BBVA Group CIB Sustainable Products Framework

DNV ELIGIBILITY ASSESSMENT

Scope and Objectives

Banco Bilbao Vizcaya Argentaria, S.A. and all its affiliates and subsidiaries (henceforth referred to as "BBVA Group") has set itself the priority of "helping their customers transition to a sustainable future", taking inspiration from the Sustainable Development Goals (the "SDGs") adopted by the United Nations, and from other supranational agencies that promote sustainable development and are a global benchmark with a focus on climate change and inclusive and sustainable social development.

One of the core elements of BBVA Group’s business model is the integration of opportunities arising from the contribution to global sustainability, thus providing its customers with innovative solutions to fund their investments with positive environmental and social impacts.

BBVA Group believes that sustainable finance is an important strategy to help its clients on their sustainability journey and is a powerful tool to increase corporate responsibility. In line with this vision, BBVA Group has developed a Framework for Sustainable Products (henceforth referred to as “CIB Sustainable Products Framework” or the "Framework") applicable only to Corporate & Investment Banking (CIB) activity in the BBVA Group.

DNV Business Assurance España (“DNV”) has been commissioned by BBVA Group to provide a review of BBVA Group’s CIB Sustainable Products Framework. Our methodology to achieve this is described under ‘Work Undertaken’ below. We were not commissioned to provide independent assurance or other audit activities.

No assurance is provided regarding the financial performance of financial solutions issued via the CIB Sustainable Products Framework, the value of any investments, or the long term environmental & social benefits of any transaction. Our objective has been to provide an assessment that the Framework has met the criteria established on the basis set out below.

Responsibilities of the Management of BBVA GROUP and DNV

The management of BBVA Group has provided the information used by DNV during the delivery of this review. Our statement represents an independent opinion and is intended to inform BBVA Group management and other interested stakeholders as to whether the Framework supports projects that are likely to contribute to sustainability and the UN SDGs, as defined in the Framework. In our work we have relied on the information and the facts presented to us by BBVA Group. DNV is not responsible for any aspect of the projects or assets referred to in this opinion and cannot be held liable if estimates, findings, opinions, or conclusions based on information or data provided by BBVA Group management are incorrect.
Thus, DNV shall not be held liable if any of the information or data provided by BBVA Group management and used as a basis for this assessment were not correct or complete.

**Basis of DNV’s opinion**

We have adapted our sustainable eligibility assessment methodology to create a BBVA Group specific CIB Sustainable Products Framework Eligibility Assessment Protocol (henceforth referred to as “Protocol”) - see Schedule 2. Our Protocol includes a set of suitable criteria that can be used to underpin DNV’s opinion. As per our Protocol, the criteria against which the Framework has been reviewed are Grouped under following components:

- **Component One: Commitment.** The Commitment component is guided by the requirement of coherence between the Framework and the bank’s sustainability commitments.

- **Component Two: Proceeds**. The Proceeds component is guided by the requirement that eligible activities financed, should produce clear environmental, social, or sustainable benefits. This can happen either through specific use-of-proceeds projects or by transactions based on overall sustainability criteria.

- **Component Three: Eligibility**. The Eligibility component is guided by the requirement that an issuer of a financial solution should outline the process it follows when determining eligibility of a transaction, based on clear environmental, social, or sustainable benefits.

- **Component Four: Reporting**. The Reporting component is guided by the recommendation that at least annual reporting to the stakeholders should be made of the allocation of proceeds and the environmental, social, or sustainable impacts expected. Quantitative and/or qualitative performance indicators should be used, where feasible.

**Work undertaken**

Our work constituted a high-level review of the available information, based on the understanding that this information was provided to us by BBVA Group in good faith. We have not performed an audit or other tests to check the veracity of the information provided to us. The work undertaken to form our opinion included:

- Creation of a BBVA Group specific Protocol, adapted to the purpose of the Framework, as described above and in Schedule 2 to this Assessment.

- Assessment of documentary evidence provided by BBVA Group on the Framework and supplemented by a high-level desktop research. These checks refer to current assessment best practices and standards methodology.

- Review of BBVA Group’s published material with regards to BBVA Group’s environmental & social activities relating to the company.
Discussions with BBVA Group’s management, and review of relevant documentation and evidence related to the components of the Protocol.

Documentation of findings against each element of the components.

Our opinion as detailed below is a summary of these findings.

Findings and DNV’s opinion

DNV’s findings are listed below:

Component 1: Commitment.

