



Creating Opportunities

## BBVA'S SUSTAINABILITY STRATEGY

# Building a greener and more inclusive **future**

October 2022



# The world is living in an age of **unprecedented changes**



 Climate  
change

**+3.0°C**

Current climate trend  
(above pre-industrial levels)

 Growing  
social inequalities

**1.4 Bn unbanked**

Adults with no account, 2021<sup>(1)</sup>

 Nature  
degradation

**3 planets**

Needed to satisfy 2050  
consumption demands<sup>(2)</sup>

(1) The Global Findex Database 2021, Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. World Bank Group

(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 financing

**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

Carbon Neutral since 2020  
in our own operations

100% RENEWABLE ENERGY USE BY  
2030 IN OUR OWN OPERATIONS



Make a positive impact

Community investment

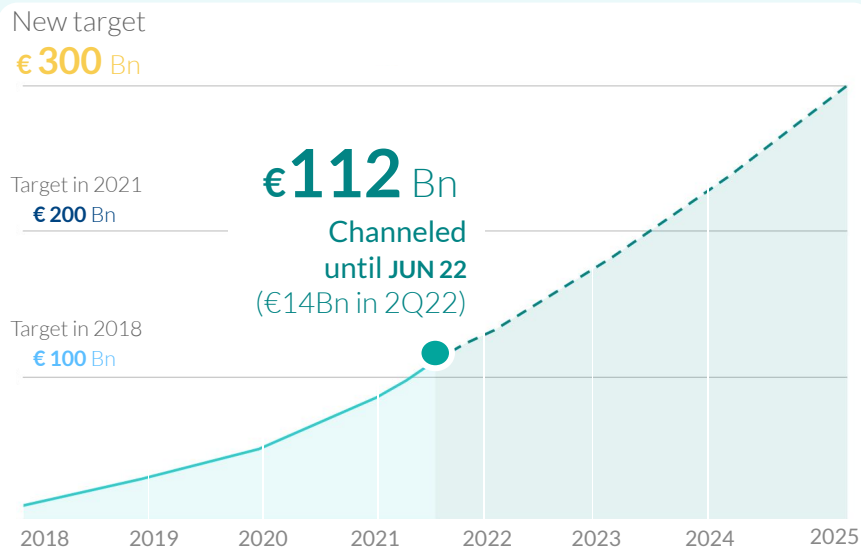
BBVA's 2025 Community Commitment

€550 Mn

FROM 2021 TO 2025

# We are bringing sustainable financing **to the next level**

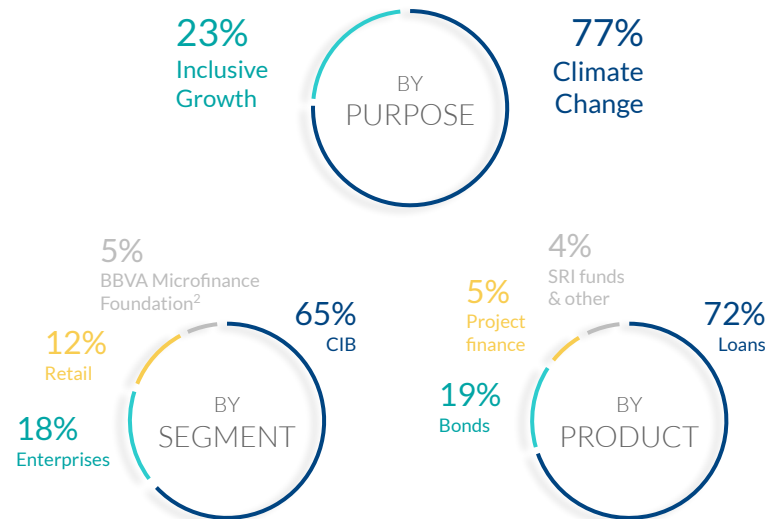
## Tripled our sustainable financing target



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

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

## Sustainable financing breakdown<sup>1</sup>



<sup>1</sup>Figures from 2018- 2Q 2022

<sup>2</sup>Figure not included in the breakdown by sectors of the following pages

# Working on 5 growth levers

1

## Sectorial strategies for Corporate clients

Focusing on low carbon technologies and high emitting sectors **leveraging advisory capabilities**

2

## Boost Enterprise business

Developing products with focus on 6 themes (Auto, Real Estate, Agriculture, Supply Chain, Power, Inclusive Growth) **leveraging our know-how with Corporate clients**

3

**Launching business big bets to fast-expand** our retail business leveraging our digital edge

Creating an **innovative and disruptive value proposition** in specific verticals

