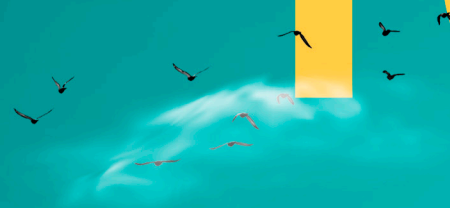


Report on

TCFD

2022





Carlos Torres Vila
Chair

Decarbonization is inalienable. It is a challenge of great magnitude that requires mobilizing the resources that channel the investments that allow the world to function without emissions. And for that we need mechanisms and regulation that encourage this investment.

At BBVA, we are aware of this reality for some time now and we have been taking steps in this direction. BBVA is neutral in its own emissions¹ in the main geographies in which it operates and has assumed the 'Net Zero 2050' commitment, that is, the commitment to be neutral in carbon emissions by 2050, not only in its own but also including emissions financed of our customers.

This means that many of our customers are going to develop and implement transition plans, which require a lot of investment, and our role is to support them with advice and financing, facilitating a transition that is as fair and inclusive as possible, creating opportunities and leaving no one behind.

With this framework and objective, we have set intermediate emission targets in 2030 for our financing portfolios in 6 highly emitting sectors (oil & gas, power generation, autos, steel, cement, and coal).

This is the first TCFD report in which we have incorporated several of the GFANZ recommendations for the preparation of a Transition Plan, a core element to facilitate a greater understanding of how we approach the transition from BBVA for our investors, shareholders, supervisors, regulators, customers, civil society organizations and other stakeholders.

1. Includes scope 1, 2 and part of scope 3: waste, emissions from business trips and displacement of employees of central services.

Index

Executive Summary	4		
Introduction	14		
Sustainability and the financial sector	15		
Sustainability: a strategic priority for BBVA	16		
Governance model	19		
Corporate bodies	20		
Transversal integration of sustainability into the executive sphere	21		
Alignment governance	23		
Remuneration systems	24		
Strategy	25		
Definition of risks and opportunities associated with climate change	27		
Main advances in the execution of the strategy	33		
Resilience of the strategy against climate change risks	43		
Engagement strategy with customers, the industry and the public sector	44		
Management of risks associated with climate change	51		
Integrating climate change into risk planning	52		
Identification, measurement and integration of climate change into risk management	59		
		Metrics and goals	72
		Alignment metrics	73
		Channeling sustainable business	82
		Management of direct environmental impacts	95
		Management of indirect environmental social impacts	101
		Appendix	103
		APPENDIX 1	
		Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards	104
		APPENDIX 2	
		Additional information on the BBVA Group's sustainability standards and frameworks	105
		APPENDIX 3	
		TCFD Recommendations fulfillment table	110
		APPENDIX 4	
		Transition plan - TCFD Table of equivalence	111
		APPENDIX 5	
		Training	112
		Glossary	113

Report**TCFD****2022**

○ In 2017, BBVA adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board (FSB), and has been publishing successive TCFD reports in line with its maximum commitment to transparency.

○ In this fourth report, BBVA has incorporated elements of a **Transition Plan** following the guidelines and recommendations for Financial Institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.

This report aims to summarize BBVA's strategy with respect to the fight against climate change and what measures are being taken, following the framework of the TCFD.

The structure of the **2022 TCFD** report is as follows:

EXECUTIVE SUMMARY

- Our Road to Net Zero 2050
- Main advances in the 4 key TCFD areas (Sections 01-04)

INTRODUCTION

SECTION 01 | GOVERNANCE MODEL

SECTION 02 | STRATEGY

SECTION 03 | MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE

SECTION 04 | METRICS AND GOALS

APPENDIX

- Transition Plan-TCFD

Our road TO NET ZERO

2050



(1) Scope 1 & 2 and part of scope 3: waste, emissions from business travel and trips of central service employees in the main geographies where it operates.

01. Governance Model

A strategic priority with a cross-sectional approach

BOARD OF DIRECTORS

The Board is supported by its specialized Committees in the implementation of the Sustainability strategy throughout the Group

Executive COMMITTEE



Supports the Board in decision-making and monitoring BBVA's Sustainability goals

Audit COMMITTEE



Non-Financial information and reporting

Appointments & Corporate Governance COMMITTEE



Reinforcement of the Board's ESG skills

Remuneration COMMITTEE



Executive remuneration linked to ESG indicators

Risk & Compliance COMMITTEE



Risks-related matters (indicators, RAF, etc.)

