

2025 Pledge

BBVA strategy on climate change and sustainable development



Banks play a key role in the fight against climate change and the achievement of the UN Sustainable Development Goals, thanks to their unique position to mobilize capital through investments, loans and advisory services.

In 2007, BBVA participated in the world's first green bond issue. Today, more than ever, the world needs to work collectively and tackle these challenges, which will determine the opportunities for future generations.

BBVA's purpose is to bring the age of opportunity to everyone. First, by offering innovative solutions to its customers to help them transition towards a low-carbon economy and promoting sustainable finance. Second, by systematically incorporating social and environmental risks into decision-making processes.

The 2025 Pledge is the climate change and sustainable development strategy that defines BBVA's ambition and roadmap.

The environmental and social challenges of this new era

Global agenda

Sustainable Development Goals 2030 (SDGs)

Paris Agreement

COP21 - CMP11
PARIS 2015
UN CLIMATE CHANGE CONFERENCE

Investors

1,750
Institutional investors

USD 70 trillion
Assets under management

Principles for Responsible Investment

Market

USD 12 Trillion
Annual market linked to SDGs in 2030¹

USD 5-7 Trillion
Expected annual investment till 2030, 70% in emerging markets²

(1) Business & Sustainable Development Commission
(2) The Brookings Institution

Supervisors & Regulators

Recommendations
on climate-related financial disclosures

Action Plan
on financing sustainable growth

Central Banks & Supervisors Network
for Greening the Financial System

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

European Commission

NGFS
Network for Greening the Financial System

Our purpose

To finance

€100 Billion mobilized for sustainable finance 2018-2025

- Transition to a low carbon economy
- Financial inclusion & entrepreneurship
- Infrastructures & agribusiness

To manage

70% renewable energy & **68%** reduction in emissions

- First global bank to report carbon-related assets
- New sector norms in mining, energy, infrastructure & agribusiness

To engage

- Active collaboration** with all stakeholders and commitment with main global initiatives promoting sustainable finance
- TCFD recommendations implemented in 2020
- Education & financial education



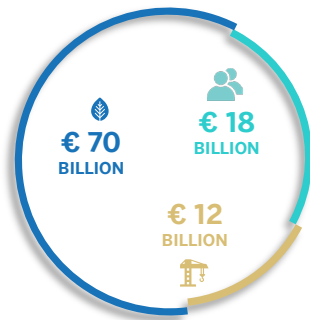
TO FINANCE

We will help to create the scale of capital mobilization to halt global climate change & attain the UN Sustainable Development Goals

A €100 Billion mobilization between 2018 and 2025

Transition to a low carbon economy

- Green lending to companies & institutions
- Green bonds intermediated as bookrunner
- Energy efficiency, water & waste management & solutions for SMEs & individuals
- Green investment funds & equity



Financial inclusion & entrepreneurship

- Lending to underserved
- Lending to vulnerable microentrepreneurs
- Lending to women entrepreneurs
- New digital business
- Impact investment



Sustainable infrastructures & agribusiness

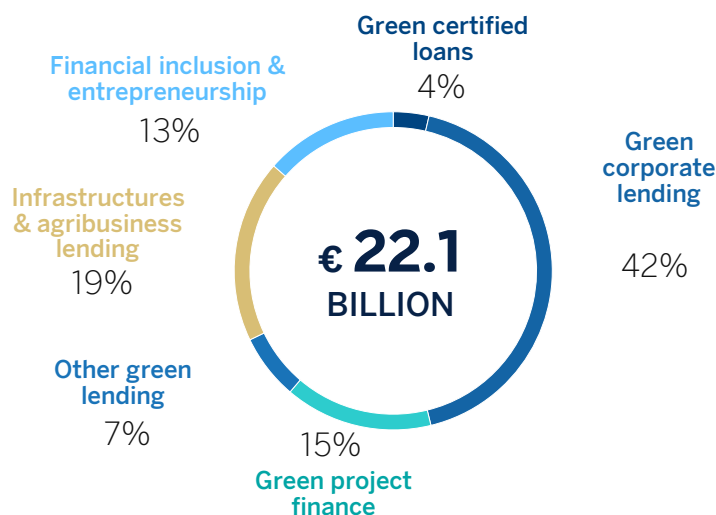


- Project & corporate lending in education, health & affordable housing
- Social bonds intermediated as bookrunner
- Social investment funds & equity
- Agribusiness lending under sustainability criteria

