and most importantly, through its lending activity and the projects it finances.

Management of direct environmental impacts

The global strategy of the reduction of direct impacts is organized around four core elements: reduction in consumption through the energy efficiency initiatives; use of renewable energy; awareness and involvement of employees and other stakeholders in the path toward a low-carbon economy; and offsetting its carbon footprint through the purchase of credits of projects of the Voluntary Carbon Market to comply with the commitment acquired in 2020 to be a carbon-neutral company.





This commitment embodies in BBVA's climate change strategy (the Pledge 2025), whose objectives are, first, a reduction of 68% of Scope 1 and 2 CO₂ emissions with respect to 2015, and a consumption of 70% of renewable energy by 2025, and 100% by 2030. In line with the latter objective, BBVA has since 2018 adhered to the RE100 initiative, through which the most influential companies in the world have agreed that their energy would be 100% renewable by 2050.

New Global Eco-Efficiency Plan

BBVA has also established other ambitious objectives in its climate strategy. They are included in the Global Eco-Efficiency Plan, in force from 2008, and which was renewed in 2021 for the period 2021-2025⁴.

The New Global Eco-Efficiency Plan sets direct targets for year-on-year impact reduction and the achievement of the Pledge 2025:

TABLE 07. Global Ecoefficiency plan goals 2021-2025

Vector	Indicators	Global target*	Pledge target**
 Consumption	Renewable electricity (%)	77 %	70 %
	Electricity consumption per employee (MWh/FTE)	(10) %	
	Energy consumption per employee (MWh/FTE)	(7) %	
	Water consumption per employee (m3/FTE)	(11) %	
	Paper consumption per employee (kg/FTE)	(11) %	
 Circular economy	Net waste per employee (t/FTE)	(4) %	
 Carbon footprint	Scope 1&2 carbon emissions (tCO ₂ e)	(67) %	(68) %
 Sustainable building	Environmentally certified area (%)	45 %	

* Base year 2019

** Base year 2015

4. To establish the PGE 2021-2025 targets the base year 2019 has been used, as consumption in 2020 was skewed by the effect of the pandemic.

This plan is based on four lines of action:

1. CONSUMPTION



With the aim of reducing BBVA's environmental footprint, the following lines of actions will be implemented:

- **ELECTRICITY CONSUMPTION:** BBVA's strategy is focused on the use of renewable energy, given that it is the most important level for contributing to the decarbonization of the energy markets where the Group operates. The goal is to increase steadily its weight to comply with the Pledge 2025. The strategy for this consists of reaching Power Purchase Agreements (PPAs), such as those already in place in Mexico, Spain and Argentina, as well as the acquisition of renewable energy certificates and Guarantees of Origin in Spain and Portugal, or international Renewable Energy Certificates (iRECs) in Mexico, Colombia, Peru and Turkey. There will also be a commitment to self-generation of renewable energy by the installation of solar photovoltaic and solar thermal panels in the Group's facilities, as is already happening in a number of subsidiaries in Turkey, Uruguay and Spain.

- **IMPLEMENTATION OF ENERGY SAVING MEASURES** (ESMs) for the operation of buildings, to control and reduce consumption.
- **INITIATIVES FOR THE REDUCTION OF WATER CONSUMPTION**, such as gray water recycling systems and rainwater recirculation for irrigation in the headquarters of Spain and Mexico, and the installation of waterless urinals in some of the buildings in Spain.
- Finally, there are measures for the digitalization and centralization of printing to **REDUCE THE CONSUMPTION OF PAPER**, 76% of which is also recycled or environmentally certified in most of the geographies.

2. CIRCULAR ECONOMY



Waste generation is becoming a serious problem at global level, so part of BBVA's contribution to sustainable development must consist in transitioning linear consumption practices to circular consumption. BBVA has been working for many years to reduce this impact through sustainable construction standards and the implementation of environmental management systems certified with ISO 14001. The aim is to reduce to a minimum the waste which is sent to landfills, so our facilities have clearly differentiated and clearly marked zones which allow us to carry out a correct segregation and recycling of waste. Moreover, under our action plan all these sustainable practices comply with zero waste management standards in some of the Group's geographic areas such as Turkey and Spain. Moreover, in Argentina the BBVA headquarters in Buenos Aires received the Green Seal of the city's government in 2021, certifying its responsible waste management.