Technology & Cybersecurity COMMITTEE



Cybersecurity risks and Technology strategy



The **BOARD** has strengthened its knowledge and experience in the field of **Sustainability**, through:

The **appointment** of members **with extensive knowledge and experience** on the matter.

It has extended its **training programs** to include Sustainability issues



01. Governance Model

At management level, there is a **Global Sustainability Business Area** that reports directly to the Chair (in this case, in areas related to strategy and transformation) and the CEO.

All business development teams have a co-dependence with the Global Sustainability Area.

A governance model at the highest executive level with report to the Board of Directors and its support Committees.



VARIABLE REMUNERATION



Of all **EMPLOYEES**

Linked to the mobilization of sustainable business (€300bn between 2018 and 2025)

FROM 2021



Of **EXECUTIVE DIRECTORS** and **SENIOR MANAGEMENT**

Linked to decarbonization targets (subject to the approvals of the corresponding corporate bodies)

FROM 2023

02.

Strategy

Our ambition is to seize business opportunities and manage our risks and impacts

With **3** main goals and indicators



01. Foster new business through sustainability

Working on 5 growth levers:

- 
1. Sector strategy for corporate clients
 - Through:
 - I. Sector teams and network of experts in Sustainability, and
 - II. Sector plans to proactively address portfolio alignment and climate transition
- 
2. Driving the business of companies
 - With dedicated teams in different geographies (auto, real estate, agriculture, supply chain, energy, inclusive growth)
- 
3. Launching innovative business big bets to expand the sustainable business
 - To expand the retail business by leveraging the digital advantage with dedicated teams in geographies (auto, energy efficiency, voluntary carbon markets...)
- 
4. Financing new sustainable technologies
 - Currently unbankable with traditional structures: (hydrogen, batteries, carbon capture, storage and use technologies, etc.)
- 
5. Developing the best capacity to manage risks
 - Promoting the creation of expert knowledge, advanced analytics, risk management tools and processes related to sustainability

02. Achieve Net Zero 2050

Developing best in class risk management capabilities in sustainability

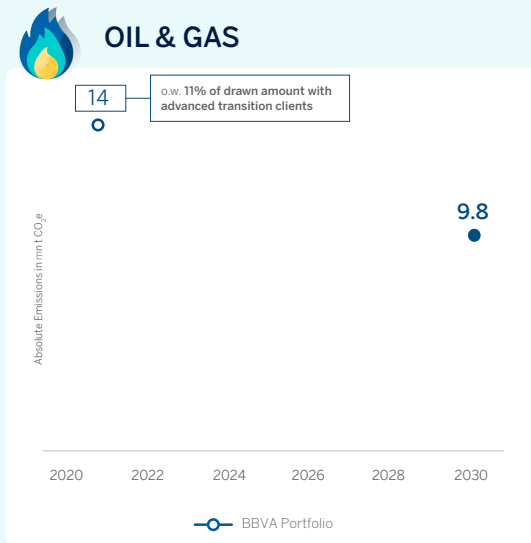
- 
 1. Governance Model focused on alignment: Sustainability Alignment Steering Group (SASG)
- 
 2. Sectoral Plans
- 
 3. Tools to manage risks
- 
 4. Engagement strategy with Clients
- 
 5. Engagement strategy with industry and the public sector
- 
 6. Management of direct impact of our operations
- 
 7. Taking into account Just Transition and Natural Capital

03. Make a positive impact

- 
 1. General training programs on Sustainability for all employees. Specific training programs on decarbonization for bankers and risk analysts
- 
 2. Transparency in ESG reporting: GRI, SASB, WEF_IBC Stakeholder Capitalism Metrics in Annual Report, TCFD, Transition Plan
- 
 3. Promotion of gender diversity in management positions
- 
 4. Support Community Investment

02. Strategy

The strategy and the goal to reach net zero emissions 2050 translates into **progress in our performance** towards the decarbonization targets set

