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

March 2022
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02 Sustainability, at the core of BBVA’s strategy
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A greener and more inclusive future: the challenge of the century
Sustainability is the challenge of the century

At the top of world leaders' agendas

Under clear worldwide roadmaps:
- The Paris Agreement
- The 2030 Agenda for Sustainable Development with the 17 SDGs\(^{(1)}\) at heart

Sense of climate urgency

+3.0°C* Current climate trend
+1.5°C* Global warming target for 2100

*Versus pre-industrial levels

Society calling for action

72\(^{(2)}\)% of companies mention SDGs\(^{(1)}\) in their reporting

Private and public sector on board

Sustainable finance policies are widespread and the pace is increasing

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

Worldwide investment to limit global warming below 2°C between 2021 and 2050

$275Tr  8% World GDP annually

Extensive policy responses geared to sustainability

€750Bn NGEU (2) $2Tr Biden’s Climate Plan

Massive electrification of the economy

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

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

Green hydrogen to play an increasing role in industry decarbonization

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

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

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

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

Develop complete financial solutions for businesses and individuals

Advise and support clients in their transition

Manage indirect emissions of their clients’ portfolios and integrate sustainability in risk management procedures
Sustainability, at the core of BBVA's strategy
Sustainability, at the core of BBVA's strategy

OUR PURPOSE

“To bring the age of opportunity to everyone

A STRATEGIC PRIORITY

Helping our clients transition towards a sustainable future
Building a greener and more inclusive future

BBVA has a long standing trajectory in sustainability

**2004**
Equator Principles Adoption

**2007**
Creation of BBVA Microfinance Foundation

**2008**
BBVA’s Corporate Social Responsibility Policy

**2009**
UN PRI participant

**2015**
The Green Bond Principles Signature

**2018**
Katowice commitment - portfolio alignment to the Paris Agreement

**2019**
BBVA incorporates sustainability as a strategic priority

**2020**
Sustainability Policy release

Execution around 4 goals and creation of the Global Sustainability Office

**2021**
BBVA Coal phase-out commitment

Net zero emissions by 2050 commitment

New pledge target for 2025 from €100bn to €200Bn

Creation of the Global Area of Sustainability

2030 decarbonization goals in intensive industries

BBVA’s 2025 Pledge: €100Bn Sustainable finance origination

Carbon neutrality in Scope 1 and 2 and travel emissions from 2020
Renewed push to sustainability in BBVA’s strategic plan

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

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

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

**Climate Action**

**ENERGY EFFICIENCY**
- Technologies that reduce energy use

**CIRCULAR ECONOMY**
- Recycling, new materials, responsible use of natural resources

**CO₂ REDUCTION**
- Renewables and other clean energy sources

**Inclusive development**

**DIGITAL SOLUTIONS**
- Provide financial digital solutions to unbanked population

**INCLUSIVE INFRASTRUCTURES**
- Basic services and affordable and sustainable transport

**SUPPORT FOR ENTREPRENEURS AND UNEMPLOYMENT**
- Economic growth and productive employment
BBVA’s Sustainability Policy sets our guiding principles for sustainable development

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

Setting Goals
To make sustainability an organization-wide effort, BBVA has set out clear sustainability goals.

Enhancing the governance with full bank involvement
The Board of Directors has approved BBVA’s Sustainability Policy and monitors its execution.
All business units are working on integrating sustainability in their operational models and internal processes.
Accelerating execution with the creation of a global Sustainability area, promoting sustainability to the highest level of the organization

The Sustainability area will support the integration of sustainability in the Group’s day-to-day activities

Designing our sustainability strategic agenda

Developing sustainable products to capture new business opportunities

Generating specialized knowledge to provide differential advice to our clients

Establishing commercial methodologies and partnerships to increase sustainability related business

EXECUTION ORGANIZED AROUND 4 GOALS AND DEFINED IN 14 WORKSTREAMS

Foster sustainable business growth

Develop the necessary sustainability capabilities

Integrate sustainability risk in the processes

Establish a unique agenda with stakeholders

Communications & marketing

Sustainability Standards

Risk Management

Process

Public Engagement

Direct Impact

Reporting & Transparency

Talent

Data & technology

Solutions for enterprise clients

Solutions for retail customers

Solutions for corporate and institutional clients

Solutions for sustainable investments

Inclusive Development

Communications & marketing

Sustainability Standards

Risk Management

Process

Public Engagement

Direct Impact

Reporting & Transparency

Talent

Data & technology

Solutions for enterprise clients

Solutions for retail customers

Solutions for corporate and institutional clients

Solutions for sustainable investments

Inclusive Development
Adopting the Net Zero 2050 commitment

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

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

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

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

Commitment achievable by accelerating BBVA's execution plan and increasing the ambition of the KPIs already defined.
Specific KPIs defined to follow our progress