Current exposure on sustainable finance

Credit exposure

December 2017



Sustainable bonds

2017

Sustainable bonds intermediated

€ 10.6 BILLION

€ 1.5 BILLION as bookrunner

Taxonomy based on the Green Bond Principles and the Social Bond Principles

BBVA SDGs Bonds Framework

BBVA's SDGs Bond Framework follows the ICMA Green Bond Principles (GBP), Social Bond Principles (SBP) and Sustainable Bond Guidelines which have four requirements

Environmental



Social

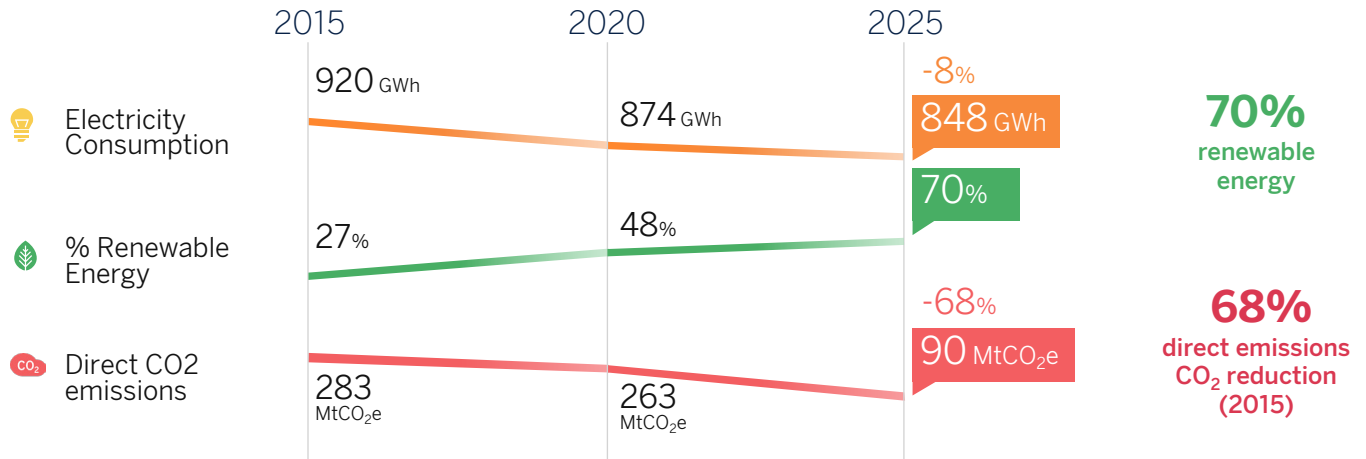




TO MANAGE

We will manage our environmental & social risks to minimize potential negative direct & indirect impacts

Environmental direct impacts targets 2025



Transparency in carbon-related assets

Carbon-related assets exposure¹

December 2017

€23,370

Million

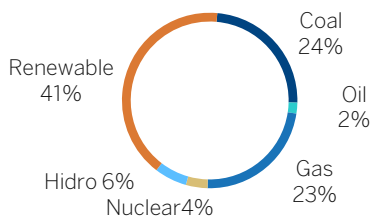
3.4%

of total assets

	Utilities	Oil & Gas	Coal Mining	Total
Corporate lending	8,187	12,050	133	20,370
Project finance	416	767	0	1,183
Structured Trade Finance	319	1,473	0	1,792
Equity	0	25	0	25
Total exposure to carbon-related assets	8,922	14,315	133	23,370