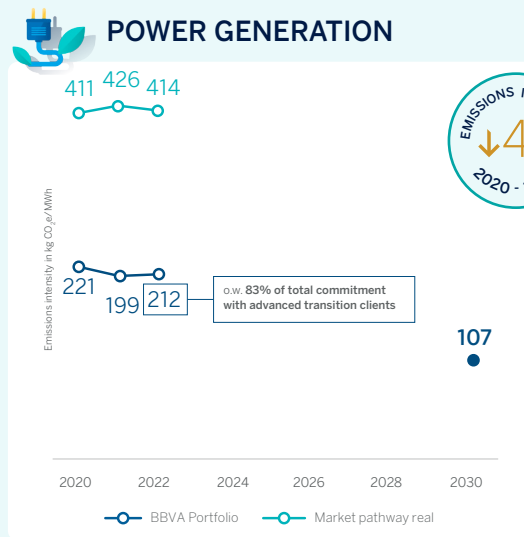


The clients at an advanced stage of transition¹ account for 11% of BBVA's drawn amount in this industry.

BBVA will collaborate clients who have plans yet to be developed, to help them create solid plans and set clear emission reduction targets.

BBVA will assist its clients in their diversification and decarbonization.

BBVA will not directly finance new projects related to exploration, drilling and extraction.



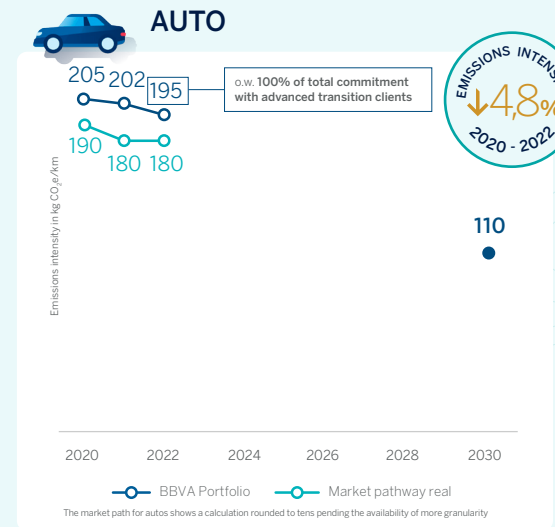
The clients at an advanced stage of transition¹ account for 83% of the total commitment amount in this industry.

Intensity: outperforming the market.

Portfolio volume +26% (vs 2020).

Support for client who invest in renewables, and aim to reduce new financing to energy generation from Coal.

2022 affected by the world energy crisis and the weather conditions (Coal plants fill the gap of gas).



100% of the total commitment amount with clients at an advanced stage of transition¹.

Intensity: closing the gap with the market pathway.

Portfolio volume is stable.

Support for client who invest in new technologies and are at an advanced stage of transition to decarbonization (electric and hybrid vehicles).

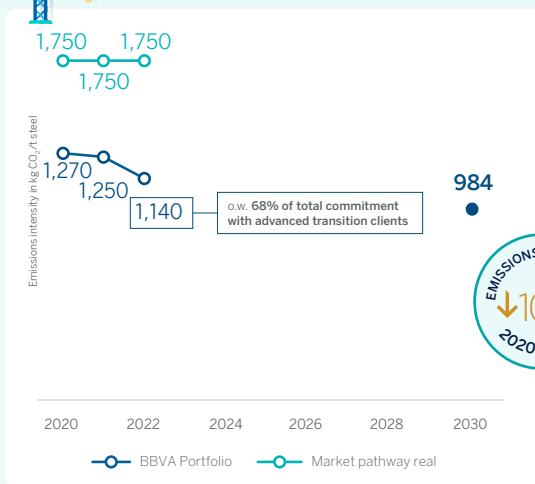
Vehicle manufacturing has remained stable with an increase in market share for electric and hybrid vehicles.

It is important to note that progress toward these goals is not expected to be linear in the short term.

1. Clients at an advanced stage of transition show strong positioning according to internal tools such as Transition Risk indicator (TRi), including the definition of medium-term emission reduction targets, the identification of reduction levers for emissions management and the commitment of capital investments to execute their transition plan and/or other internal assessments based on the client's emission intensity compared to its peers

02. Strategy

STEEL



The clients at an advanced stage of transition¹ account for 68% of the total commitment amount in this industry

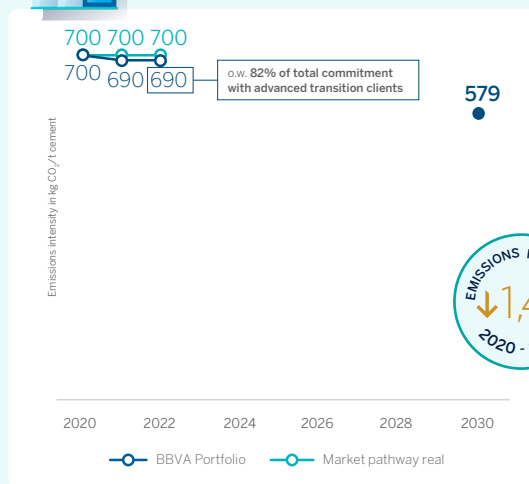
Intensity: outperforming the market.

