BBVA’S SUSTAINABILITY STRATEGY

Building a greener and more inclusive future

November 2022
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The world is living in an age of unprecedented changes

- **Climate change**: Current climate trend (above pre-industrial levels)
  +3.0°C

- **Growing social inequalities**: Adults with no account, 2021
  1.4 Bn unbanked

- **Nature degradation**: Needed to satisfy 2050 consumption demands
  3 planets

(2) UN: “Goal 12: Ensure Sustainable Consumption and Production Patterns”, 2020.
Sustainability is at the core of BBVA's Strategy

OUR PURPOSE

To bring the age of opportunity to everyone

OUR SUSTAINABILITY STRATEGIC PRIORITY

Helping our clients transition towards a sustainable future

OUR SUSTAINABILITY STRATEGIC PLAN

Clear roadmap with 3 goals
Our ambition is to support business growth and manage our impacts, with 3 main goals and indicators.

Foster new business through sustainability

To channel sustainable business

NEW
BBVA’s 2025 Goal

€300 Bn
FROM 2018 TO 2025

Climate change & Inclusive growth

Achieve Net Zero 2050

2030 Portfolio Alignment Targets for 6 carbon intensive sectors

- O&G
- POWER
- COAL
- STEEL
- CEMENT
- AUTO

Working on the targets of more sectors

Decarbonization targets for Asset Management portfolio

Carbon Neutral in our own operations

100% RENEWABLE ENERGY USE BY 2030 IN OUR OWN OPERATIONS

Make a positive impact

Community investment

BBVA’s 2025 Community Commitment

€550 Mn
FROM 2021 TO 2025

¹ Announced goal in October 2022
We are bringing sustainable business to the next level

**Tripled** our sustainable business target

With a holistic approach that includes climate action, inclusive growth and all business segments

Sustainability is a growth lever: ~20% of sustainable business is incremental

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**Sustainable business breakdown**

- **BY PURPOSE**
  - 22% Inclusive Growth
  - 78% Climate Change

- **BY SEGMENT**
  - 65% CIB
  - 19% Enterprises
  - 11% Retail

- **BY PRODUCT**
  - 74% Loans
  - 17% Bonds
  - 5% Project finance
  - 5% SRI funds & other
  - 4% BBVA Microfinance Foundation

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1 Figures from 2018-3Q 2022

2 Figure not included in the breakdown by sectors of the following pages
## Working on **5 growth levers**

<table>
<thead>
<tr>
<th><strong>1</strong></th>
<th><strong>2</strong></th>
<th><strong>3</strong></th>
<th><strong>4</strong></th>
<th><strong>5</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Sectorial strategies for Corporate clients</strong></td>
<td><strong>Boost Enterprise business</strong></td>
<td><strong>Launching business big bets to fast-expand our retail business leveraging our digital edge</strong></td>
<td><strong>Financing new sustainable technologies, currently non-bankable under traditional financing structures</strong></td>
<td><strong>Developing best in class risk management capabilities in sustainability</strong></td>
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</tbody>
</table>

- Focusing on low carbon technologies and high emitting sectors leveraging advisory capabilities.
- Developing products with focus on 6 themes (Auto, Real Estate, Agriculture, Supply Chain, Power, Inclusive Growth) leveraging our know-how with Corporate clients.
- Creating an innovative and disruptive value proposition in specific verticals.
- Leading the financing of these technologies (Hydrogen, batteries, carbon capture, use and storages technologies ...).
- Achieving superior risk management capabilities are key elements to foster growth.
Sectorial strategies for Corporate clients

Focus on low carbon technologies and high emitting sectors...

Sectorial plans to proactively address portfolio alignment and climate transition (not business restrictive)

- **POWER**
  - Renewables

- **O&G**
  - Alternative feedstocks and scope 1&2 emissions

- **AUTOMOTIVE**
  - Fleet decarbonization and infrastructure for electric vehicles

- **INDUSTRY (STEEL, CEMENT...)**
  - Electrification and hydrogen for industrial heating

- **REAL ESTATE**
  - Energy efficiency / insulation and solar distributed generation

- **AGRICULTURE**
  - Agricultural innovation and decarbonization of on-farm energy

- **NEW TECHNOLOGIES**
  - Hydrogen, batteries and CCUs (Carbon Capture, Use and Storage)

- **SUPPLY CHAIN FINANCE**
  - Decarbonization financing of suppliers

...enhancing advisory capabilities to finance our clients’ transition strategies...