4

**Financing new sustainable technologies**, currently non-bankable under traditional financing structures

**Leading the financing of these technologies** (Hydrogen, batteries, carbon capture, use and storages technologies ...)

5

**Developing best in class risk management capabilities** in sustainability









Achieving superior risk management capabilities are **key elements to foster growth**



# 1 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**

# 1 Sectorial strategies for **Corporate clients**

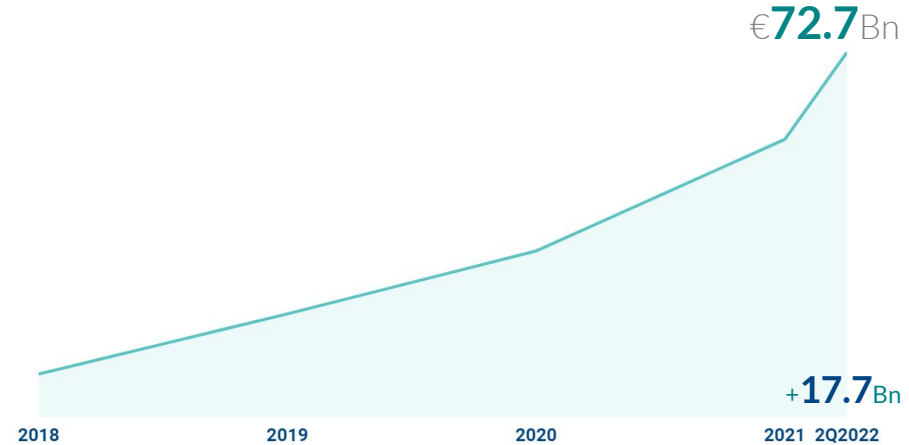
## Leveraging on our long standing innovation trajectory



## With good trends in sustainable financing

### CIB: Sustainable finance channeled (2018-Jun'22)

€Bn





## 2 Boost Enterprise business

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



POWER



AUTOMOTIVE



REAL ESTATE



AGRICULTURE



SUPPLY CHAIN



INCLUSIVE GROWTH

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

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

**Enterprises:** Sustainable finance  
channeled (2018-Jun'22)



...developing new sustainable  
solutions for clients



ENERGY EFFICIENCY  
ADVISORY



World's first bank to use data  
analytics to calculate  
companies' carbon footprint

3

# Launching business big bets to fast-expand our **Retail business** leveraging our digital edge

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

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

## Digitalization

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



BBVA, the first Spanish bank to calculate the carbon footprint of its private customers in the APP

## Created devoted teams to develop new solutions



AUTO



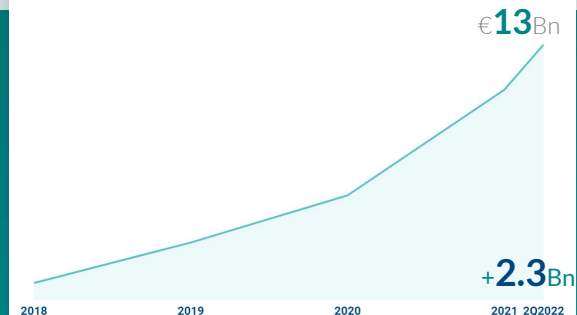
ENERGY EFFICIENCY



VOLUNTARY CARBON MARKETS

## Retail: Sustainable finance channeled (2018-Jun'22)

€Bn



4

# Financing new sustainable technologies currently non-bankable under traditional financing structures

## WHY



### Engagement

## HOW

1

### Leading the financing of new technologies

(H2, batteries, CCUs...)

