



# Environmental and Social Framework

Global Sustainability Area

Madrid, May 2024



This English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

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## 1 Introduction

BBVA has defined sustainability as one of its strategic priorities, focusing on the fight against climate change and inclusive growth. Specifically, BBVA is committed to supporting its clients in the transition to a more sustainable future.

Climate change is one of the great challenges facing humanity and requires large volumes of investment. Clients, markets, and society as a whole not only expect large companies to create value, but also to contribute positively to society.

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

That is why the main objective of the Environmental and Social Framework (hereinafter, "the Framework") is to identify a series of activities and sectors that, while contributing to economic growth, progress and the well-being of people, can also have a high environmental and/or social impact.

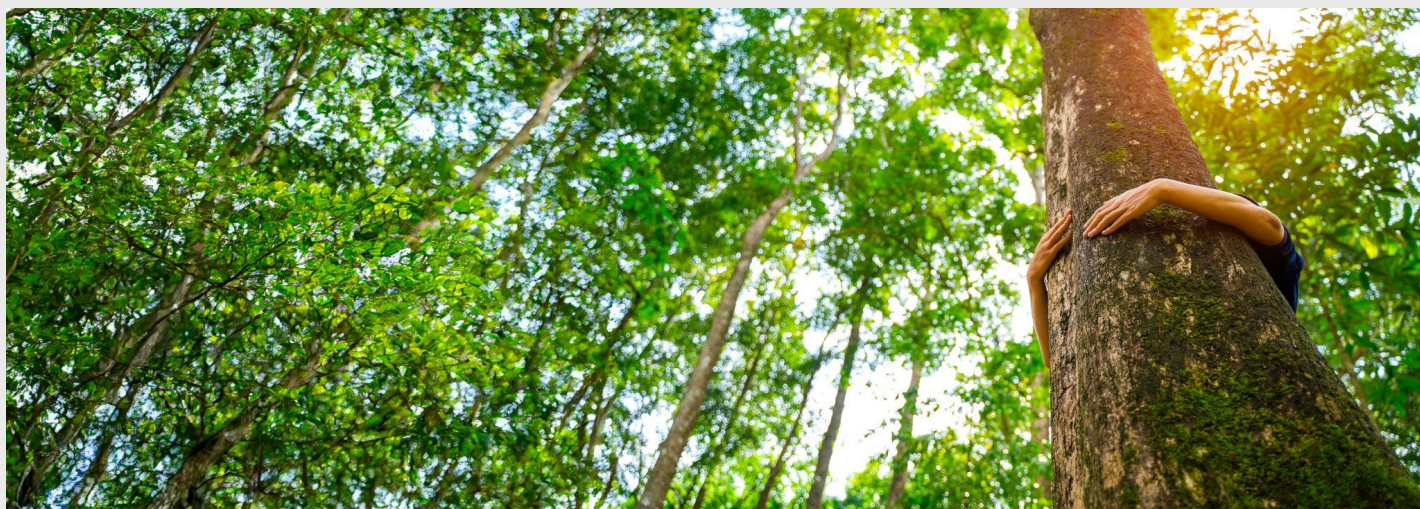
## 2 Purpose

The Framework derives from BBVA's *General Sustainability Policy*, which contains the general principles and the main objectives and management and control guidelines to be followed by the Bank in terms of sustainable development.

The Framework aims to establish the criteria for the identification, evaluation and monitoring of activities with high environmental and/or social

impact, in the **mining, agribusiness, energy, infrastructure and defence sectors**. These sectors have been selected for their high potential impact on nature and people.

Therefore, the Framework identifies restrictions (either via prohibited activities or activities requiring special attention) in the sectors covered by it, in the terms described below.





## 3 Identification of activities and sectors

The identification of sectors and activities with high potential for environmental and/or social impact is carried out taking into account the following aspects:

### 3.1. International Standards and Treaties

The identification of activities and sectors takes into consideration of certain international standards, treaties and references, as well as the best practices of each industry. For more information, see [Annex I](#).