Growing advisory teams with focus on sustainability

Developing industry verticals teams, to increase knowledge specialization

Creating a Sustainability Network of expertise
Sectorial strategies for Corporate clients

Leveraging on our long standing innovation trajectory

2021
- 1st project finance for electric vehicles worldwide

2020
- 1st green CoCo bond by a financial institution worldwide

2019
- 1st structured green bond on DLT worldwide

2018
- 1st green buyers credit – ECA worldwide
- 1st syndicated green loan worldwide
- 1st green project finance worldwide
- 1st green hybrid bond emission worldwide

2017
- 1st Green bond worldwide

With good trends in sustainable business

CIB: Sustainable business channeled (2018-Sept. 2022)

€81Bn

+€26.1Bn
Boost **Enterprise business**

Developing standardized products on 6 themes, and leveraging on client’s efficiency goals...

...creating devoted teams in all geographies...

...developing new sustainable solutions for clients

- **POWER**
- **AUTOMOTIVE**
- **REAL ESTATE**
- **AGRICULTURE**
- **SUPPLY CHAIN**
- **INCLUSIVE GROWTH**

Specialized teams that leverage CIB experience and capabilities to capture business of enterprises clients stepping into transition projects

**Entreprises:** Sustainable business channeled (2018-Sept.2022)

€23.4Bn

World’s first bank to use data analytics to calculate companies’ carbon footprint
Launching business big bets to fast-expand our **Retail business** leveraging our digital edge

**Leveraging sustainable business and our digital transformation** (a win-win alliance) to expand our digital offer...

... while creating an innovative and disruptive value proposition in specific verticals

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**Digitalization**

1. **Boosts inclusiveness** for the underbanked,
2. Brings sustainable **services** to mass markets, and
3. Data analytics to **identify risks and opportunities**

**Created devoted** teams to develop new solutions

- **AUTO**
- **ENERGY EFFICIENCY**
- **VOLUNTARY CARBON MARKETS**

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**Retail: Sustainable business channeled (2018-Sept. 2022)**

- **€14.1Bn**
- **+€3.4Bn**

**BBVA**, the first Spanish bank to calculate the carbon footprint of its private customers in the APP
## Financing new sustainable technologies currently non-bankable under traditional financing structures

<table>
<thead>
<tr>
<th>WHY</th>
<th>HOW</th>
<th>WHAT WE ARE DOING</th>
</tr>
</thead>
</table>
| **Engagement** | 1. Leading the financing of new technologies (H2, batteries, CCUs...)  
Allowing BBVA to be a market reference in the ecosystem | Developing risk mitigation structures |
| **Knowledge** | 2. Participating in projects  
Capturing current window of opportunity | Defining a specific risk admission process and an investment ceiling |
| **Financial returns** | 3. Focused on RORC as the critical variable | |
Developing best in class risk management capabilities in sustainability

**STRATEGY**
Risk Appetite Framework

**INTERNAL TAXONOMY**
Transition Risks
Physical Risks

**CREDIT POLICIES**
Wholesale Credit Industry Frameworks
Retail Operating Frameworks

**CREDIT PROCESSES**
Onboarding
Client review
Loan approval

**MEASURE**
Financed carbon footprint

**TARGET SETTING**
Portfolio alignment

**MANAGEMENT TOOLS**
Transition Risk Indicator (TRI)
ESG non-financial risks Framework
Implementing portfolio alignment strategy and excelling in managing indirect emissions

<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>Mn T CO₂e</td>
<td>IEA Net Zero 2050</td>
<td>14(1)</td>
<td>N/A</td>
<td>-30%</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 CO₂/Tsteel</td>
<td>IEA Net Zero 2050</td>
<td>1170(2)</td>
<td></td>
<td>-23%</td>
</tr>
<tr>
<td>g CO₂/v-km</td>
<td>Aviation to be defined in 2022 and shipping in 2023</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Kg CO₂/Tcement</td>
<td>IEA Net Zero 2050</td>
<td>695</td>
<td></td>
<td>-17%</td>
</tr>
</tbody>
</table>