Portfolio volume + 27% (vs 2020).

Support for clients at advanced stage of transition.

Decarbonizing the Steel industry will require major investments in new EAF (Electric Arc Furnaces) production methods and H2-DRI (Direct Reduction of Iron with Hydrogen) and greater % of recycled materials.

CEMENT



The clients at an advanced stage of transition¹ account for 82% of the total commitment amount in this industry

Intensity: outperforming the market.

Portfolio volume -1,5% (vs 2020).

Support for clients at advanced stage of transition.

Decarbonization will require technologies that are not available, improved energy and material efficiency (% clinker), low-carbon fuels and innovation in low-carbon technologies.

PHASE OUT OF COAL²

61% of the total commitment amount with clients who are expected to transition in time to meet the phase-out target for thermal Coal.

Reduction target for new finance.

Support to finance sustainable projects to help them transition.

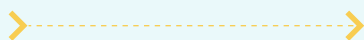
It is important to note that progress toward these goals is not expected to be linear in the short term.

1. Clients at an advanced stage of transition show strong positioning according to internal tools such as Transition Risk indicator (TRI), including the definition of medium-term emission reduction targets, the identification of reduction levers for emissions management and the commitment of capital investments to execute their transition plan and/or other internal assessments based on the client's emission intensity compared to its peers | 2. 2030 in developed countries and 2040 globally, under the terms of the Environmental and Social Framework published on the shareholders and investors website.

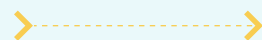
03. Risk management

Integrating Climate Change into RAF, business strategy and daily risk management

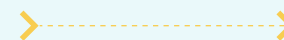
RISK PLANNING



INTERNAL TAXONOMY



CREDIT POLICIES



CREDIT POLICIES



Risk Appetite Framework
 Risk assessment
 Scenario analysis
 Stress test
 Integration of physical risk into ICAAP
 New metric in management limits for 2023
 Capital natural Dependencies / Portfolio Heat Map

Transition risks
 Physical risks

Wholesale lending sector frameworks
 Operating frameworks for the retail business

Onboarding
 Client review
 Loan approval

03. Risk management

And aligning our activity to net zero 2050

01.
With an alignment governance model focused on monitoring the achievement of objectives

SUSTAINABILITY ALIGNMENT STEERING GROUP

As the body to:

- / Approve of the proposal of sectoral alignment objectives,
- / Promote initiatives to facilitate their management and
- / Promote and integrate of sustainable criteria in day-to-day business



02.
With Sector plans to manage alignment targets

SECTOR PLANS for the 6 sectors with alignment targets published

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

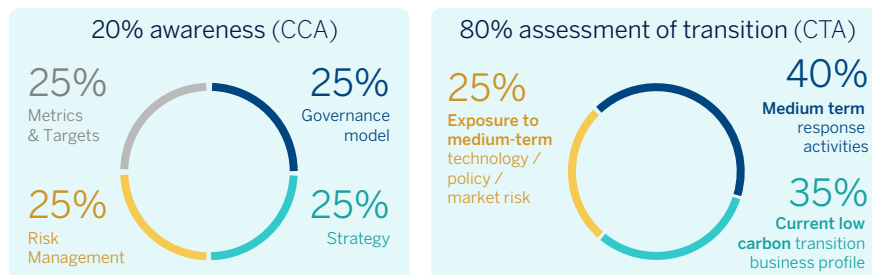
... that allow to set annual targets for each sector

AND MANAGEMENT TOOLS to promote the integration in day-to-day business:

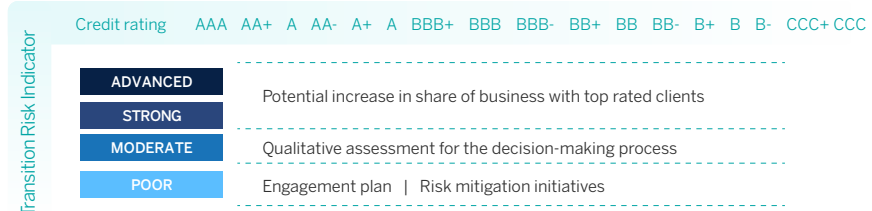
- DASHBOARD PACTA
- CLIENT TOOLKIT
- TRANSITION RISK INDICATOR (TRI)

03.
With Tools as the Transition Risk Indicator (TRI) as a key input for each Sector Plan that allows tierization of clients and tailor made advice

TRANSITION RISK INDICATOR (TRI) 2 metrics...

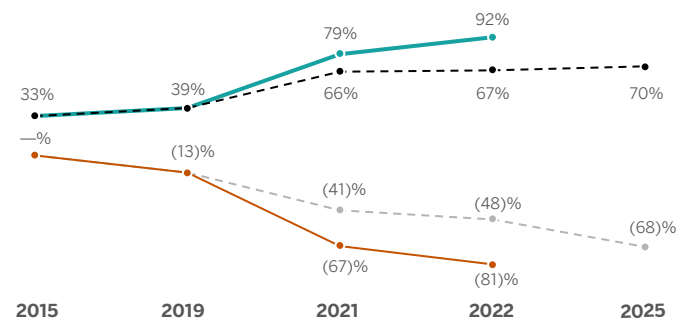


... that combined with CREDIT POLICIES ALLOW to determine the progress of clients toward transition



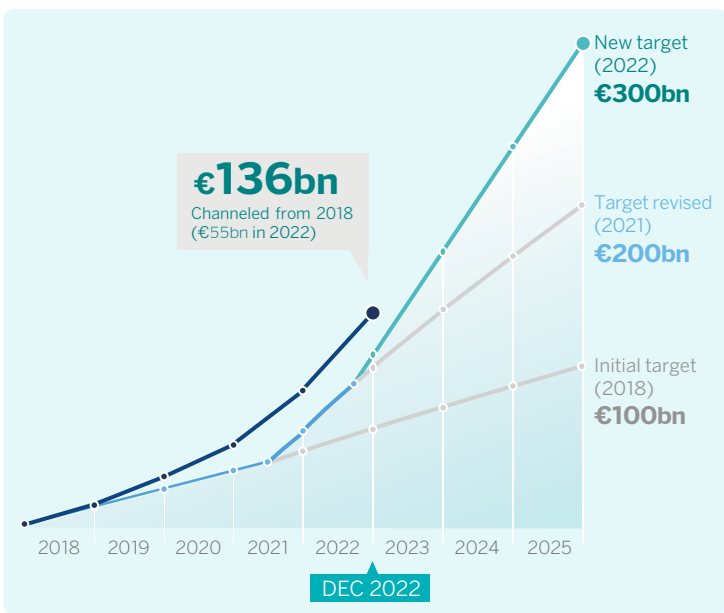
04.
And managing the direct impact of our own operations

- % of Renewable Electricity
- Objective Renewable Electricity Goal (15-25)
- Objective Goal Reduction of CO₂ emissions Scope 1+2 (15-25)
- % Reduction of CO₂ emissions Scope 1+2 compared to 2015