### 3.2. Listening to stakeholders

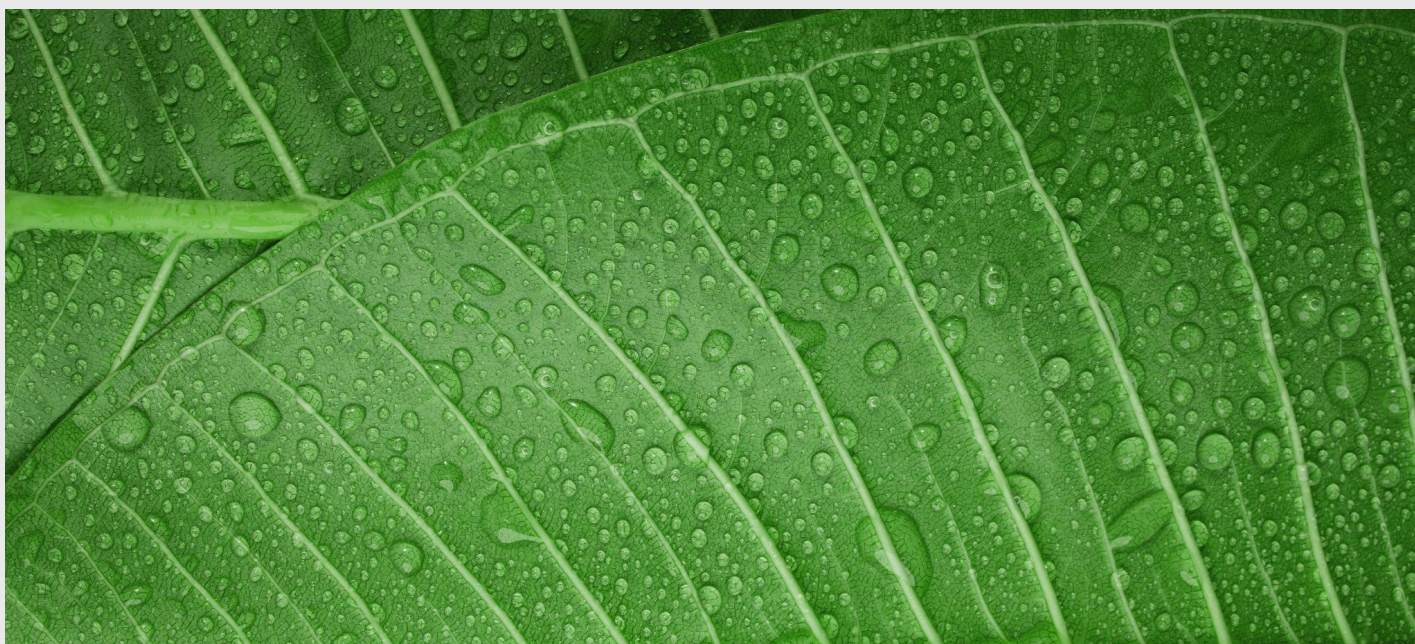
BBVA engages with different stakeholders to understand their expectations with regards to activities with high environmental and/or social impact, including sustainability analysts, institutional investors and organisations representing civil society.

It also monitors the expectations expressed by regulatory and supervisory bodies in terms of environmental and social risk management.

### 3.3. Coal phase-out target

BBVA has set itself the objective of eliminating its exposure to coal clients under the terms described in section 5.3 of this document. This objective has served as the basis for the identification of certain prohibited activities in the mining and energy sectors.

In addition to this coal phase-out target, BBVA is setting targets for the gradual decarbonisation of its credit portfolio in certain emission-intensive sectors, although these targets are currently outside the perimeter of this Framework.



## 4 Scope of application

### 4.1 Subjective scope of application

The Framework is applicable to the business units described in section 4.2. of the entities that are part of BBVA Group <sup>1</sup>.

### 4.2 Objective scope of application

#### A. Defence sector

The prohibited activities in this sector apply to the provision of financial services to clients in all segments that are considered defence and security companies (i.e. any company, institution, state agency or organisation involved in the manufacturing, marketing or maintenance of defence <sup>2</sup> and security material) and their transactions.