**Phase-out plan: 2030 for developed countries and 2040 globally**

<table>
<thead>
<tr>
<th>17.4 % of wholesale EAD (9 % of Group’s EAD)</th>
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<table>
<thead>
<tr>
<th>POWER</th>
<th>5.8%</th>
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<tbody>
<tr>
<td>O&amp;G</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 (Shipping &amp; Aviation)</td>
<td>0.9%</td>
</tr>
<tr>
<td>CEMENT</td>
<td>0.6%</td>
</tr>
<tr>
<td>COAL</td>
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</table>

Fostering sustainable business and client transition rather than imposing broad restrictions...

... through a new business origination model to capture the dynamic nature of our clients’ strategies through forward-looking approaches.
Developing specific tools to assess clients transition that are integrated in credit policies

The Transition Risk Indicator is a combination of 2 metrics...

- **20% climate change awareness (CCA)**
  - 25% Metrics & Targets
  - 25% Governance model
  - 25% Risk Management
  - 25% Strategy

- **80% carbon transition assessment (CTA)**
  - 25% Exposure to medium - term technology / policy / market risk
  - 40% Medium term response activities
  - 35% Current low carbon transition business profile

...that combined with the credit policies provides a holistic assessment of the transition of each client.

<table>
<thead>
<tr>
<th>Transition Risk Indicator</th>
<th>Potential increase in share of business with top rated clients</th>
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<tbody>
<tr>
<td><strong>Intrinsic credit rating pre-sovereign cap</strong></td>
<td></td>
</tr>
<tr>
<td><strong>ADVANCED</strong></td>
<td></td>
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<tr>
<td><strong>STRONG</strong></td>
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<tr>
<td><strong>MODERATE</strong></td>
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<tr>
<td><strong>POOR</strong></td>
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<tr>
<td>Engagement plan</td>
<td></td>
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<td>Risk mitigation initiatives</td>
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The Transition Risk Indicator is a combination of 2 metrics...
Making a positive impact on the society with integrity as our distinctive mark

Impact on society...

€550 Mn investment in the community

100 Mn people reached

As of Dec 21

€106.3 mill invested

44.2 mill reached

1st private organization contributing in the development assistance for gender

2nd largest philanthropic initiative globally

1st in LatAm, according to OECD for the third consecutive year in 2022

...through our activity

Promoting a relationship with customers based on transparency and responsibility

Engaging our employees with a values-driven organization that enrich talent with a diverse and inclusive team

Decarbonization of our operations by reducing the environmental footprint and offsetting emissions

...with a strong corporate governance...

A solid and effective Corporate Governance System at Board level

A Global Sustainability Area at management level that has a business oriented focus at the top of the organization

NEW 2024 TARGET

35% women in management positions

...and committed to transparency

Best in class reporting. Third TCFD issued
BBVA is rewarded internationally for its sustainability focus

**SUSTAINABILITY AWARDS**

- **Best Private Bank for Sustainable Investing** (2023)
- **Best Bank for Sustainable Finance in Perú** (2022)
- **Best Investment Bank for Sustainable Financing Worldwide** (2021)
- **Gallup Exceptional Workplace Award** (2021)
- **Best Bank in Turkey in sustainable finance** (2020)
- **Latin America’s Best Bank for Sustainable Finance** (2020 & 2019)
- **Best Investment Bank for Sustainable Finance in Europe and Latin America** (2020)
- **Euromoney Top 3 - Best global bank in D&I** (2021)
- **FT leading diversity company** (2021)
- **Sustainability linked loan Deal of the year** (2020)
- **UN Women case study on BBVA’s “Work Better Enjoy Life” successful program** (2020)

**SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED**

- **1st European Bank**
- **Gender - Equality Index Score 82.42/100**
- **Eurozone 120 Score 57/100**
- **MSCI AAA rating**
- **Score B**
- **Score 4.6/5**
thank you