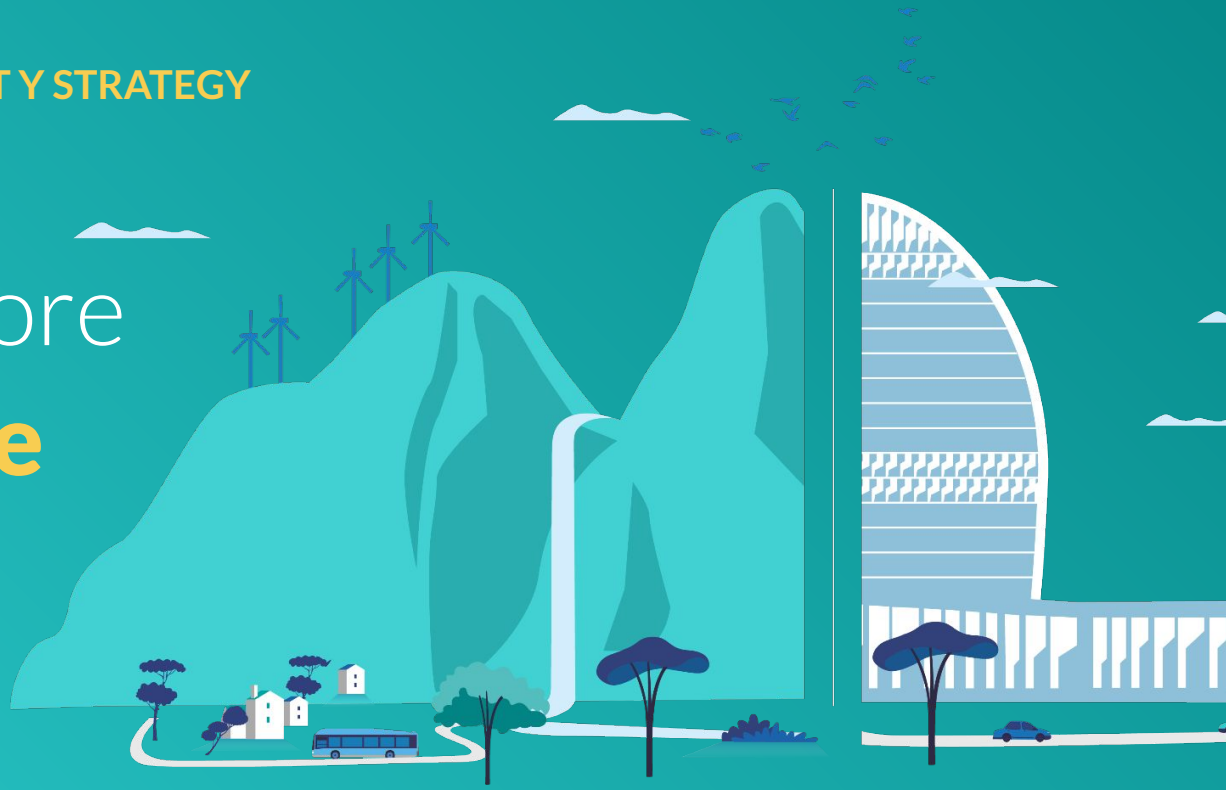
BBVA

Creating Opportunities

BBVA'S SUSTAINABILITY STRATEGY

Building a greener and more inclusive **future**

2023 June



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

Climate change

+2.3-2.7ºC

Current climate trend (above pre-industrial levels)[1]

Growing social inequalities

1.4 Bn unbanked

Adults with no account, 2021[2]

Nature degradation

3 planets

Needed to satisfy 2050 consumption demands[3]

[1] IPCC, 2022: Climate Change 2022: Impacts, Adaptation and Vulnerability
[2] The Global Findex Database 2021, Financial Inclusion, Digital Payments, and Resilience in the Age of COVID-19. World Bank Group
[3] UN: "Goal 12: Ensure Sustainable Consumption and Production Patterns", 2020.