#### B. Mining, agribusiness, energy and infrastructure sectors

Prohibited activities and activities requiring special attention in these sectors, as applicable (except as provided for coal clients as regulated in section 5.3.), apply to the financing of new projects (project finance) <sup>3</sup> and financing <sup>4</sup> of Corporate & Investment Banking clients with active management <sup>5</sup> whose main activity is carried out in the sectors subject to the Framework, specifically:

**In mining:** clients who own mining assets that represent a significant part of their total assets and who are involved in the exploration, development or exploitation of those assets (insofar as they engage in a prohibited or special attention activity).



(1) BBVA Garanti has its own framework, published on its corporate website, which covers aspects related to the mining, agribusiness, energy and infrastructure sectors in terms similar to those provided for in this Framework. The provisions relating to the defence sector and the phase-out of coal provided for in this Framework are directly applicable to it.

(2) For clarification purposes, defence material includes not only weapons but also dual-use materials (for civilian use that can be applied to military use).

(3) Financing of projects under the scope of the [Equator Principles](#).

(4) Long-term corporate loans, structured finance, acquisition finance, bridge financing and bond underwriting.

(5) Large corporations with investment banking product needs that require the assignment of a relationship manager (according to segmentation based on business criteria, subject to periodic review).



**In agribusiness:** clients whose main source of income is soil cultivation, forest management, livestock and fishing (insofar as they engage in a prohibited activity or an activity requiring special attention). Included here are high-impact products such as palm oil, soy, cocoa, coffee, cotton, tobacco, beef, rubber, intensive aquaculture and forest products such as paper and paper pulp. The manufacturing or distribution of agricultural machinery, pesticides and fertilizers, the manufacture of processed food and beverages, and the distribution of food and beverages are not covered for the purposes of this Framework.

**In energy:** clients that hold energy assets that represent a significant part of their total assets and which explore, develop or exploit such assets (insofar as they engage in a prohibited activity or an activity requiring special attention). Energy assets include the exploration, production, transportation and refining of oil and gas, renewable energy projects (wind, solar, hydroelectric, biomass and biofuels), thermal power generation plants (combined cycle gas and coal-fired power plants), and electricity transmission and distribution.

**In infrastructure:** projects for the construction of transport infrastructure (motorways, ports, terminals, airports, metro, tram and railway), of environmental infrastructure (waste and water management -treatment, management and distribution-), of social infrastructure (educational and health) and of telecommunications infrastructure (cables and communication networks), insofar as the client engage in a prohibited activity.



## 5 Prohibited Activities

### 5.1. Activities common to all sectors covered by the Framework

If there is sufficient evidence<sup>6</sup> that a new client or new project subject to this Framework engages in any of the following "prohibited activities", such new client or new project will not be funded. In the event that any of the activities described in this section are detected in existing clients, the bank will activate client relationship management proposals that could even lead to the discontinuation of financing.

In general, BBVA establishes the following prohibited activities, common to all sectors covered by the Framework:

- Clients for whom BBVA has sufficient evidence that they are using child or forced labour, or participating in human trafficking, as these concepts are defined in ILO Conventions.
- Clients subject to financial sanctions from the European Union, the United States and the United Nations<sup>7</sup>.
- New projects involving resettlement or violation of the rights of indigenous or vulnerable groups without their free, prior and informed consent (FPIC).

- New projects that put UNESCO World Heritage Sites, Ramsar-listed wetlands, Zero Extinction Alliance sites, and International Union for Conservation of Nature Category I-IV areas at risk.

### 5.2. Defence activities

BBVA recognizes the right of countries to defend themselves and their citizens in a manner consistent with legitimate national security and defence strategies. However, if it has sufficient evidence<sup>8</sup> that a defence sector client or transaction subject to this Framework engages in any of the following "prohibited activities", BBVA shall not provide financial services to said client or shall not finance the transaction:

- Manufacturers or traders of controversial weapons<sup>9</sup> and their key components: anti-personnel mines, biological and chemical weapons, cluster weapons, depleted uranium and white phosphorus munitions and nuclear weapons (in the case of nuclear weapons, it shall apply in countries that have not signed the Non-Proliferation Treaty or are in breach of it).