Mix in power generation for clients utilities

December 2017



% carbon-related²



1) Includes assets linked to utilities and energy generation based on fossil fuels (coal, oil & gas)

2) Peers BNP Paribas, Societ  G n rale. Source data World 2014: International Energy Agency

Sector norms

Integration of Commitment

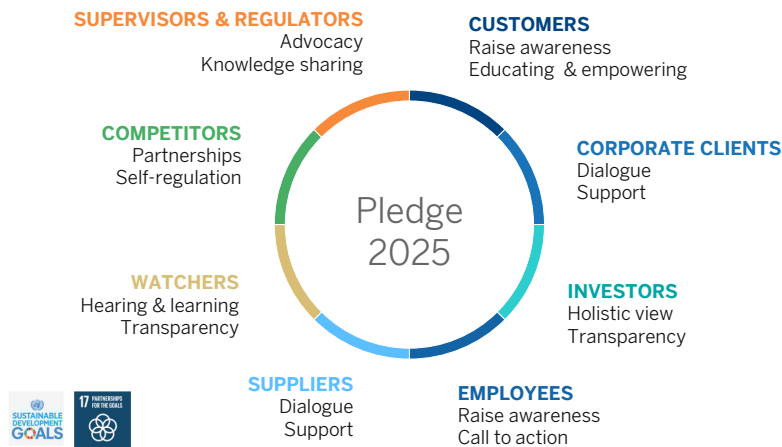
- To human rights
- To the environment





TO ENGAGE

We will engage with all our stakeholders to collectively promote the contribution of financial industry to sustainable development



Implementation road map of the TCFD recommendations on climate change

Area	Recommendations	Done	Plan 2018
GOVERNANCE	Describe the board's oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> Included in the CSR Policy approved by the Board of Directors Board of Directors' oversight (3 times in last 12 months) 	<ul style="list-style-type: none"> Reporting to the Board of Directors and to the Board Executive Committee
	Describe management's role assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> Plans & norms approved and oversights by the CEO Global Leadership Team & Sustainable Finance Working Group as forums to help decision-making Responsible Business as specialist function coordinating implementation & monitoring 	<ul style="list-style-type: none"> Reporting to the Global Leadership Team meeting
STRATEGY	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	<ul style="list-style-type: none"> Quantify credit exposure to carbon-related assets & mix energy generation in utilities 	<ul style="list-style-type: none"> Update risks and opportunities definition that are material for BBVA
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	<ul style="list-style-type: none"> Pledge 2025. Strategy on climate change and sustainable development Product portfolio defined at CIB 	<ul style="list-style-type: none"> Strategy implications assessment Retail business opportunities
	Describe the resilience of the organization's strategy, taking into consideration different scenarios , including a 2°C or lower scenario		<ul style="list-style-type: none"> Participation in pilot group with UNEP FI First impact assessment on credit portfolios
RISK MANAGEMENT	Describe the organization's processes for identifying and assessing climate-related risks		<ul style="list-style-type: none"> Formalize process
	Describe the organization's processes for managing climate-related risks	<ul style="list-style-type: none"> New sector norms approved by the CEO Equator Principles implemented Due diligence processes in clients, transactions & products defined 	<ul style="list-style-type: none"> Sector norms & due diligence processes implementation
	Describe how processes for identifying, assessing & managing these risks are integrated into the organization's overall risk management		<ul style="list-style-type: none"> Integration as emerging risk
METRICS & TARGETS	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> Quantify credit exposure to carbon-related assets & mix energy generation in utilities Renewable energy 	
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions	<ul style="list-style-type: none"> Emissions reported Scope 1, Scope 2 Committed with Science Based Targets Initiative 	<ul style="list-style-type: none"> Wider disclosure on Scope 3 for carbon-related clients
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> Mobilize €100 Billion 2018-2025. Renewable energy 70% and 68% reduction in direct GHG emissions. 100% renewable energy in 2030 Current exposure in sustainable finance 	<ul style="list-style-type: none"> Annual report verified by third party about Pledge 2025 performance