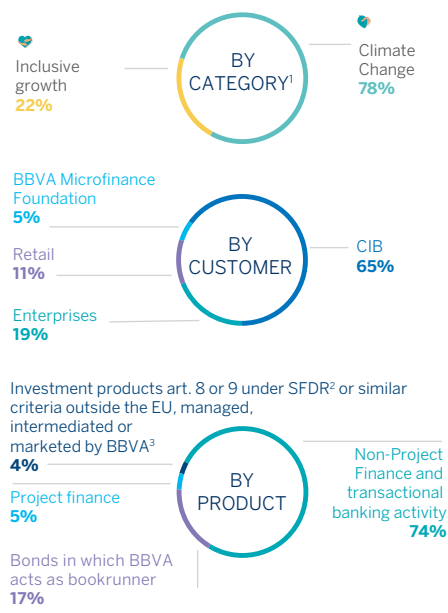


04. Metrics and targets

01. Mobilization of sustainable business



02. Sustainable business breakdown 2018-2022



03. Alignment targets and emissions allocated (banking activity)

Sector and metric	2020 ⁵	2022	2020 ¹ - 2030 target	% progress 2022	Emissions allocated associated with the value chain ³ (M t CO ₂ e) ⁷
Oil & Gas Mn t CO ₂ e ⁵	-	-	-30%	n/a	n/a
Power generation kg CO ₂ e/Mwh	221	212	-52%	-4.0%	3.5
Auto g CO ₂ /v-km	205	195	-46%	-4.8%	0.77
Steel kg CO ₂ /t Steel	1270	1140	-23%	-10.2%	0.82
Transport g CO ₂ /v-km	Aviation and maritime transport in 2023				
Cement kg CO ₂ /t Cement	700	690	-17%	-1.4%	0.31
Coal ⁶ €Mn	1,701				0.31

04. Emissions

NEUTRAL⁴ in own direct emissions since **2020**

SCOPE 1+2 CO₂ emissions reduction (2015-2022): **-81%**

05. Renewable energy

In our own operations in

2022 92%

TARGET 2030 100%

06. Exposure to transition risk, "High Transition risk sectors"

Sector	EAD Dec. 22
Oil & Gas	4.8%
Power generation	3.2%
Auto	2.2%
Steel	1.4%
Transport	0.7%
Cement	0.6%
Coal ⁶	0.1%
12.95% Wholesale EAD	
6.69% EAD of BBVA Group	

07. Exposure to physical risk in 2022



Sectors with greater vulnerability: Power generation, basic materials, construction, consumer, real estate

13,6% (exposed)

Loans to non-financial corporations

12,0% (exposed)

Residential mortgages

* Includes the portfolios of Spain, Mexico, Turkey, Peru, Colombia and Argentina

(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available. | (2) Sustainable Finance Disclosure Regulation (SFDR) | (3) Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly | (4) Scope 1, 2 and part of scope 3: waste, emissions from business trips and the displacement of employees of central services in the main geographies where BBVA operates. | (5) Oil & Gas, baseline year 2021 | (6) Phase-out 2030 in developed countries and 2040 globally | (7) Perimeter: BBVA SA except Portugal branches

Introduction

Sustainability and the financial sector

Climate change is one of the great challenges that humanity is facing and requires large volumes of investment. It is estimated that decarbonization in the world requires investments of USD275 trillion until 2050, more than 8% of annual world GDP, in clean energy, new materials, infrastructure, agricultural technologies, CO₂ capture and storage, etc¹.

Climate change presents short, medium and long-term risks for the Group and its customers, and these risks are expected to increase over time. Thus, the Group's activities or those of its customers could be negatively affected by transition risks (those linked to the transition to a low-carbon economy in response to climate change) and physical risks (due to greater frequency and severity of meteorological phenomena extremes or long-term weather changes).

Any of these factors could negatively affect the financial situation of the Group. Aware of this risk, BBVA is developing methodologies to understand and integrate said climate risk into its business models. At the same time, there are a series of opportunities associated with climate change that BBVA is very aware of in order to take advantage of and position itself correctly in light of the significant disruption it entails.

Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, since they require significant investments in many industries. As a financial institution, BBVA has an indirect impact on the environment and society through its lending activity and the projects it finances.

Customers, markets and society as a whole not only expect large companies to create value, but also expect them to make a positive contribution to society and that the economic development to which they contribute through their financial activity is inclusive and contributes to a just transition.

That said, the investment needed to make the world go zero emissions has to be attractive, economically viable and profitable. In this sense, investment in renewables, energy efficiency or electric cars already has a profitable alternative for families and companies, compared to fossil fuels. However, most activities do not have an emission-free version that is economically viable.

BBVA aims to gradually align its business to a zero net emissions scenario by 2050 and to use its role as a bank to help its customers with finance, advice and innovative solutions in the transition towards a more sustainable future inspired by the Sustainable Development Goals.

1. Source: "The net-zero transition: What it would cost, what it could bring", McKinsey & Company, 2022.

Sustainability: a strategic priority for BBVA

A few years ago, BBVA carried out a process of strategic reflection to continue deepening its transformation and adapt to the major trends that are changing the world and the financial industry.

BBVA has a governance model at the highest level that has defined sustainability as one of its six strategic priorities, integrating it on a cross-cutting basis in the executive area and focusing on the fight against climate change and inclusive growth. BBVA has conducted an analysis of risks and opportunities

associated with climate change and has a risk management model associated with climate change as described in this report.