(6) To this end, BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad-hoc internal analysis.

(7) International financial sanctions are coercive measures applied against States, jurisdictions or individuals that pose a threat to international peace and security. Chapter VII of the Charter of the United Nations provides the legal basis for the imposition of coercive measures within the United Nations. At the EU level, restrictive measures are a key tool of the Common Foreign and Security Policy (CFSP), including the defence of human rights, democratic values and the principles of international law as well as preserving peace and international security. The U.S. Department of the Treasury, through the Office of Foreign Assets Control (OFAC), imposes economic and trade sanctions in order to protect U.S. national security and foreign policy.

(8) To this end, BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad-hoc internal analysis.

(9) In defining controversial weapons (anti-personnel mines, biological weapons, chemical weapons, cluster weapons, nuclear weapons, depleted uranium munitions and white phosphorus munitions), BBVA applies the criteria of international conventions, set forth in Annex I of this document. In relation to depleted uranium and white phosphorus munitions, the definitions used by the independent external advisor that prepares defense exclusion lists for BBVA are taken into account, in the absence of international conventions and legal frameworks that regulate their use. Nuclear weapons are considered controversial because of their potential impact on civilians and their indiscriminate nature when used, but they are not prohibited by international law. The ownership, production, proliferation and use of nuclear weapons are strictly regulated and monitored through the Nuclear Non-Proliferation Treaty referred to in Annex I of this document. As part of this treaty, China, France, Russia, the United Kingdom and the United States may produce and possess nuclear weapons.

- Companies that sell arms to countries or groups subject to arms embargoes imposed by the United Nations, the European Union or the United States
- Arms trade operations to and from countries sanctioned by arms embargoes by the United Nations, the European Union and the United States
- Arms trade operations to and from countries with a high risk of human rights violations<sup>10</sup>
- Arms trade operations with intermediaries or where the end-user is not a public organization
- Arms export operations with companies that are not in possession of the relevant export licence

In the case of investment products, BBVA will not invest its own funds<sup>11</sup> or those of its clients<sup>12</sup> in the production or trade of controversial weapons nor directly in bonds issued by countries subject to arms embargoes imposed by the United Nations Security Council, the European Union or the United States. In the case of client funds, for investment in third-party funds with active management that are selected by BBVA's specialised unit, Quality Funds, BBVA shall verify throughout the analysis process that the third-party managers have policies on the exclusion of controversial weapons<sup>13</sup>, since their non-existence means that the fund cannot be recommended.

### 5.3. Thermal coal (mining and energy sectors)

BBVA targets zero exposure<sup>14</sup> to coal clients by 2030 in developed countries and by 2040 globally, through dialogue with said clients and active monitoring of their portfolio. In any case, BBVA will continue to support these clients with sustainable<sup>15</sup> use of proceeds products in order to help them in their transition.

Coal clients are defined as those with revenues greater than 5% coming from thermal coal mining for power generation, or clients with revenues derived from power generation with more than 5% of installed capacity for the generation of electric power from thermal coal. For these purposes, other indirect activities associated with the above, such as trading activity or auxiliary services for mining, would be excluded.

With the aim of gradually achieving the aforementioned target, BBVA will not award financing (not intended for sustainable purposes) to new coal clients with more than 25% of their revenues coming from thermal coal mining for energy generation or more than 25% of the installed capacity for the generation of electrical energy from thermal coal.

(10) An internal analysis is carried out to assess the characteristics of the deal in the context of the possible violation of human rights.

(11) In equity investments in which BBVA does not have decision-making capacity, there are mechanisms to protect BBVA's investment.

(12) There are certain exceptions, for example as a result of not having the decision-making power in terms of active management or specific portfolio composition. The Exclusion Norm by BBVA Asset Management, SA SGIIC is available on its corporate website.