Allowing BBVA to be a market reference in the ecosystem

## WHAT WE ARE DOING

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

# 5 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



## TOOLS

### MEASURE

Financed carbon footprint

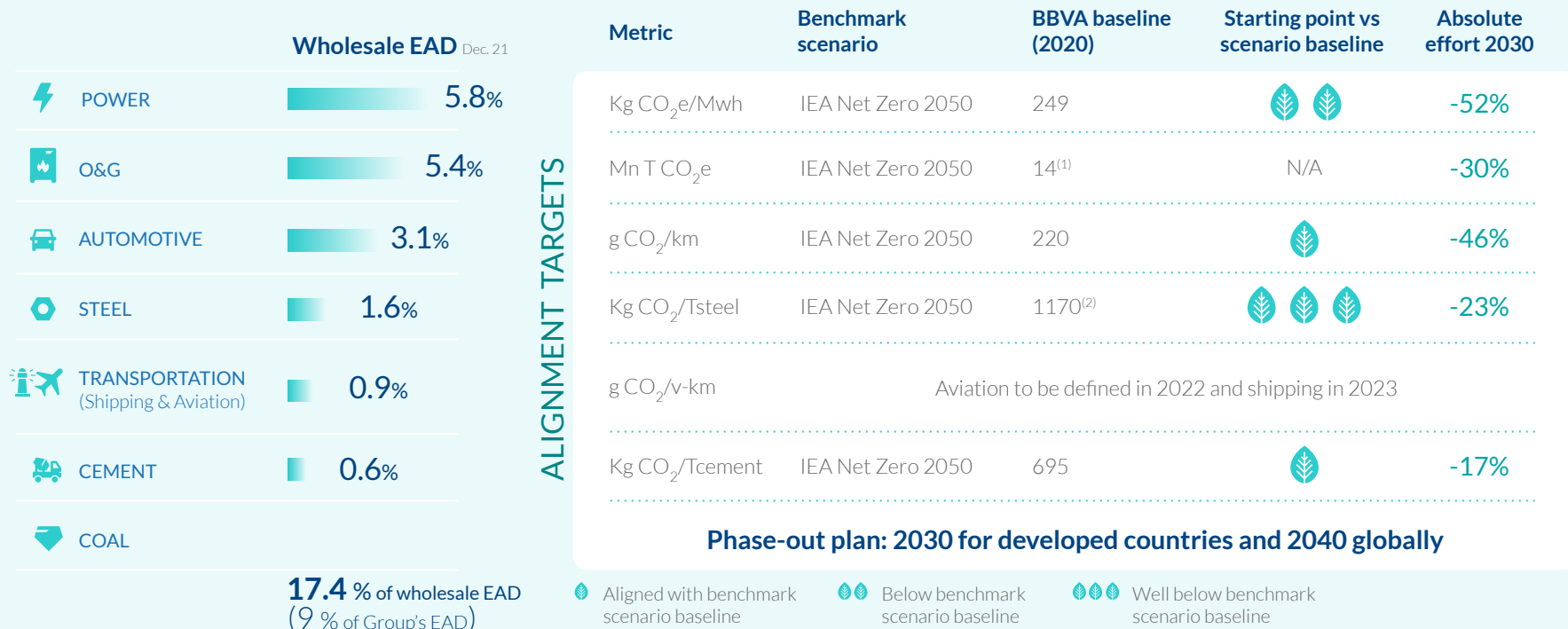
### TARGET SETTING

Portfolio alignment

### MANAGEMENT TOOLS

Transition Risk Indicator (TRI)  
ESG non-financial risks Framework

# Implementing portfolio alignment strategy and excelling in managing indirect emissions



(1) BBVA base year 2021 for O&G

(2) Data quality improvements reflected in the starting point and in the targets, maintaining the % reduction effort defined in 2021.

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%  
Risk  
Management

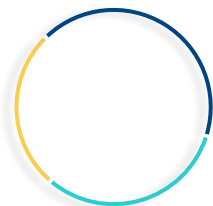


25%  
Governance  
model

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

AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC

Intrinsic credit rating pre-sovereign cap

Transition Risk Indicator

ADVANCED

Potential increase in share of business with top rated clients

STRONG

MODERATE

Qualitative assessment for the decision making process

POOR

Engagement plan

Risk mitigation initiatives

# 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

 Fundación  
**BBVA** Microfinanzas

 **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

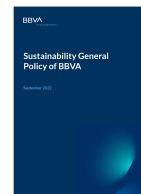
**NEW 2024 TARGET**  
**35%** women in management  
positions

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



## ...and committed to transparency

Best in class reporting.  
**Third TCFD issued**



# BBVA is rewarded internationally for its sustainability focus

## SUSTAINABILITY AWARDS



Best Bank for Sustainable Finance in Perú (2022)



Best Investment Bank for Sustainable Financing Worldwide (2021)



Best Investment Bank for Sustainable Financing in Latin America and Western Europe (2020)



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)



Best Sustainable Bank in Spain (2020)



## SUSTAINABILITY INDICES ON WHICH BBVA IS LISTED

Member of

**Dow Jones Sustainability Indices**

Powered by the S&P Global CSA

1st Worldwide Bank



Gender - Equality Index  
Score 82.42/100



Eurozone 120  
Score 57/100



AAA rating



Score B



FTSE4Good

Score 4.6/5



The background is a solid teal color. Scattered across the entire surface are numerous small, green, oval-shaped leaves. Each leaf has a slight shadow beneath it, giving the impression of being placed on the surface. The leaves are oriented in various directions, some pointing towards the top, some towards the bottom, and some horizontally.

thank you