Sustainability is at **the core of BBVA's Strategy**

OUR STRATEGIC PRIORITY

Helping our clients transition towards a **sustainable future**

OUR PURPOSE

To bring the age of opportunity to everyone

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

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

OIL & GAS · POWER GENERATION · AUTO · STEEL · CEMENT · COAL

Working on the targets of more sectors: AVIATION & SHIPPING

Decarbonization targets for Asset Management portfolio

100% RENEWABLE ENERGY USE BY 2030 IN OUR OWN OPERATIONS

Make a positive impact

Community investment

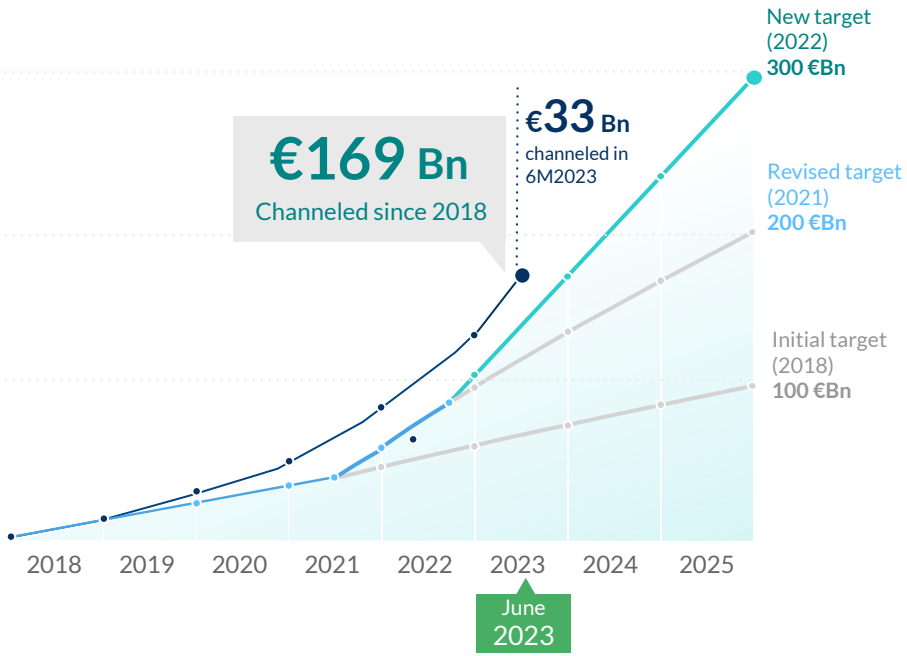
BBVA's 2025 Community Investment Goal

€550 Mn

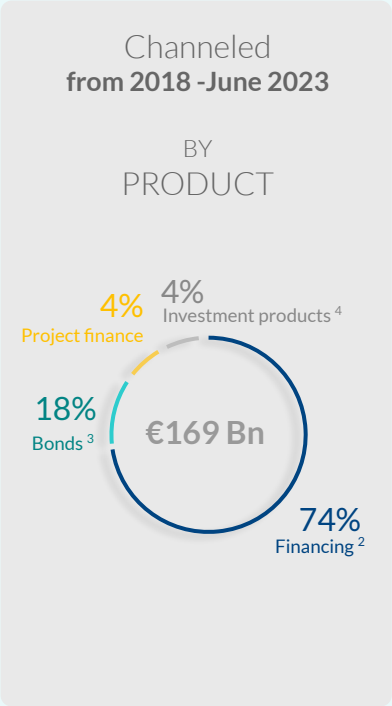
FROM 2021 TO 2025

We are bringing sustainable business **to the next level**

Tripled our sustainable business[1] **target**



with a holistic approach that includes all business segments



[1]Sustainable business channeling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance with existing regulations, internal and market standards and best practices. The foregoing is understood without prejudice to the fact that said mobilization, both at an initial stage or at a later time, may not be registered on the balance sheet. To determine the funds channeled to sustainable business, internal criteria is used based on both internal and external information.

[2] Non-Project Finance and transactional banking activity
[3] Bonds in which BBVA acts as bookrunner
[4] Investment products art. 8 or 9 under Sustainable Finance Disclosure Regulation (SFDR) or similar criteria outside the European Union, managed, intermediated or marketed by BBVA. Includes, in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly; and in CIB and Enterprise: structured deposits, mainly.

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 linked to 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...

Sectoral plans to proactively address portfolio alignment and climate transition

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**

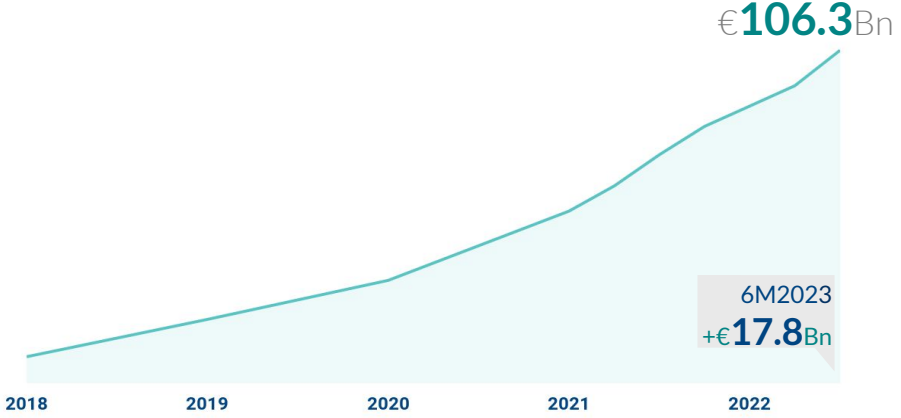
1 Sectorial strategies for **Corporate clients**