(13) In the case of third-party managers, the definition of the controversial weapons may not be exactly the same as the definition in this Framework.

(14) The Non Performing Loans (Stage 3 exposures for the purposes of BBVA Group consolidated accounting according to rule IFRS9) are excluded from the calculation.

(15) Considered sustainable in accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.



## 5.4. Other sector-specific prohibited activities

If there is sufficient <sup>16</sup> evidence that a project subject to this Framework engages in any of the following prohibited activities, the project will not be directly funded.

### 5.4.1 Prohibited activities in the mining sector

- New coal mine projects or expansion of existing coal mines
- New projects with Mountaintop Removal (MTR) extraction methods
- New artisanal or informal mining projects
- New asbestos extraction, processing and marketing projects
- New mine projects with no site closure and reclamation plan
- New mine projects without an occupational health and safety management plan
- New mining projects with tailings dams not managed according to industry best practices
- New projects that dispose of tailings in coastal or shallow waters
- New seabed mine projects
- New mining projects in areas of armed conflict

### 5.4.2. Prohibited activities in the agribusiness sector

- New projects to burn natural ecosystems with the purpose of clearing land for the development of agricultural or livestock projects
- New projects to clear High Conservation Value and High Carbon Forests
- New projects in International Union for Conservation of Nature (IUCN's) Key Biodiversity Areas, Brazilian Amazon and Cerrado
- New first-generation biofuel production projects
- New projects for the use of substances prohibited by the Stockholm Convention, listed in Annex III of the Rotterdam Convention, WHO Class 1A or 1B or included in the SIN list
- New projects for palm oil operations that are not certified or are not in the process of being certified by the Roundtable for Sustainable Palm Oil (RSPO)
- New palm oil projects in swamps and peat-rich areas
- New projects for vessels operating with driftnets longer than 2.5 km or using driftnets intended for the capture of species listed in Annex VIII of EU Regulation 1239/98
- New deep sea bottom trawling projects (deeper than 600 m below sea level)

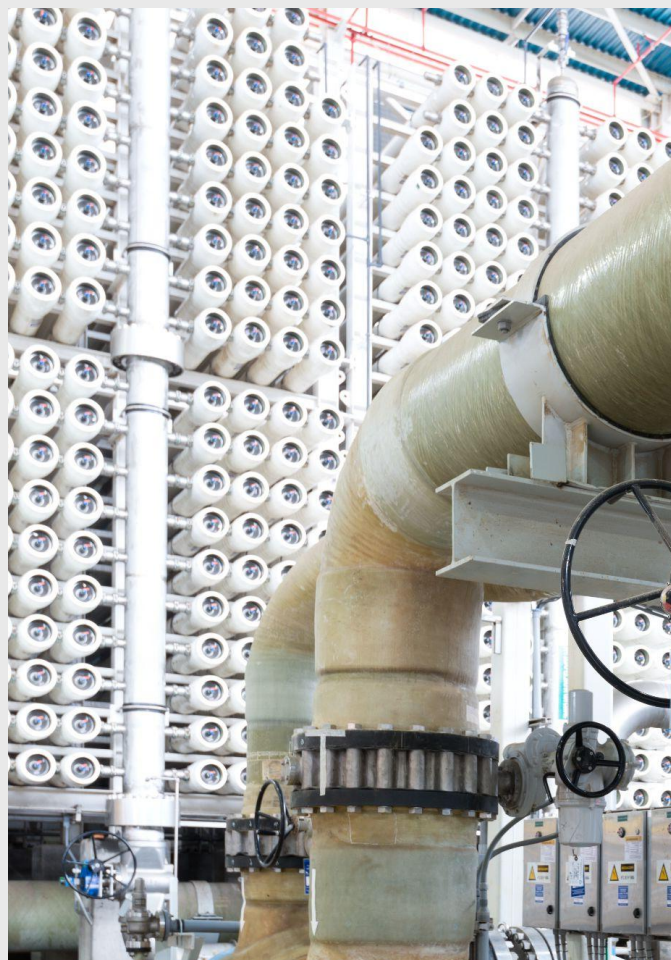
(16) To this end, BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad-hoc internal analysis.