BBVA Group is committed to achieving the targets set by the Paris COP21 (Conference of Parties) and the United Nations Sustainable Development Goals (SDGs). In line with this commitment, in 2018 BBVA Group approved its new strategy on climate change and sustainable development, and launched Pledge 2025, based on three pillars:

- BBVA Group is pledging to mobilize € 200 billion by 2025 in green finance, sustainable infrastructure and agribusiness, entrepreneurship and financial inclusion.
- Management of environmental and social risk associated with the Bank’s activity.
- Engagement of all stakeholders to increase the financial sector’s collective contribution to sustainable development.

As part of the Pledge 2025 BBVA Group has developed an Environmental and social Framework for environmental and social due diligence with the purpose of providing clear guidance on the procedures to follow for client management and transactions in certain sectors of higher risk: infrastructure, energy, agribusiness, mining, and defence. This includes the definition of exclusion criteria for certain projects within each of the mentioned sectors.

A core element of BBVA Group’s business model is to provide its customers with innovative solutions to fund their investments with positive environmental and social impacts. We are of the opinion that BBVA Group has developed the CIB Sustainable Products Framework, in line with this strategy and the commitments to the SDGs and the Paris Agreement.

Component 2: Proceeds.

The Framework is broken down in two product linked types:

- **SDGs linked**: financial solutions for use-of-proceeds projects that contribute to one or more of the SDGs. All projects are classified according to eligible green and/or social categories as defined in Schedule 1. These categories are aligned with eligible categories as defined by the Green and Social Bond and Loan Principles.

- **Sustainability linked**: financial solutions and transactions that are eligible on overall sustainability criteria, allowing companies and sectors that do not have sustainable projects to finance to start or expand on their sustainable finance journey. Having these types of products in the Framework allows BBVA Group to actively support its clients in transforming their sustainability and ESG performance.
In the case of **Deposits and Account Balances** and **Structured Products** the proceeds will be used to maintain the CIB Sustainable Portfolio, that is made up of:

- Loans and/or bonds with use of proceeds that are aligned with the green eligible categories and/or the social eligible categories or with European taxonomy aligned activities.
- Loans and/or bonds with an unspecified use of funds and/or shares, in a percentage equivalent to the client’s sales coming from its sustainable activity

In the case of **Sustainable Supply Chain Finance** solutions there is a pricing benefit for suppliers that can show they perform according to established Buyer sustainability standards.

**Component 3: Eligibility**

SDGs linked products, projects will be classified according to eligible green and/or social categories as defined in Schedule 1.

For the CIB Sustainable Portfolio, both borrowing entities and issuers of the bonds or shares must comply with BBVA Group’s Environmental and Social Framework as regards their activity, including defined exclusion criteria. In addition, the Portfolio will be reviewed quarterly by the BBVA CIB Sustainable Finance Team in order to assess that the volume of products stated does not exceed the notional amount in the Portfolio.

For a supplier to be eligible for a pricing benefit the system it has in place to classify and rank suppliers is well defined and credible, and evaluated according to sustainability strategy, expectations in terms of sustainability, sector specific key sustainability issues, targets and metrics corresponding to supplier performance and market recognized and reputable certification.

**Component 4: Reporting.**

For SDGs linked products,

- BBVA Group reporting annually to the public on the allocation of funds from the Framework: BBVA will take into account in the breakdown of the mobilization of funds under its Pledge 2025, published in its Annual Report, the allocation of funds from the Framework.
- Client’s annual report to BBVA dedicated to the projects containing information about:
  - allocation of proceeds
  - indication on which SDG is applied to each category
  - expected environmental and/or social impacts using relevant quantitative impact indicators
  - in case a supplier of a client is the beneficiary, information about supplier selection requisites

For sustainability linked products,

- BBVA Group quarterly (or at maturity) reporting to the client for Deposit and Accounts balances and Structured Products:
  - Inclusion criteria at prospective client’s disposal
  - Composition of the Portfolio in respect to the number of companies, industries and geographies
- Client annual reporting to BBVA for Supply Chain Finance containing an indicator relevant to the incentives program such as the percentage of suppliers receiving improved pricing conditions or another such that provides information on the impacts of the program.
On the basis of the information provided by BBVA Group and the work undertaken, it is DNV's opinion that the Framework meets the criteria established in the Protocol and that it supports financial solutions that are likely to contribute to sustainability and the UN SDGs, as defined in the Framework.

for DNV GL Business Assurance España SLU.

Madrid, 31st March 2022

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DNV – Business Assurance

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DNV – Business Assurance

About DNV

Driven by our purpose of safeguarding life, property and the environment, DNV enables organisations to advance the safety and sustainability of their business. Combining leading technical and operational expertise, risk methodology and in-depth industry knowledge, we empower our customers’ decisions and actions with trust and confidence. We continuously invest in research and collaborative innovation to provide customers and society with operational and technological foresight.