BBVA is guided by a purpose:

“To bring the age of opportunity to everyone”.

A purpose that seeks to have a positive impact on the lives of individuals, businesses and society as a whole. Helping our clients transition towards a more sustainable future is one of the way to materialize this purpose.

Our strategic priorities



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



Reaching more **clients**



The **best** and **most engaged team**



Improving our **clients' financial health**



Driving **operational excellence**



Data and Technology

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly, the most relevant, through its lending activity and the projects it finances.

Sustainability is integrated at the highest executive level of the organization, with the aspiration of becoming a benchmark bank in sustainability solutions. Since 2018, BBVA has mobilized €136bn in sustainable business, of which only €50bn in 2022, the year in which it has raised its target to €300bn (2018-2025).

BBVA is a neutral company in terms of CO₂ emissions in both scope 1 and 2, and partially in scope 3 (waste, emissions from business travel and travel of headquarters employees) in the main geographies of the Group² and aspires to be neutral in indirect emissions (customer which it finances) by 2050.

To do this, BBVA set the goal to stop financing coal in 2030 in developed countries and in 2040 in the rest of the geographies where it operates, in the terms set by the Environmental and Social framework published in its website. In addition, BBVA has set intermediate targets for 2030 to decarbonize its loan portfolio in both some of the most carbon-intensive sectors (oil & gas, power generation, autos, steel and cement) and the 22% of the assets under management.

BBVA was a founder of the Net-Zero Banking Alliance (NZBA) and BBVA Asset Management is a member of the Net Zero Asset Managers Initiative.

BBVA is committed to transparency and publishes its fourth TCFD Report, following the recommendations of the Task Force on climate-related financial disclosure sponsored by the Financial Stability Board (FSB). Further, in this report BBVA incorporates for the first time elements of a Transition Plan following the guidelines and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ).

As described in the Annexes, BBVA's goal is to disclose in a consistent, reliable and standardized manner the essential aspects of ESG (environmental, social and governance). In addition to the Global Reporting Initiative (GRI) guide, BBVA has voluntarily published additional sustainability metrics since 2020 following two of the most advanced standards in the market, such as those issued by the World Economic Forum-International Business Council (hereinafter, WEF-IBC) or by the Sustainability Accounting Standards Board (hereinafter, SASB).

² Certain geographical areas are not included in the perimeter (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside of Spain) nor certain BBVA Group companies in Spain and Turkey, which represent 8.2% of all BBVA Group employees.

Specific KPIs to monitor our progress






The ambition is to support business growth and manage its impacts, with 3 main objectives and indicators.

01. Foster new business through sustainability

To channel sustainable business. New BBVA 2025¹ goal
Climate change and inclusive growth

From 2018 to 2025 **€300bn** Real 2018 - 2022 **€136bn**


Working on 5 growth levers:

- 
1. Sector strategy for corporate clients
 - > Through:
 - I. Sector teams and network of experts in Sustainability, and
 - II. Sector plans to proactively address portfolio alignment and climate transition
- 
2. Driving the business of companies
 - > With dedicated teams in different geographies (auto, real estate, agriculture, supply chain, energy, inclusive growth)
- 
3. Launching innovative business big bets to expand the sustainable business
 - > To expand the retail business by leveraging the digital advantage with dedicated teams in geographies (auto, energy efficiency, voluntary carbon markets...)
- 
4. Financing new sustainable technologies
 - > Currently unbankable with traditional structures: (hydrogen, batteries, carbon capture, storage and use technologies, etc.)
- 
5. Developing the best capacity to manage risks
 - > Promoting the creation of expert knowledge, advanced analytics, risk management tools and processes related to sustainability

(1) Announced goal in October 2022 | (2) Working on the targets of more sectors | (3) 2040 globally

02. Achieve Net Zero 2050

2030 Portfolio Alignment Targets for 6 carbon intensive sectors²

-  O&G
-  STEEL
-  POWER
-  CEMENT
-  AUTO
-  COAL³

Carbon Neutral in our own operations

100% Renewable energy use by 2030 in our own operations

Decarbonization targets for Asset Management portfolio

DJSI

In 2022, BBVA obtained the highest grade (86 points) among banks in Europe and the second globally in the latest Dow Jones Sustainability Index (DJSI), benchmark index in terms of sustainability

03. Make a positive impact

Community investment 2021-2025

€550mn 100mn PEOPLE

Real 2021 - 2022

€237mn 62mn PEOPLE

Diversity 2024

35% WOMEN IN MANAGEMENT POSITIONS

Real 2022

33.5%

SECTION 01

Governance model

Corporate bodies

BBVA's corporate bodies have defined and promoted that the Group has a strategy that incorporates sustainability as one of its priorities. Sustainability was embedded in the Group's strategic plan in 2019.