**Business origination**
Maximize sustainable finance origination

**Portfolio alignment**
Adoption of the PACTA methodology with relevant metrics and targets and an environmental and social framework

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

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

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

70% RENEWABLE ENERGY USE BY 2025

68% REDUCTION OF CO₂ EMISSIONS BY 2025 (VS 2015)
BBVA is committed to financing sustainability initiatives

BBVA’s sustainable finance origination within its 2025 Pledge

**CLIMATE ACTION**
- 80%

**INCLUSIVE GROWTH**
- 20%

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

€86 Bn
Originated since 2018*

€200 Bn
Target 2025

And through its community commitment

**Target 2025**

- **€ 550 million** investment in the community
- **€ 100 million** people reached
- **€ 7,000 million** in micro-loans to vulnerable entrepreneurs through BBVAMF

**Progress 2021**

- **€106.3 million** invested
- **44.2 million** people reached
- **€1,114 million** in micro-loans (1)

- **ENTREPRENEURSHIP & REDUCE INEQUALITY**
  - 2.73 million entrepreneurs supported
  - 709,644 people trained in financial education

- **EDUCATION**
  - 409,064 people participated in educational initiatives
  - 21.9 million people accessed educational contents

- **RESEARCH & CULTURE**
  - 266,745 people accessed research and cultural activities
  - 7.9 million people accesses research and cultural content

**BBVA MICROFINANCE FOUNDATION**

- 2nd largest philanthropic initiative globally and 1st in LatAm

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

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

<table>
<thead>
<tr>
<th>Wholesale exposure Dec. 21</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Utilities</td>
<td>5.8%</td>
</tr>
<tr>
<td>Energy</td>
<td>5.4%</td>
</tr>
<tr>
<td>Automotive</td>
<td>3.1%</td>
</tr>
<tr>
<td>Steel</td>
<td>1.6%</td>
</tr>
<tr>
<td>Transportation</td>
<td>0.9%</td>
</tr>
<tr>
<td>Cement</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

17.4% of wholesale EAD (9% of Group’s EAD)

<table>
<thead>
<tr>
<th>Metric</th>
<th>Benchmark scenario</th>
<th>BBVA baseline (2020)</th>
<th>Starting point vs scenario baseline</th>
<th>Absolute effort 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kg CO₂e/MWh</td>
<td>IEA Net Zero 2050</td>
<td>249</td>
<td></td>
<td>-52%</td>
</tr>
<tr>
<td>Kg CO₂ / MJ</td>
<td>To be defined in 2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g CO₂/km</td>
<td>IEA Net Zero 2050</td>
<td>220</td>
<td></td>
<td>-46%</td>
</tr>
<tr>
<td>Kg CO₂e/T steel</td>
<td>IEA Net Zero 2050</td>
<td>665</td>
<td></td>
<td>-23%</td>
</tr>
<tr>
<td>g CO₂/v-km</td>
<td>To be defined in 2022</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kg CO₂e/T cement</td>
<td>IEA Net Zero 2050</td>
<td>695</td>
<td></td>
<td>-17%</td>
</tr>
</tbody>
</table>

BBVA incorporates climate change risks in its: (i) Risk Appetite Framework, (ii) Internal Taxonomy on Transition Risks, (iii) Country Risk Analysis (iv) Wholesale Credit Industry Frameworks and (v) Retail Operating Frameworks
BBVA’s environmental and social framework

Reflects our commitment to promote sustainable development and human rights

Based on international standards of reference

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

Establishes limitations on projects and clients, both general and specific to each of the sectors

- **Defense**
  - E.g. Companies involved in controversial weapons

- **Mining**
  - E.g. New coal mines or expansion of existing ones

- **Infrastructure**
  - E.g. Dams not built under the Framework of the World Commission on Dams

- **Energy**
  - E.g. Companies with more than 25% of coal-based power generation mix without a diversification strategy

- **Agribusiness**
  - E.g. Projects involving burning of natural ecosystems to clear land for agricultural projects

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

* Coal clients are defined as companies with greater than 5 percent of revenues from thermal coal mining for power generation and thermal coal-fired power generation. NPLs are excluded
Setting ambitious 2025 targets to reduce our environmental footprint

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

Internal carbon price definition for the group’s budgeting process

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

BBVA’s 2025 Pledge Target
BBVA promotes transparency in its sustainability reporting

BBVA Group’s 2021 annual report aligned with the most advanced standards in the market

Commitment to TCFD recommendations of the FSB led to the publication of BBVA’s TCFD stand-alone report, first in October 2020 and second in June 2021.