With our origins stretching back to 1864, our reach today is global. Operating in more than 100 countries, our 12,000 professionals are dedicated to helping customers make the world safer, smarter and greener.
## SCHEDULE 1: DESCRIPTION OF CATEGORIES / EXAMPLE OF ASSETS TO BE FINANCED THROUGH THE FRAMEWORK

<table>
<thead>
<tr>
<th>Green Eligible Categories</th>
<th>Description</th>
<th>SDG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sustainable water and water management</td>
<td>Water collection, treatment, recycling, re-uses upgrades, technologies and related infrastructure.</td>
<td>SDG 6</td>
</tr>
<tr>
<td>Energy efficiency</td>
<td>- Measures which reduce energy consumption. Includes the financing of retrofitting/improving/upgrading existing assets, as well as of new technology development and manufacture.</td>
<td>SDG 7 and 9</td>
</tr>
<tr>
<td></td>
<td>- Energy recovery (waste to energy).</td>
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<td></td>
<td>- Measures that facilitate the access to renewable energy.</td>
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<td></td>
<td>Green buildings. In order for Green building financing to be included the asset must possess environmental certifications such as LEED (minimum silver), BREEAM (minimum good), HQE (minimum good), DNGB (minimum silver), or GBC España – VERDE among others. Other rigorous green building rating system may be included and taken into consideration in the criteria.</td>
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</tbody>
</table>
| Clean transportation                                                                 | ● Rail infrastructure and public mass transportation systems which contribute to reducing the circulation of cars. Examples include metro, light rails, buses, etc.  
|                                                                                     | ● Development, operation and upgrade of rail transports for goods.  
|                                                                                     | ● Transport infrastructure.  
|                                                                                     | ● Renewal or replacement of vehicle fleets, trains or boats with technologies that include electricity or hydrogen.  
|                                                                                     | ● Manufacture of above components. |
| Environmentally sustainable management of living natural resources and land use     | ● Measures and technologies to expand green zones.  
|                                                                                     | Sustainable management of livestock to reduce methane or other GHG emissions. |

SDG 9 and 11
SDG 11 and 12
<table>
<thead>
<tr>
<th>Pollution Prevention and Control</th>
<th>Non-conventional waste management and disposal activities which include: source reduction, in-process recycling, reuse, resource recovery, and treatment. Measures and technologies to reduce air pollution.</th>
</tr>
</thead>
<tbody>
<tr>
<td>SDG 3, 11, 12</td>
<td></td>
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<tr>
<td>Renewable energy</td>
<td>Renewable energy generation: wind, solar, biogas, biomass, thermal, waste treatment, small-scale hydropower substations (max. 20MW). Manufacture of components of renewable energy technology: wind turbines, solar panels, etc. Transmission and distribution projects when connecting to defined renewable energy assets.</td>
</tr>
<tr>
<td>SDG 7 and 13</td>
<td></td>
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</tbody>
</table>
| Aquatic biodiversity conservation | Prevention and reduction of marine pollution.  
|                                  | Measures and technologies that enhance the conservation and sustainable use of oceans and rivers.  
|                                  | Environmentally sustainable fishery and aquaculture. |
| Terrestrial biodiversity conservation | Measures that ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems.  
|                                       | Reduction of emissions that result from deforestation and degradation of ecosystems.  
|                                       | Environmentally-sustainable forestry, including afforestation or reforestation.  
|                                       | Preservation or restoration of natural landscapes. |

SDG 14

SDG 15
<table>
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<tr>
<th>Social Eligible categories</th>
<th>Description</th>
<th>SDG</th>
</tr>
</thead>
</table>
| Affordable basic infrastructure                   | • Hospitals, medical equipment and technologies.  
• Clean drinking water, sewers, sanitation  
• Transport  
• Energy                                                                                                                                 | SDG 3 and 10 |
| Access to essential services                      | • Universities and other centers of tertiary education, primary and secondary schools technical/vocational training centers and programs, capacity building, entrepreneurship, and literacy and numeracy training centers and programs.  
• Developments and measures that improve healthcare or facilitate the access to healthcare.  
• Access to internet connection in underserved populations | SDG 4 and 10 |
| Socioeconomic advancement and empowerment | • SME financing and microfinancing  
  • Formalization and encouragement of micro, small, and medium sized enterprises.  
  • Access to banking and financial services in underserved populations.  
  • Financial literacy. | SDG 8 y 10 |
| Affordable housing | Access to adequate, safe and affordable housing for excluded and/or marginalized populations and /or communities. | SDG 10 |
# SCHEDULE 2: BBVA GROUP SPECIFIC CIB SUSTAINABLE PRODUCTS FRAMEWORK ELIGIBILITY ASSESSMENT PROTOCOL

