



*BBVA Sustainable Finance Forum*

**Opening speech**

**Madrid, May 9, 2018**

**Francisco González**  
Group Executive Chairman

Vice-president of the Government, authorities, panelists, ladies and gentlemen, good morning and welcome to Ciudad BBVA.

It is an honor to be here today opening the first BBVA Sustainable Finance Forum, a meeting point where businesses and institutions come together to promote sustainable development and fight against climate change.

I would like to share with you a brief overview of (1) our vision about the world we live in, (2) some key milestones that are redefining the social role of banks and (3) BBVA's ambitious response to face this reality.

Our vision about the world we live in is marked by a sense of urgency, but also by a sense of opportunity.

The burden of responsibility to lie on our hands is unprecedented. As Ban Ki Moon, former Secretary-General of the United Nations once said: "We Are the First Generation that Can End Poverty, the Last that Can End Climate Change."

This new age is marked by huge environmental, social and technological challenges.

In 2017, average global temperatures were 1.1 degrees Celsius higher than pre-industrial levels. According to the World Weather Organization, the five-year average 2013-2017 was the hottest on record.

Atmospheric CO2 concentrations over the last 800,000 years have naturally ranged between 180 and 280 parts per million (ppm). The current CO2 concentration - 400 ppm - greatly exceeds the natural variability observed over hundreds of thousands of years.

Simultaneously, according to German reinsurer Munich Re, the combined economic impact of climate-related catastrophes in 2017 was the highest ever, \$320 billion.

And this impact is felt more acutely by more vulnerable nations. According to the International Monetary Fund, the 1°C increase will severely undercut economic growth rates in many lower-income countries.

We are also facing huge social challenges.

The world has progressed more than ever. People are healthier, better educated, more peaceful and have a better financial position, more freedom, and more opportunities than ever.

Nonetheless, we are still facing enormous challenges. According to the Social Progress Index prepared by Harvard & MIT, if only 100 people lived in the world, 11 would be undernourished, 14 wouldn't have access to a bathroom, 18 wouldn't have

electricity, only 86 would know how to read and write and 35 would not have a mobile phone.

According to the World Bank, about 2.5 billion people do not use formal banking services and 75 percent of the population in a situation of poverty do not have a bank account. Financial inclusion is key to reducing poverty and nurturing prosperity.

On the other hand, thanks to technology, never before have so many people across the world had access to so many opportunities. We live in the age of opportunity thanks to technologies such as Big Data, Artificial Intelligence, the Internet of Things, Biotechnology, Blockchain or augmented reality, among other.

Technology empowers and connects people and allows us to share knowledge. In other words, technology democratizes progress and well-being.

In this age, which we have dubbed “The age of perplexity” in the latest book of our OpenMind series, we have the opportunity to rethink the world, tackling these great environmental and social challenges in new ways and adopting an exponential, instead of sequential, change model.

In this new age, there are four milestones that herald a “tipping point” that also affects banking and its social purpose.

In first place, the global agenda, with standouts such as the Paris Agreement on climate change and the UN Sustainable Development Goals.

These 17 sustainable development global goals are broken down into 169 indicators for 2030, covering many of our world’s main sustainability issues, such as poverty and hunger, health and education, gender equality, innovation and infrastructures, sustainable cities, fighting climate change, etc. An ambitious agenda that will only be fulfilled if not only States, but also companies, commit to it.

In second place, the tremendous market opportunity generated by these Sustainable Development Goals. A market that is expected to be worth \$12 trillion by 2030 and which will require an annual investment of between \$5 and \$7 trillion in new infrastructures alone, 70% in emerging markets.

Third, increasing pressure by institutional investors, which increasingly demand information on how companies integrate environmental and social aspects into their operations, as well as a long term vision.

And finally, regulation and soft-regulation. Let me mention some of the most relevant initiatives.

In first place, the recommendations issued by the Task force on Climate-Related Financial Disclosures promoted by the Financial Stability Board. Over 250 companies with a combined market cap of \$6.3 trillion have already committed to the SDG, including financial institutions worth \$81 trillion of assets under management.

Also, the work promoted by UNEP FI, the United Nations Environmental Program for Financial Institutions together with a pilot group of 16 sustainable banks, in which BBVA participates, to develop an open methodology to help implement said recommendations.

On the other hand, the European Commission recently unveiled an Action Plan on sustainable finance outlining the roadmap for the next two years, through 3 priorities: mobilizing capital to drive sustainable development, managing environmental and social risks and strengthening the financial sector's transparency and long-term vision.