Leveraging on our long standing innovation trajectory

- **2022** Water footprint loan
- **2021** Project finance for electric vehicles
- **2020** Green CoCo bond
- **2019** Structured green bond on DLT
- **2018** Green buyers credit – ECA
- **2017** Green hybrid bond emission
- **2007** Green bond

With good trends in sustainable business

CIB: Sustainable business channeled (2018-June 2023)



2 Boost **Enterprise business**

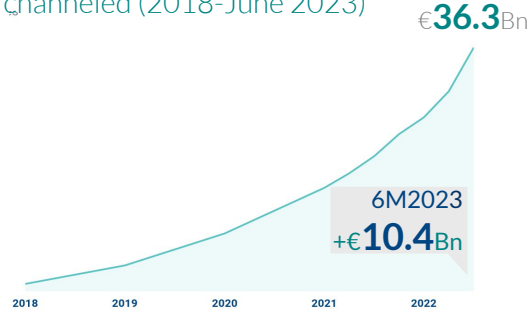
Developing standardized products on 6 themes, and leveraging on client's efficiency goals...

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

...creating devoted teams in some geographies...

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

Entreprises: Sustainable business channeled (2018-June 2023)



...developing new sustainable solutions for clients

ENERGY EFFICIENCY SOLUTIONS

First mover 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 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

Digitalization

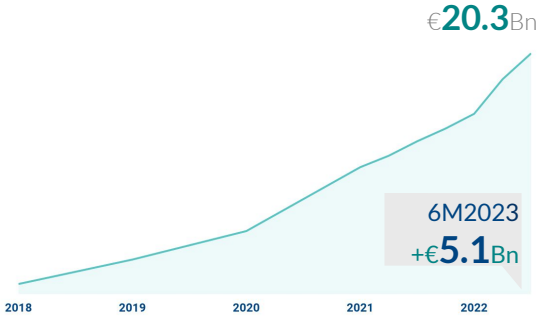
1. Boosts inclusiveness for the underbanked,
2. Brings sustainable solutions to mass markets, and
3. Data analytics to identify risks and opportunities

BBVA, first mover in calculating 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 business channeled (2018-June 2023)



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

WHY	HOW	WHAT WE ARE DOING
Engagement	1 **Leading the financing of new technologies** (H_2, batteries, CCUs…) With the aim of being a benchmark 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**	

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

MEASURE

Financed carbon footprint

TARGET SETTING

Portfolio alignment

MANAGEMENT TOOLS

Transition Risk Indicator (TRI)

ESG non-financial risks Framework

Implementing portfolio alignment strategy

and focus on the management indirect emissions

Sector	High Transition Risk Wholesale EAD Dec. 22
OIL & GAS	4.8%
POWER GENERATION[1]	3.2%
AUTO	2.2%
STEEL	1.4%
TRANSPORTATION (Aviation & shipping)	0.7%
CEMENT	0.6%
COAL MINING	0.1%

12.95 % of wholesale EAD

(**6.69** % of Group's EAD)

ALIGNMENT TARGETS

Metric	BBVA baseline (2020)[2]	2021	2022	Target Reduction (2030)	Reduction 2022 vs baseline
Absolute emissions upstream (M t CO_2e)		14	-	-30%	-
Emission intensity (kg CO_2e/MWh)	221	199	212	-52%	-4.1%
Emission intensity (g CO_2/v-km)	205	202	195	-46%	-4.9%
Emission intensity (kg CO_2/t steel)	1270	1250	1140	-23%	-10.2%
Emission intensity		To be defined in 2023			
Emission intensity (kg CO_2/t cement)	700	690	690	-17%	-1.4%
Portfolio trend (€mn)[3]			1.701	*	*

**Phase-out plan 2030 in developed countries and 2040 in the rest of the geographies where it operates, under the terms provided in the Environmental and Social Framework*

[1]Power does not include renewable energy (they are not High Transition Risk)

[2]Oil & Gas baseline year 2021. Quality improvements reflected in the baseline and in the targets, maintaining the % reduction effort defined.