3. CARBON FOOTPRINT



The reduction of the carbon footprint is one of the goals established within the Pledge 2025. BBVA's total emissions are composed of:

- **SCOPE 1 GREENHOUSE GAS EMISSIONS**, which include direct emissions from combustion facilities for own use, combustion of the fleet of vehicles and refrigerant gasses.
- **SCOPE 2 GREENHOUSE GAS EMISSIONS**, including indirect emissions related to electricity production, purchased and consumed by buildings and branches.
- **SCOPE 3 GREENHOUSE GAS EMISSIONS**, which include other indirect emissions. This scope for BBVA includes the emissions from business trips (plane or train), emissions by waste management and emissions due to the trips made by our employees to their place of work.

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated according to the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

Since 2020, BBVA has been a Carbon Neutral company by offsetting its residual emissions through the purchase of credits on the Voluntary Carbon Market. Moreover, in line with the recommendations of the Taskforce on Scaling Voluntary Carbon Markets, BBVA has established requirements for the selection of projects with which to offset its residual emissions. Among these requirements are the obligation for projects to be certified under the maximum quality standards such as the Verra Verified Carbon Standard (VCS) and the Gold Standard; and that preferably they should be projects for the absorption or capture of CO₂.

4. SUSTAINABLE CONSTRUCTION



Another of the objectives is to guarantee the implementation of the best environmental and energy standards in BBVA buildings to achieve a large percentage of environmentally certified area. In fact, the BBVA facilities hold a number of construction and management certification.

Among the construction certifications, there are 16 buildings and 1 Group branch with the prestigious LEED (Leadership in Energy and Environmental Design) for sustainable construction. These buildings include the Group's headquarters in Spain, Mexico, Argentina and Turkey. Three of them have also received the highest certification, the LEED Platinum.

With respect to management certifications, BBVA has implemented an Environmental Management System in many of its buildings, based on the ISO 14.001:2015 Standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. This system is implemented in 86 buildings and 1,034 branches in the main countries where the Group operates. Moreover, the headquarters in Turkey also has the WWF Green Office certification, which promotes the reduction in the carbon footprint and carbon emissions; and the Ciudad BBVA, the Bank's headquarters in Spain, has obtained the

AENOR “toward zero waste” seal as a prior stage to obtaining the “zero waste” certification of a standard which promotes the circular economy. Finally, three of our buildings in Spain also have an Energy Management System that has been certified by an independent third party and complies with the ISO 50.001:2018 standard.

TABLAE 08. Main indicators of the global Ecoefficiency plan^I

	Target 2021-2025 (%)	2021	Δ 21-19	Δ 21-20	2020
Renewable electricity	77 %	79 %			71 %
Electricity consumption per employee (MWh/FTE)	(10) %	5.76	(14) %	(4.4) %	6.02
Energy consumption per employee (MWh/FTE)	(7) %	6.46	(14) %	(3) %	6.65
Water consumption per employee (m3/FTE)	(11) %	17.9	(5) %	—	17.98
Paper consumption per employee (kg/FTE)	(11) %	33.8	(32) %	4 %	32.65
Net waste per employee (t/FTE) ^{II}	(4) %	0.02	(52) %	(10) %	0.02
Scope 1&2 carbon emissions (tCO ₂ e) ^{III}	(67) %	91,994.55	(54) %	14 %	80,390.37
Environmentally certified area ^{IV}	45 %	39 %			41 %

Note: These indicators are calculated on the basis of full time employees. The base year for the new Global Ecoefficiency Plan will be 2019 since 2020 has been a year that, due to the circumstances of the pandemic, could distort the evolution.