It is also relevant to create the International Network of Central Banks and Supervisors for Greening the Financial System.

In Spain, we expect the Act on Climate Change and Energy Transition to be passed soon, setting the level of ambition that our country needs.

And what social role must banks play in this new era?

We need to reimagine the role of banking. Banks need to redefine their purpose. A purpose that is as transformational as massive, aimed at having a positive impact on people's lives.

We need to build balanced long-term relationships with our customers and other stakeholders, based on extreme transparency and avoiding conflicts of interest.

Banks need to harness the possibilities enabled by new technologies to offer universal access to financial services, help people make the best financial decisions and promote their financial health.

Banks need to help customers drive sustainable development and transition towards a low-carbon economy.

At BBVA, we want to be the catalysts of this change. That is why we are proud to be part of the initiative promoted by the UN to define a set of Responsible Banking or Sustainable Banking principles.

An initiative in which 24 banks from five continents are working, in line with the Responsible Investment Principles for investors of the "Sustainable Insurance Principles" for insurance companies created a few years ago.

These Responsible Banking Principles, which we expect to be able to announce by year end, will define the standards and the accountability model of this new banking sector.

This takes me to the third part of my speech: Our experience at BBVA. Our company has already built an extensive track record of involvement in solving environmental and social challenges.

In 2007 we participated in issue of the world's first green bond. In recent years we have kept building our skills, developing innovative solutions in sustainable finance for our customers. In 2017 we were the leading green bond issuing bank in Spain, taking part as bookrunner in 11 issues totaling €10.65 billion.

Just a few days ago, BBVA completed the first green bond issue by a Spanish bank, which was met with huge interest by investors. The €1 billion issue was the largest-ever green bond issue in the Eurozone by a financial institution.

Thanks to collaboration with our customers, we've been pioneers at world level in green bonds and we ended 2017 as the most active institution worldwide.

BBVA is also a global leader in the field of financial inclusion through the BBVA Microfinance Foundation, which from 2007 has originated over \$11 billion in microcredits, supporting more than 1.9 million microentrepreneurs in Latin America.

And finally, the BBVA Foundation is highly committed to contributing to expand knowledge about climate change, biodiversity or cooperation. Each year, the BBVA Foundation recognizes the efforts by organizations and researchers with its Frontiers of Knowledge awards - Climate Change category - and the Awards for Biodiversity Conservation.

However, we want to go beyond and in March this year we announced our "Pledge 2025," our climate change and sustainable development strategy.

BBVA's purpose is to bring the age of opportunity to everyone. A strategy that is built on three pillars: finance, manage and engage.

First: Finance. Helping create a level of capital mobilization that contributes to slow down climate change and achieve the United Nations Sustainable Development Goals.

Our commitment is to support our customers and mobilize, between 2018 and 2025 a total of €100 billion in green finance, sustainable infrastructures, entrepreneurship and financial inclusion.

One of the key components of this mobilization is the Group's recently published Sustainable Bond Framework, aligned with the United Nations Sustainable Development Goals. Indeed, BBVA issued the aforementioned green bond in accordance with this new framework, which was the institution's first ever and totaled €1 billion.

Second: Manage. Our commitment is to mitigate environmental and social risks to minimize their negative direct and indirect impacts. We are the first Spanish bank to adhere to the Science Based Targets Initiative, which establishes the required emission levels to limit the global temperature rise through 2050 at 2° Celsius.

Also, we've committed to inform about our exposure to fossil fuels, to source 70% of our power consumption from renewable sources, and to reduce our carbon emissions by 68% from our 2015 levels.

Third: Engage. We will engage with all our stakeholders, customers, employees, investors, the industry at large, regulators and society at large to collectively boost the financial sector's contribution to sustainable development.

The BBVA Sustainable Finance Forum that we are hosting today here is a good example of our commitment to get everyone involved in this daunting collective task.

Finally, I don't want to finish without thanking you all for your attendance. Especially those who will be joining us in the different panels.

And I want to extend my special gratitude, in the name of BBVA and of all attendees, to the Vice-president of the Government, Mrs. Sáenz de Santamaría, whose presence bears witness to how crucial these issues are to the Government of Spain.

We all, public institutions and the private sector, need to come together to take on this major challenge we are facing.

We all we all strive to ensure that the organizations we lead connect with the real needs of people and society as a whole. This is our responsibility to future generations.

Thank you very much.