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

Disclosure of BBVA’s progress with respect to ESG reporting according to SASB - Commercial Banks, Consumer Finance and Mortgage Finance standards.

Global reporting initiative standards through the publication of BBVA’s Non-Financial Information Report (NFIR).

Reinforced disclosure of metrics aligned with GRI, WEF-IBC and SASB.
03. BBVA’s differential approach towards sustainability
BBVA’s differential approach towards sustainability

- Strong commitment from governing bodies
- Executing on new business opportunities prioritizing 12 transition themes
- Leveraging BBVA’s differential data and technology capabilities
- Pioneer in innovative sustainable products
- Leading major international initiatives
Strong commitment from BBVA’s top governing bodies

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

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

03 Business Units
- Integration of sustainability in day-to-day operations, both in relation to clients and internal processes
- All BBVA Group employees’ variable remuneration aligned with the Group’s strategic objectives - including sustainability
Executing new business opportunities prioritizing 12 transition themes

<table>
<thead>
<tr>
<th>Sectors</th>
<th>Transition Themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power</td>
<td>Hydrogen production and use</td>
</tr>
<tr>
<td></td>
<td>Renewables (utility-scale)</td>
</tr>
<tr>
<td>Transport</td>
<td>Electric vehicles</td>
</tr>
<tr>
<td></td>
<td>Infrastructure for electric vehicles</td>
</tr>
<tr>
<td>Industry and O&amp;G</td>
<td>O&amp;G product transformation</td>
</tr>
<tr>
<td></td>
<td>Electrification (and hydrogen) for industrial heating</td>
</tr>
<tr>
<td>Buildings</td>
<td>Distributed solar generation</td>
</tr>
<tr>
<td></td>
<td>Energy efficiency, electrification and insulation</td>
</tr>
<tr>
<td>Agriculture</td>
<td>Agricultural innovation/ adaptation</td>
</tr>
<tr>
<td></td>
<td>Decarbonization of on-farm energy</td>
</tr>
<tr>
<td>Circularity</td>
<td>Circular product and upcycle design</td>
</tr>
<tr>
<td>Carbon Markets</td>
<td>Carbon offset marketplaces/ exchanges</td>
</tr>
</tbody>
</table>

Themes prioritized looking for a balance between

**01 Size**
Topics concentrating **short term value**

**02 Growth**
Emerging technologies with room for exceptional **long term expansion**

**03 Right to win**
Potential **alignment with BBVA portfolio and/or footprint**
Leveraging BBVA’s digital edge

Sustainable finance and digital transformation are a win-win alliance

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

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

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

BBVA, first Spanish bank to calculate the carbon footprint of its private customers in the APP

Building a greener and more inclusive future
A pioneer in innovative sustainable products

Wholesale clients

- 2007: 1st Green bond worldwide
- 2017: 1st syndicated green loan worldwide
- 2018: 1st green project finance worldwide
- 2019: 1st green hybrid bond emission worldwide

2020:
- 1st social Covid bond in Europe

2021:
- 1st structured green bond on DLT worldwide

New sustainable solutions for all clients

- Energy-efficient linked mortgages
- Carbon footprint calculator for corporates & SMEs
- Energy efficiency advisory for enterprise clients
- Hybrid and electric vehicles loans

BBVA Spain offers a sustainable alternative for all its main products
BBVA leading major international initiatives

With an active role in the crafting of new worldwide initiatives

Chair
European Banking Federation Working Group for Sustainable Finance

Co-Chair
UNEP FI Global Steering Committee

Member
Net-Zero Banking Alliance Steering Group

Member
IIF Taskforce on Scaling Voluntary Carbon Markets

Member
Private Finance Hub COP26

Member
Alliance to promote green hydrogen in Europe

Member
The Net Zero Asset Managers initiative
04. International recognition for BBVA’s sustainability focus
BBVA rewarded internationally for its sustainability focus

SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED

- Dow Jones Sustainability Indices
- FTSE4Good
- MSCI
- CDP
- Bloomberg Gender Equality Index
- Euronext Indices Eurozone120

1st Worldwide Bank
4/5 Score
AAA rating
B score
Gender equality index
Sustainability Excellence Global and Europe
Eurozone 120 Score 57/100

SUSTAINABILITY AWARDS

Best Investment Bank for Sustainable Financing Worldwide (2021)
Best Investment Bank for Sustainable Finance in Europe and Latin America (2020)
Latin America’s Best Bank for Sustainable Finance (2020 & 2019)
Best bank in Turkey in sustainable finance (2020)

Best Bank in Central and Western Europe in Sustainable Finance (2020)
Best Sustainable Bank in Spain (2020)
Sustainability linked loan Deal of the year (2020)
Best Investment Bank for Sustainable Financing in Latin America and Western Europe (2020)
thank you