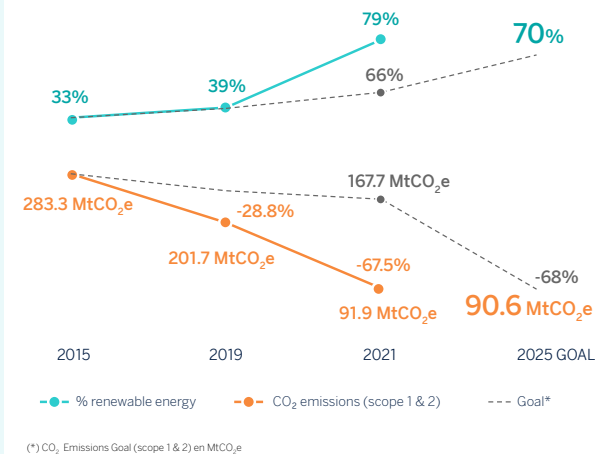
I. The data shown here includes the countries Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Some of the data for 2021 are estimates, as complete information for the year was not yet available at the close of the report.

II. Net waste is the total waste generated minus the waste that is recycled.

III. Includes scope 1 (fuels in installations and vehicle fleet and refrigerant gases), scope 2 market-based.

IV. Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office certifications.




Environmental performance in 2021



The Group's environmental footprint shows very positive data compared to the baseline year 2019⁵ with reductions of 54% in Scope 1 and 2 emissions (according to the market-based method), 14% in electricity consumption, 5% in water consumption and 32% in paper (all per person). The percentage of renewable energy consumption has reached 79%, and the environmentally certified area was 39%.

5. The base year of 2019 has been used because consumption in 2020 was skewed by the effect of the pandemic.

TABLE 09. Environmental footprint (BBVA Group)ⁱ

	2021	2020 ^{ix}
 CONSUMPTION	Total water consumption (cubic meters)	1,925,850
	Public water supply (cubic meters)	1,873,473
	Recycled water (cubic meters)	52,377
	Paper (tons)	3,636
	Energy (Megawatt hour) ⁱⁱ	695,140
	Energy from renewable sources (Megawatt hour)	491,542
	Energy from non renewable sources (Megawatt hour)	203,598
 CO₂ EMISSIONS	Scope 1 emissions (tons CO ₂ e) ⁱⁱⁱ	49,639
	Emissions from fuels in facilities (t CO ₂ e)	13,669
	Emissions from vehicle fleet fuels (t CO ₂ e)	8,509
	Emissions from refrigerant gases (t CO ₂ e)	27,461
	Scope 2 emissions (tons CO ₂ e) market-based method ^{iv}	42,355
	Scope 2 emissions (tons CO ₂ e) location-based method ^v	202,492
	Scope 1&2 emissions (tons CO ₂ e) market-based method	91,995
	Scope 1&2 emissions (tons CO ₂ e) location-based method	252,131
	Scope 3 emissions (t CO ₂ e) ^{vi}	9,432
	Emissions from waste management (t CO ₂ e)	1,034
	Emissions from business travel (t CO ₂ e)	3,073
	Emissions from employees commuting (t CO ₂ e)	5,325
 WASTE	Total CO ₂ e emissions (t CO ₂ e) market-based method	101,426
	Total CO ₂ e emissions (t CO ₂ e) location-based method	261,563
	Social cost of carbon (Scope 1&2) (€) ^{vii}	4,121,480
	Hazardous waste (tons)	120
	Recycled hazardous waste (tons)	59
	Disposed hazardous waste (tons)	61
	Non-hazardous waste (tons)	4,198
	Recycled non-hazardous waste (tons)	2,343
	Disposed non-hazardous waste (tons)	1,855
	Single-use plastics (tons) ^{viii}	27
	Donated IT equipment (units)	1,165

I. The data shown here include Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Some of the data for 2021 are estimates, as complete information for the year was not yet available at the close of the report.

II. Includes consumption of electricity and fossil fuels (diesel, natural gas and LP gas), except fuels consumed in vehicle fleets.

III. Emissions from direct energy consumption (fossil fuels) and calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The IPCC Fifth Assessment Report and the IEA have been used as sources for conversion to CO₂e. From 2021 onwards, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at our facilities have been included in this scope.

IV. Emissions from electricity consumption and calculated based on contractual data and, failing that, on the latest available IEA emission factors for each country.

V. Emissions from electricity consumption and calculated based on the energy mix of each geography. Emission factors are the latest available according to IEA for each country.