## 1. Commitment

<table>
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<tr>
<th>Ref.</th>
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<th>Requirements</th>
<th>Work Undertaken</th>
<th>DNV Findings</th>
</tr>
</thead>
</table>
| 1a   | Entity’s environmental and social and governance framework | In addition to information disclosed by a bank on its Sustainable Finance Framework process, criteria and assurances, investors may also take into consideration the quality of the bank’s overall framework and performance regarding environmental sustainability. A bank’s Framework shall be in coherence with the overall Sustainability Strategy. | We reviewed:  
- BBVA CIB Sustainable Products Framework 2022  
- BBVA Environmental and Social Framework, March 2021  
- BBVA Group’s strategy on climate change and sustainable development  
- Discussions with BBVA | A core element of BBVA Group’s business model is to provide its customers with innovative solutions to fund their investments with positive environmental and social impacts. We are of the opinion that BBVA Group has developed the CIB Sustainable Products Framework, in line with this strategy and the commitments to the SDGs and the Paris Agreement. |
## 2. Proceeds

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| 2a   | Type of financial solutions | Type of financial solutions or financial products covered under the Framework should be disclosed in detail | We reviewed:  
- BBVA CIB Sustainable Products Framework 2022  
- BBVA Environmental and Social Framework, March 2021  
- Discussions with BBVA | Typology of products covered is well defined and documented in the Framework. |
| 2b   | Eligible green and/or social Categories | The cornerstone of a sustainable finance solution is the utilization of the proceeds which should be appropriately described in the legal documentation for the security. | We reviewed:  
- BBVA CIB Sustainable Products Framework 2022  
- BBVA Environmental and Social Framework, March 2021  
- Discussions with BBVA | The Framework is broken down in two product linked types:  
- **SDGs linked**: financial solutions for use-of-proceeds projects that contribute to one or more of the SDGs. All projects are classified according to eligible green and/or social categories as defined in Schedule 1.  
- **Sustainability linked**: financial solutions and transactions that are eligible on overall sustainability criteria, allowing companies and sectors that do not have sustainable projects to finance to start or expand on their sustainable finance journey. Having these types of products in the Framework allows BBVA Group to actively support its clients in transforming their sustainability and ESG performance. |
| 2c   | Environmental & Social benefits | All designated categories should provide clear environmentally sustainable or social benefits, which, where feasible, will be quantified or assessed by the issuer. | We reviewed:  
- BBVA CIB Sustainable Products Framework 2022  
- BBVA Environmental and Social Framework, March 2021  
- Discussions with BBVA | The Framework outlines the expected environmental & social benefits that will be realised by the two product linked types. |
### 3. Eligibility

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| 3a   | Eligibility | An issuer of a financial solution should outline the process it follows when determining eligibility of an investment, based on clear environmental, social, or sustainable benefits. | We reviewed:  
- BBVA CIB Sustainable Products Framework 2022  
- BBVA Environmental and Social Framework, March 2021  
- Discussions with BBVA | SDGs linked products, projects will be classified according to eligible green and/or social categories as defined in Schedule 1  
For the CIB Sustainable Portfolio, both borrowing entities and issuers of the bonds or shares must comply with BBVA Group's Environmental and Social Framework as regards their activity, including defined exclusion criteria. In addition, the Portfolio will be reviewed quarterly by the BBVA Group CIB Sustainable Finance Team in order to assess that the volume of products stated does not exceed the notional amount in the Portfolio.  
For a supplier to be eligible for a pricing benefit the system it has in place to classify and rank suppliers must be well defined, credible, and evaluated according to sustainability strategy, expectations in terms of sustainability, sector specific key sustainability issues, targets and metrics corresponding to supplier performance and market recognized and reputable certification. |
4. Reporting

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| 4a   | Periodical reporting | In addition to reporting on the use of proceeds and the temporary investment of unallocated proceeds, issuers should provide at least annually a list of projects to which proceeds have been allocated including - when possible, with regards to confidentiality and/or competitive considerations - a brief description of the projects and the amounts disbursed, as well as the expected environmentally sustainable impact. | We reviewed:  
  • BBVA CIB Sustainable Products Framework 2022  
  • BBVA Environmental and Social Framework, March 2021  
  • Discussions with BBVA | For SDGs linked products,  
  - BBVA Group reporting annually to the public on the allocation of funds from the Framework: BBVA will take into account in the breakdown of the mobilization of funds under its Pledge 2025, published in its Annual Report, the allocation of funds from the Framework.  
  - Client’s annual report to BBVA dedicated to the projects containing information about:  
    o allocation of proceeds  
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    o in case a supplier of a client is the beneficiary, information about supplier selection requisites  

For sustainability linked products,  
- BBVA Group quarterly (or at maturity) reporting to the client for Deposit and Accounts balances and Structured Products:
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