### 5.4.3 Prohibited activities in the energy sector

- New coal-fired power plant projects and expansion of existing plants
- New projects or expansion of existing projects <sup>17</sup> of exploration, drilling and extraction (upstream) of oil and gas (conventional <sup>18</sup> and unconventional)
- New projects for Arctic <sup>19</sup> exploration, production and transport of oil and gas
- New oil sands exploration, production and transportation projects
- New projects for single-hull oil transport vessels
- New dam projects that are not built under the World Commission on Dams Framework
- New hydropower plant projects without adequate environmental and social risk management systems in relation to dam safety, environmental impact, labour regulations and population resettlement
- New oil and gas extraction projects in areas of armed conflict

### 5.4.4 Prohibited activities in the infrastructure sector

- New dam projects that do not conform to the World Commission on Dams (WCD) Framework
- New facility projects not compliant with the Hong Kong Ship Recycling Convention
- New desalination plant projects that lack adequate measures to mitigate the impact of brine removal and/or seawater extraction.



(17) Developments that were already considered in the Final Investment Decision (FID) of an existing project will not be considered project extensions..

(18) For these purposes, "unconventional" includes Arctic oil and gas projects, fracking, tar sands and ultra-deep water.

(19) Arctic has the meaning stated in the "[Arctic Council's Assessment and Monitoring Program \(AMAP\)](#)"

## 6 Activities that require special attention

If there is sufficient evidence<sup>20</sup> that a client subject to this Framework engages in any of the "activities that require special attention", BBVA shall assess the environmental and social impacts derived from the activity to be financed and shall initiate a plan for dialogue and support given to the client (or potential new client), which will include measures aimed at understanding and trying to correct the situation. This shall be followed up on, and may lead to discontinuing financing and/or the relationship with existing clients, or failure to initiate a relationship with potential new clients.

In general, BBVA establishes the following activity of special attention, common to all sectors covered by the Framework:

- Clients for whom BBVA has sufficient evidence that they incur in material violations of applicable human rights laws and regulations<sup>21</sup> (not included in the prohibited activities described above) or that are involved in human rights abuses, regardless of whether such involvement violates local legislation in each country.

In addition, BBVA establishes the following special attention activities depending on the sector to which clients belong:

### 6.1 Mining

- Producer clients for whom there is evidence of material controversies related to Mountaintop Removal mining (hereinafter, MTR)

- Clients for whom there is evidence of material controversies related to artisanal or small-scale mining

### 6.2 Agribusiness

- Clients for whom there is evidence of material controversies related to the production or trade of substances subject to international prohibitions
- Clients engaged in the production, processing and marketing of palm oil by companies that are not members or are not in the process of becoming members of the Roundtable for Sustainable Palm Oil (RSPO) or equivalent certifications
- Clients engaged in non-health-related animal testing, unless required by local law
- Clients for whom there is evidence of material controversies related to the production or trade of products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)

### 6.3 Energy

- Clients involved in the construction and operation of nuclear power plants or uranium enrichment facilities with sanctions from the United States Office of Foreign Assets Control (OFAC)
- Clients involved in tar sand exploration, drilling and extraction (upstream) activities

(20) To this end, BBVA relies on the assessment of an independent expert, which is complemented in certain cases by an ad-hoc internal analysis..

(21) Those laws and regulations that are taken into account at all times by the independent external analyst who supports the execution of the due diligence processes.



## 7 Governance and oversight model

This Framework has been prepared and coordinated by the Global Sustainability Area, and has been approved on May, 30th 2024 by the Global Head of CIB & Sustainability.

This version includes trends in sustainability, social and environmental risks, as well as the expectations of stakeholders at the time of its preparation. These aspects, along with industry best practices and standards, will be taken into account in their future reviews.