VI. From 2021 onwards, in addition to emissions from business travel by air, emissions from business travel by train, emissions from waste management and emissions from employee commuting have been included in this scope, using emission factors published by DEFRA in 2021. For our employees' commuting emissions, a survey has been sent to BBVA employees although only those from Central Services in Argentina, Colombia, Spain, Mexico, Peru, Portugal and Uruguay have been taken into account so that the data compares with those published in 2019.

VII. The impact of greenhouse gas emissions for 2021 is calculated only with Scope 1 and 2 emissions and using the CO₂ social cost factor according to a proportional estimate of the EPA's social cost of carbon for 2020 (\$51/tCO₂) and 2025 (\$56/tCO₂), (discount rate of 3%, with exchange rate 1.183 €/USD)

VIII. Masks purchased for our employees in Argentina, Colombia, Spain, Mexico and Peru have been taken into account, although these quantities do not form part of the data on non-hazardous waste disposed of as they have not always been deposited in our containers for disposal. Also the data provided on single-use plastics from catering suppliers in Spain and Mexico.

IX. 2020 data differ from those published in the previous annual report due to the exit of the USA from the perimeter.

Management of indirect environmental and social impacts

BBVA addresses environmental and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as the Environmental and Social Framework or the Equator Principles that have an environmental and social focus, and which are described below. Managing the impacts that customers generate on the environment is part of the Pledge 2025. To manage them, BBVA has implemented a number of initiatives and tools.

Environmental and social framework

In 2020, the Environmental and Social Framework for the due diligence in the field of mining, agribusiness, energy, infrastructure and defense was approved (Framework), which revised and integrated the previous Sector Norms (approved in 2018) and the Rules of Conduct in Defense (in force since 2012).

In line with the previous regulation, this Framework provides a decision-making guideline with regard to transactions and customers that operate in these five sectors (mining, agribusiness, energy, infrastructure and defense); as they are considered to have a bigger social and environmental impact.

The Framework is public and available on the BBVA shareholders and investors website.

To guarantee its effective implementation, BBVA receives advice from an independent external expert, with whose collaboration it carries out an enhanced due diligence on its customers and transactions, in order to mitigate the risks associated with these sectors and contribute to the compliance with the General Sustainability and Social Corporate Responsibility Policies.

For the Framework review, new market trends in this area, the expectations of stakeholders and the strengthening of the implementation procedures are taken into account.

The following were the highlights of the December 2020 review:

- Restriction to the applying of exceptions in the field of mining and energy for countries with high energy dependence only to projects under construction and existing customers;
- The reduction from 35% to 25% of the threshold applied to the exclusion of customers with high coal exposure, which applies both to the extractive activity and the energy generation;

- Extension of the prohibition related to bituminous sands;
- The incorporation of new prohibited activities such as deep-sea mining, arctic oil and gas transportation, as well as large dams that are not built under the World Commission on Dams (WDC) framework.

In the March 2021 review, BBVA highlighted the commitment to remove customer exposure to carbon by 2030 for developed countries and 2040 globally, by dialog with customers and active monitoring with their portfolios.

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA's commitment is to manage the financing of these projects to reduce and avoid negative impacts and in this way enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-based profitability. This implies meeting stakeholder expectations and the social demand for adaptation to climate change and respect for human rights.

In line with this commitment, since 2004 BBVA has adhered to the Equator Principles (EP), which include a series of standards for managing environmental and social risk in project financing. The EPs were developed on the basis of the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Guidelines on Environment, Health and Safety. These principles have set the benchmark for responsible finance.

The analysis of the projects consists of subjecting each operation to an environmental and social due diligence process, including potential impacts on human rights. The first step is the allocation of a category (A, B or C), which reflects the project's level of risk.

- Category A: projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented.
- Category B: Projects with potentially limited adverse social and environmental impacts that are few in number, generally site-specific, largely reversible and readily addressed through mitigation measures.
- Category C: Projects with minimal or no social or environmental impacts. Reviewing the documentation provided by the customer

and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Financing agreements include the customer's environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of operations, and is subject to regular checks by the Internal Audit area.

BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous peoples. When this circumstance occurs, the prior free and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is

presupposed, which guarantees the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

In 2020 the fourth version of the Principles has come into force. This update, after an extensive public consultation period, incorporates new and more demanding requirements in the review of projects in relation to human rights and climate change. BBVA has actively participated in the updating process and its contribution in recent years has been recognized with a new mandate in the Management Committee of the Association of the Equator Principles.

TABLE 11. Operational data analyzed according to the Equator Principles criteria

	Category A		Category B		Category C	
	2021	2020	2021	2020	2021	2020
Number of transactions	2	1	23	21	17	8
Total amount (millions of euros)	2,227.6	869.6	10,954.5	8,220.4	5,466.1	2,971.4
Amount financed by BBVA (millions of euros)	109.4	39.4	1,714.1	824.1	756.3	441.0

Note: of the 42 transactions analyzed, 20 fail under the Equator Principles, and the remaining 22 were analyzed voluntarily by BBVA using the same criteria in 2021 (30, 9 and 21 respectively, in 2020).

APPENDIX

ADDITIONAL INFORMATION



Appendix 1: Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

BBVA has assumed the commitment to disclose in a consistent, reliable and standardized manner the essential aspects of ESG (environmental, social and governance matters) related to its business. Among the different existing standards, BBVA includes its non-financial information in the Non-Financial Information Statement (EINF) for the year 2021, included in this report, in accordance with the Global Reporting Initiative (GRI) guide. Additionally and voluntarily, last year BBVA published for the first time the progress in terms of ESG disclosures, according to two metrics with great reputation in the market:

WEF-IBC core metrics.

BBVA has been one of the first entities worldwide to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF).

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

Commercial Banks standards. The Sustainability Accounting Standards Board establishes standards to guide companies on the disclosure of relevant and consistent financial information in terms of sustainability.

However, this year a further step has been taken in the commitment to the continuous improvement of transparency and, assuming responsibility in ESG matters, the rest of the WEF-IBC metrics have also been reported, as well as the SASB - Consumer Finance standards and SASB - Mortgage Finance standards, giving a complete report of both:

WEF-IBC expanded metrics.

Along with the core metrics, the expanded metrics allow for a broader and more detailed scope of the value chain; and convey the impact in a more tangible way.

SASB - Consumer Finance standards & SASB - Mortgage Finance standards.

With the complete report of these metrics, the Group's management is reflected and identified more clearly for more accurate decision-making by customers.

More and more companies are reporting their performance according to these two metrics and BBVA will continue to work on its commitment to satisfy the demands of investors, regulators, customers and other stakeholders; to maintain or improve its ESG performance.

For more information, see the BBVA Group Management Report for 2021.

Appendix 2: Additional information on the BBVA Group's sustainability standards and frameworks

Origination of sustainable finance and Taxonomy of the European Union (EU)

BBVA's approach to the organization of sustainable finance includes financial flows to sustainable assets and finance for clients in their transition toward a sustainable future:

- Finance of activities in the EU for which we use the EU taxonomy. So far, the EU taxonomy includes the objectives for adaptation and mitigation of climate change.
- Financing of activities in the EU with objectives which are not yet included in the taxonomy but which are being developed, such as other environmental and social objectives, as well as other activities in transition. BBVA is aligned with the updated taxonomy at any time.

- Financing activities outside the EU. BBVA applies the same EU taxonomy but with some flexibility to reflect the differences in national policies and avoid the exclusion of emerging markets (e.g. CO₂ thresholds for vehicles and the agricultural business). If a local taxonomy is in place, it will be applied.
- Other finance not included within the framework of EU Taxonomy, such as financial flows for general corporate purposes.

Emission framework of bonds linked to the Sustainable Development Goals (SDGs)

BBVA is now one of the most experienced banks in the green bond market. It began its activity in 2007 when it formed part of the issue of the first green bond by EIB. Since then, the Group has led, structured, advised and placed green and social bonds for its clients in Europe, Turkey, the United States, Mexico and South America.