[3]Total commitment (€mn)

Fostering sustainable business and client transition…

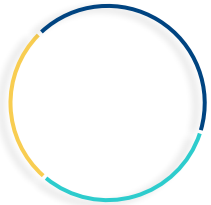
… through a new business origination model to capture the dynamic nature of our clients' strategies with forward-looking approaches

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)

80% carbon transition assessment (CTA)



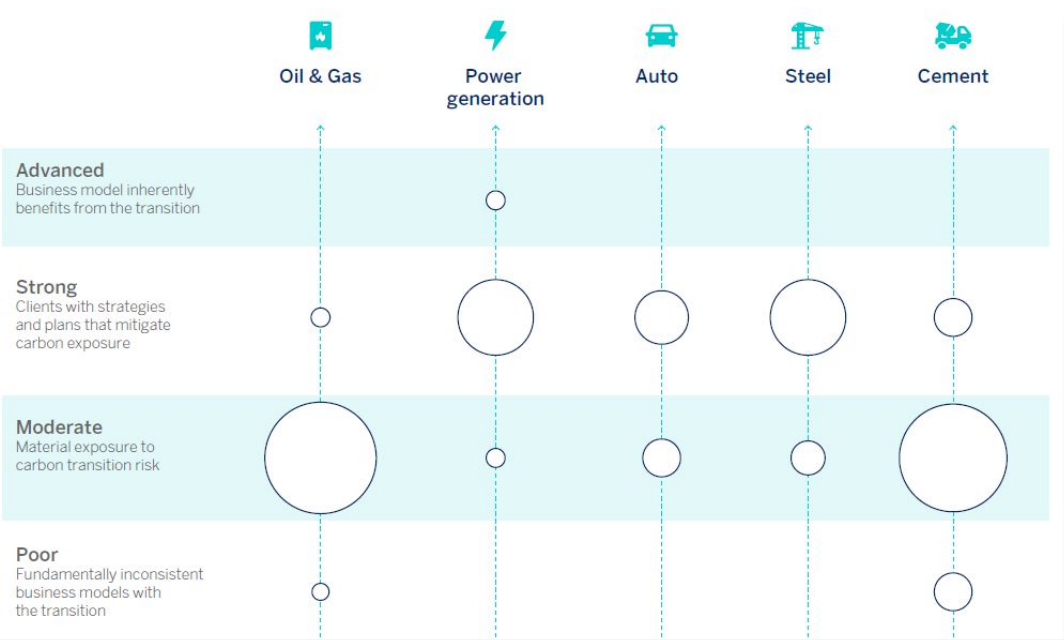
...that combined with the **credit policies** provides a **holistic assessment** of the transition of each client and

Transition Risk Indicator \ Intrinsic credit rating pre-sovereign cap	AAA AA+ AA AA- A+ A A- BBB+ BBB BBB- BB+ BB BB- B+ B B- CCC+ CCC	
ADVANCED / STRONG	Potential increase in share of business with top rated clients	
MODERATE	Qualitative assessment for the decision making process	
POOR	Engagement plan	Risk mitigation initiatives

Leveraging on sectoral plans to manage portfolio alignment goals

- BBVA develops **sectoral plans for each sector for which a target has been set**
- **Transition Risk Indicator (TRI) is a key input** for each sectoral plan, as it enables **tiering of clients** and **tailored made advice**
- Sectoral plans **enable** to set internal decarbonization targets for each sector on **an annual basis**
- A specific **governance** has been designed **to steer progress** in each sector, **involving** all relevant teams across **business and risk areas**

Transition Risk Indicator (TRI)



The size of the circles represents the number of customers in each category.

Making a positive impact on the society

Impact on society…

€550 Mn investment in the community

100 Mn people reached

As of **Dec 22** **€237.2 mill** invested **62.2 mill** reached

Fundación BBVA Microfinanzas

1st foundation in contribution to development in LatAm, and

2nd initiative globally, for the third consecutive year[1]

…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

Doing sustainable business in the **right way** with a strong **Compliance Framework** to oversee **Non Financial Risks**

…and committed to transparency

Fourth TCFD disclosed

[1]According to Private Philanthropy for Development report published by the OECD

BBVA is rewarded internationally
for its sustainability focus

SUSTAINABILITY AWARDS

World Leader in Sustaining Communities(2023)

The Best Supply-Chain Finance Provider in Latin America (2023)

World's Best Foreign Exchange Bank (2023)

Best Trade Finance Provider in Latin America, Spain, Peru, Uruguay and Turkey (2023)

Top Employer in Spain (2023)

Outstanding Leadership in Green Bonds in Western Europe (2023)

Global bank of the year and best bank in Spain, Western Europe, Peru and Colombia (2022)

Bank and Investment Bank of the year in Mexico (2022)

Best Digital Bank in Europe and Mexico's Best Bank and Investment Bank (2022)

Several deals of the year awards (2022)

FT leading diversity company (2021)

UN Women case study on BBVA's "Work Better Enjoy Life" successful program (2020)

SUSTAINABILITY INDEX ON WHICH BBVA IS LISTED

Member of
Dow Jones Sustainability Indices
Powered by the S&P Global CSA

1st European Bank
2nd Worldwide Bank

Gender - Equality Index
Score 77.35/100

Eurozone 120
Score 57/100

AA rating

Score B

FTSE4Good
Score 4.7/5

C rating

ESG Risk Rating 22.5
(medium risk)

thank you