This version of the Framework shall apply from the date on the first page, without retroactive effect, until the date on which it is replaced, if applicable, by a later version. The data contained herein is subject to change without prior notice

At least annually, or upon the occurrence of any event that requires changes to this Framework, the Sustainability Standards Unit will review it and submit it to the Global Head of CIB & Sustainability.



## Annex I

# Reference Standards and Best Practices

## 1. Standards applicable to all sectors:

BBVA takes into consideration the following international standards and treaties in relation to all sectors covered by this Framework:

### In Human Rights:

- Universal Declaration of Human Rights
- International Labour Organization (ILO) Conventions
- United Nations Guiding Principles on Business and Human Rights
- United Nations Declaration on the Rights of Indigenous Peoples
- OECD Guidelines for Multinational Enterprises

### On environmental issues:

- Paris Agreement of the United Nations Framework Convention on Climate Change

- Carbon Disclosure Project (CDP)
- Recommendations of the Task Force on Climate-related Financial Disclosures
- Collective Commitment to Climate Action in the financial sector

### Other General Standards:

- United Nations Global Compact
- United Nations 2030 Agenda for the Sustainable Development Goals (SDGs)
- IFC Performance Standards and Environmental, Health and Safety Guidelines
- Equator Principles
- Principles for Responsible Investment (PRI)
- Principles for Responsible Banking promoted by UNEP-FI
- 2 Degrees Investing Initiative
- Science-Based Targets Initiative



## 2. Mining standards and industry best practices

BBVA takes into consideration, as best practices of the mining industry, international standards and treaties, such as:

- Sector-specific International Finance Corporation (IFC) environmental, health and safety guides
- Principles of the International Council on Mining and Metals (ICMM)
- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights (Voluntary Principles)
- International Labour Organization (ILO) in the C 176 Safety and Health in Mines Convention (1995)
- OECD Due Diligence Guidance for Responsible Supply Chains of minerals from Conflict- Affected and High-Risk Areas relative to tin, tantalum, tungsten, their ores and mineral derivatives and gold
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposals
- Kimberley Process Certification Scheme
- World Nuclear Association Sustaining Global Best Practices in Uranium Mining and Processing
- Minamata Convention on Mercury
- International Cyanide Management Code
- Initiative for Responsible Mining Assurance (IRMA)

## 3. Standards and Best Practices in Agriculture

BBVA takes into consideration, as best practices of the agriculture industry, international standards and treaties on agriculture such as:

- Sector-specific International Finance Corporation (IFC) environmental, health and safety guides
- Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (FAO, IFAD, UNCTAD and World Bank)
- The WWF 2050 Key Performance Criteria
- Convention on Biological Diversity (1992) and the Nagoya protocol (2010)
- Cartagena Protocol on Biosafety
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- FAO-OECD Guidance for Responsible Agricultural Supply Chains



- Assured Food Standards (AFS)
- Global Good Agricultural Practice (GAP)
- Sustainable Agriculture Practice Standard and Sustainable Agriculture Initiative Platform

### Palm oil

- Roundtable on Sustainable Palm Oil (RSPO)
- RSPO Principles and Criteria for Responsible Palm Oil Production

### Soybean

- Roundtable on Responsible Soy Association (RTRS)
- Basel Criteria for Responsible Soy Production
- CGF Sustainable Soy Sourcing Guidelines

### Coffee, Tea, Cocoa, Sugar, Cotton

- Common Code for the Coffee Community (4C)
- Tropical Commodities Coalition for Sustainable Tea Coffee and Cocoa (TCC)
- Ethical Tea Partnership (ETP)
- World Cocoa Foundation (WCF)
- Rainforest Alliance Sustainable Agriculture Standard (SAN)
- UTZ Certified
- Bonsucro
- Better Cotton Initiative

### Wood

- Forest Stewardship Council (FSC) Certification
- Programme for the Endorsement of Forest Certification (PEFC)
- FSC chain of custody certificate