In April 2018, BBVA published its framework for the issue of its own sustainable bonds, linked to the United Nations' Sustainable Development Goals (SDGs). Under the framework, BBVA can issue three types of bonds:

- **GREEN BONDS:** debt instruments whose fund will be allocated to finance new and/or existing projects;
- **SOCIAL BONDS:** debt instruments whose fund will be allocated to finance new and/or existing social projects;
- **SUSTAINABLE BONDS:** debt instruments whose fund will be allocated to finance new and/or existing green and social projects.

It is a framework aligned with the Green and Social Bond Principles and the Sustainable Bond Guide 2018 of the International Capital Market Association (ICMA), backed by a solid governance and with a management and strict monitoring of the net funds obtained and that has an assessment of an independent verification by DNV-GL. The framework is public and available on the BBVA shareholders and investors website.

The issue of green and social bonds forms part of BBVA's climate change and sustainable development strategy. On the sustainable market, the Group has since its inaugural issuance in 2018, carried out five public issuances divided between green bonds for €3 billion and social bonds for €2 billion. BBVA published a monitoring report for green and social bonds which includes the impacts of the bonds issued from 2018 to 2020. It is available on the BBVA Shareholders and Investors web page. Through the funds obtained, a total of 15,175 companies have benefited with a total of 207,628 employees, avoiding the emission of 2.3 million tons of CO₂ into the atmosphere, a figure equivalent to the annual emissions of over 912,000 cars.

BBVA's subsidiaries have also strengthened the commitment of the Group being pioneers in making ESG issues in their respective markets local as is the case of Mexico, Turkey and Uruguay. In Mexico, the funds received are earmarked for financing projects renewable energy and sustainable development. On Turkey the amount issued is intended to finance projects promoted by women entrepreneurs and in Uruguay it seeks to finance projects that have environmental and social impact.

Transactional framework of sustainable products

One of the core elements of BBVA's business model is the integration of the opportunities arising from the contribution toward global sustainability, thus providing its customers with innovative solutions for financing their investments with positive environmental and social impacts. Its aim is to foster sustainable financing, assess its strategic impact and boost and manage transformation initiatives that best respond to the challenges related to climate change and social issues.

BBVA considers that sustainable finance is an important strategy to help its clients in their change toward sustainability and a powerful tool to increase corporate responsibility. BBVA is thus committed the development of innovative and sustainable financial solutions. This framework is in line with this strategy, with the SDGs and with the Paris Agreement, and takes as a reference the current market standards reflected in the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, and the Green Loan Principles. For more information on these principles, see the section "Participation in international initiatives" in this Chapter.

The framework is divided into two types of product:

- **LINKED TO THE SDGS:** financial solutions for the client projects, which directly contribute to one or more SDGs. These projects may be considered as green, social or sustainable according to the use of the funds, in fields such as renewable energies, energy efficiency, waste management, water treatment and access to services covering essential goods and services such as housing and inclusive finance. The funds or hedging obtained by green, social or sustainable products within the framework will not be used for certain excluded activities.
- **LINKED TO SUSTAINABILITY:** financial solutions that are not based on the use of funds but are eligible based on sustainability criteria of eligible companies (members of a sustainable index or ESG classification above the industry average) and that are defined within the framework itself. The market for financial products linked to sustainability is relatively new and it is growing rapidly, thereby allowing assistance to be given to companies and sectors that do not have specific sustainable projects to finance, and which are looking for ways to start or expand their path to sustainability. Products linked to sustainability are intended to facilitate and support economic activity and growth from the environmental and social point of view. The eligible companies may not be involved in excluded activities.

The framework is public and available on the BBVA Shareholders and Investors website.

Universal reference frameworks

BBVA was one of 28 founding banks in the Principles for Responsible Banking promoted by the United Nations Environment Program Finance Initiative (UNEP FI). This initiative is a benchmark for corporate responsibility in the banking sector, which aims to respond to the growing demand from different stakeholders for a comprehensive framework that covers all aspects of sustainable banking through six core areas. Currently, more than 250 entities worldwide, approximately 40% by asset volume of the banking system, have already signed these Principles. BBVA believes that these Principles will help reaffirm its purpose, enhance its contribution to both the United Nations SDGs and the commitments derived from the Paris Climate Agreements, and align its business strategy with said commitments.