### Tobacco

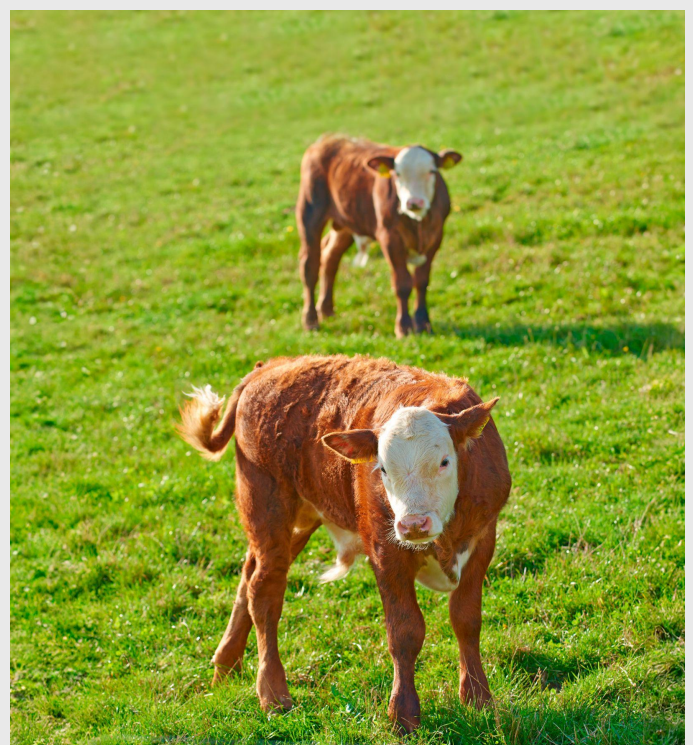
- Framework Convention on Tobacco Control by the World Health Organization (WHO)

### Aquaculture and Fisheries

- The FAO's Code of Conduct for Responsible Fisheries and Fisheries Management: The Ecosystem Approach to Fisheries, Technical Guidelines for Responsible Fisheries
- The Aquaculture Stewardship Council
- Voluntary guidelines on responsible governance of tenure of land, fisheries and forests (FAO, 2012)
- Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas (FAO)
- The UN Resolutions pertaining to sustainable fisheries (including ban of driftnets)
- Marine Stewardship Council (MSC) certifications

### Beef production

- The Global Roundtable for Sustainable Beef (GRSB)
- Standards Cattle Production System (SCPS)





## 4. Energy Standards & Best Practices

BBVA takes into consideration, as best practices of the energy industry, international standards and treaties such as:

- IFC Sector-Specific Environmental, Health and Safety Guides
- Extractive Industry Transparency Initiative (EITI)
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Petroleum Governance Initiative
- Global Gas Flaring Reduction Initiative
- Golden Rules of the International Energy Agency (IEA)
- The International Convention for the Prevention of Pollution from Ships (MARPOL)
- Oil Spill Response Project
- World Commission on Dams (WCD) Framework
- International Hydropower Association Sustainability Assessment Protocol
- Energy and Biodiversity Initiative (EBI)
- The Roundtable on Sustainable Biomaterials (RSB) Principles and Criteria



## 5. Infrastructure Standards and Best Practices

BBVA takes into consideration, as best practices of the infrastructure industry, international standards and treaties such as:

- Sector-specific International Finance Corporation (IFC) environmental, health and safety guides
- OECD Framework for better governance of infrastructures
- World Commission on Dams (WCD) Framework
- United Nations Environment Programme (UNEP) Dams and Development Project
- Building Research Establishment Environmental Assessment Method (BREEAM)
- Leadership in Energy and Environmental Design (LEED)
- The United Nations Model Recommendations on the Transport of Dangerous Goods

## 6. Defence standards and industry best practices

BBVA considers industry best practices, international standards and treaties such as:

- United Nations Arms Trade Treaty (2014)
- Nuclear Non-Proliferation Treaty (1970)
- Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases, and of Bacteriological Means (1925)
- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-personnel Mines and on Their Destruction (1997)
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on Their Destruction (1972)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993)
- Convention on Cluster Munitions (2008)
- Common Position 2008/944/CFSP (2008)





BBVA