In 2020 and 2021, BBVA has reported its progress and achievements in each of the 2021 six principles to UNEP FI, in the first and second year they have been implemented. For more information on the progress and developments reported, see the chapter named “UNEP FI Principles for Responsible Banking Reporting Index” in this report.

Within the framework of these Principles, in 2021 BBVA was one of the founding banks of the Collective Commitment to Financial Health and Inclusion promoted by UNEP FI with the aim of promoting universal financial inclusion and a banking sector which supports the financial health of all its customers.

BBVA also participates in global initiatives such as the United Nations Global Compact, Principles for Responsible Investment, and the Thun Group, which describes how the United Nations Guiding Principles on Business and Human Rights (UNGPs) should be applied in the banking sector.

Appendix 3: TCFD Recommendations fulfillment table

In April 2015, G20 Finance Ministers and Central Bank Governors asked the Financial Stability Board (FSB) to review how the financial sector could take account of climate-related issues. The FSB established the Task Force on Climate-related Financial Disclosures (here-in-after, the Task Force) to develop voluntary and consistent climate-related financial risk disclosures (the TCFD recommendations) for use by companies across industries in providing information to investors, lenders, insurers, and other stakeholders. The work and recommendations of the Task Force help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors' needs.

Given that climate-related information has evolved since the recommendations were published in 2017, in October 2021 the Task Force updated the guidance and recommendations⁶, and specifically, specific elements of the implementation guidance for all sectors and supplemental guidance to the financial sector for certain suggested disclosures within the Strategy and Metrics & Targets recommendations.

6. https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf

	TCFD Recommendations	BBVA's TCFD Report
	GOVERNANCE <ol style="list-style-type: none"> 1. Board of Directors' oversight 2. Management's role 	Section 01: <ul style="list-style-type: none"> • Corporate bodies • Transversal integration of sustainability into the executive sphere • Remuneration systems
	STRATEGY <ol style="list-style-type: none"> 3. Description of risk and opportunities 4. Impact of risk and opportunities 5. Resilience 	Section 02: Definition of risks and opportunities associated with climate change Section 02: Main advances in the execution of the strategy Section 02: Resilience of the strategy against climate risks
	RISK MANAGEMENT <ol style="list-style-type: none"> 6. Organization for identifying and assessing risks 7. Organization for managing risks 8. Integration into overall risk management 	Section 03: <ul style="list-style-type: none"> • Integrating climate change into risk planning • Identification, Measurement and Integration of climate change into risk management • Environmental and social framework • Equator Principles
	METRICS AND GOALS <ol style="list-style-type: none"> 9. Disclose metrics & targets used 10. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG 11. Disclose targets and performance against targets 	Section 04: <ul style="list-style-type: none"> • Sustainable finance • Management of direct and indirect impacts • Management of indirect environmental and social impacts

GLOSSARY



Glossary

CIB	Corporate Investment Banking	IPCC	Intergovernmental Panel on Climate Change
EAD	Exposure at Default	PACTA	Paris Agreement Capital Transition Assessment
ESG	Environmental, Social & Governance	PPA	Power Purchase Agreement
ESMs	Energy-saving measures	SDGs	Sustainable Development Goals
GEP	Global Eco-Efficiency Plan	SRI	Socially Responsible Investment
IEA	International Energy Agency	TCFD	Task force on climate-related Financial Disclosures
IFC o CFI	International finance corporation	UNEP FI	United Nations Environment Program for Finance Institution

Forward-Looking Statements

This report contains forward-looking statements that constitute forward-forward projections within the meaning of article 27A of the Securities Act 1933, as amended (the "Securities Act"), article 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the safeguard provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include words such as "believe," "expect," "estimate," "project," "anticipate," "duty," "intend," "likelihood," "risk," "VaR," "purpose," "goal," "target," and similar expressions or variations of those expressions, and include statements regarding future growth rates. Forward-looking statements are not guarantees of future results and involve risks and uncertainties, and actual results may differ materially from those of forward-looking statements due to various factors.

Readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this document. No obligation is assumed to make public the outcome of any revision of these forward-looking statements that may be made to reflect events or circumstances after the date of this document, including but not limited to changes in the business, procurement strategy, expected capital expenditures, or to reflect the occurrence of unforeseen events.

Report on

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