For the Board of Directors, an essential element of this strategic approach is the integration of sustainability into the Group's businesses and activities, managing the risks associated with these areas, and considering them a great business opportunity to support its growth strategy. Combined with this is the establishment of targets which facilitate their execution, supervision and monitoring. This approach allows the Group's corporate bodies to define the basic lines of action for BBVA as regards the management of opportunities and risks arising from sustainability and oversee their execution by the executive areas in all spheres of the Entity's operations.

For this role, the Board is assisted by its committees on matters within their respective areas of concern. The Executive Committee plays an active role in promoting this strategy and monitoring the integration of sustainability into the Group's business processes and activities.

Also important is the role of the Risk and Compliance Committee, which assists the Board of Directors in the integration of sustainability in the analysis, planning and management of the Group's risks, and in supervising their execution; that of the Audit Committee, in supervising the public information on sustainability reported to the market; and the Remuneration Committee, in driving the integration of indicators related to sustainability in the Group's variable remuneration model.

In the exercise of these functions, in 2022 the Board approved the update of the General Sustainability Policy, which integrates the previous Corporate Social Responsibility Policy and the General Sustainability Policy. The new policy sets out the general principles and the key management and control objectives and guidelines to be followed by the Group in terms of sustainable development with a focus on climate change, natural capital and inclusive growth.

In addition to this, there is the role of the corporate supervisory and monitoring bodies for the implementation of the Group's sustainability strategy and activity, and compliance with the organization's objectives, which is carried out based on the reports received by the Sustainability Area and the different areas of the Bank which incorporate sustainability into their daily businesses and activities. The reports are submitted to the corporate bodies according to their area of concern along the lines described in the preceding paragraphs, on a scheduled or ad hoc basis.

To achieve the best performance of its functions in this area, the Board of Directors believes it necessary to have suitable knowledge and experience in sustainability matters. To this end, it continues to conduct initiatives that involve the recruitment, within the process of gradual replacement its members, of directors with extensive knowledge and experience in these matters, and in the extension of the continuous training program of its members to matters related to sustainability.

Transversal integration of sustainability into the executive sphere

BBVA incorporates sustainability as part of its daily activities, encompassing not only relations with customers but also internal processes. The definition and execution of the strategy, which includes sustainability and climate change as one of its priorities, has a transversal nature, being the responsibility of all areas of the Group to incorporate it progressively into their strategic agenda and their work dynamics.

In 2021, BBVA gave fresh impetus to its strategy by elevating sustainability to the highest executive level of the organization by creating the global Sustainability business area, with direct reporting to the CEO and the Chair (in this case, in areas linked to strategy and transformation).

In a context in which all the Group employees and areas integrate sustainability into their day-to-day activity, the new global area designs the strategic sustainability agenda, defines and promotes the lines of work in this area of the different global and transformation units (including Finance, Talent and Culture, Data, Engineering, and Organization among others) and develops new sustainable products.

In addition, BBVA has established a network of experts, comprising sustainability specialists from different areas of the Group (Client Solutions, Corporate & Investment Banking, Asset Management, Global Risk Management and Global Sustainability area itself), coordinated as a network by the global Sustainability business area. These experts are responsible for building

knowledge in the field of sustainability in the Group aimed at customer guidance, as well as supporting the areas in the development of new value propositions in the field of sustainability, the integration of risks of climate change in risk management and the definition of a public agenda and sustainability standards.

The Group's sustainability governance model integrates a suitable structure of corporate bodies with a robust executive structure that reports to them. It combines the cross-cutting reach of the global sustainability area with the execution of the strategic priority in the various business areas, which allows the Board and its Committees to have the necessary information to make suitable decisions and perform their supervisory and control function.

BUSINESS AREAS

Responsible for driving business transformation and executing the strategic plan.

STRATEGY, ALIGNMENT & CONTROL

Responsible for leading, coordinating and monitoring the Group’s sustainability initiatives.

SUSTAINABILITY TRANSITION

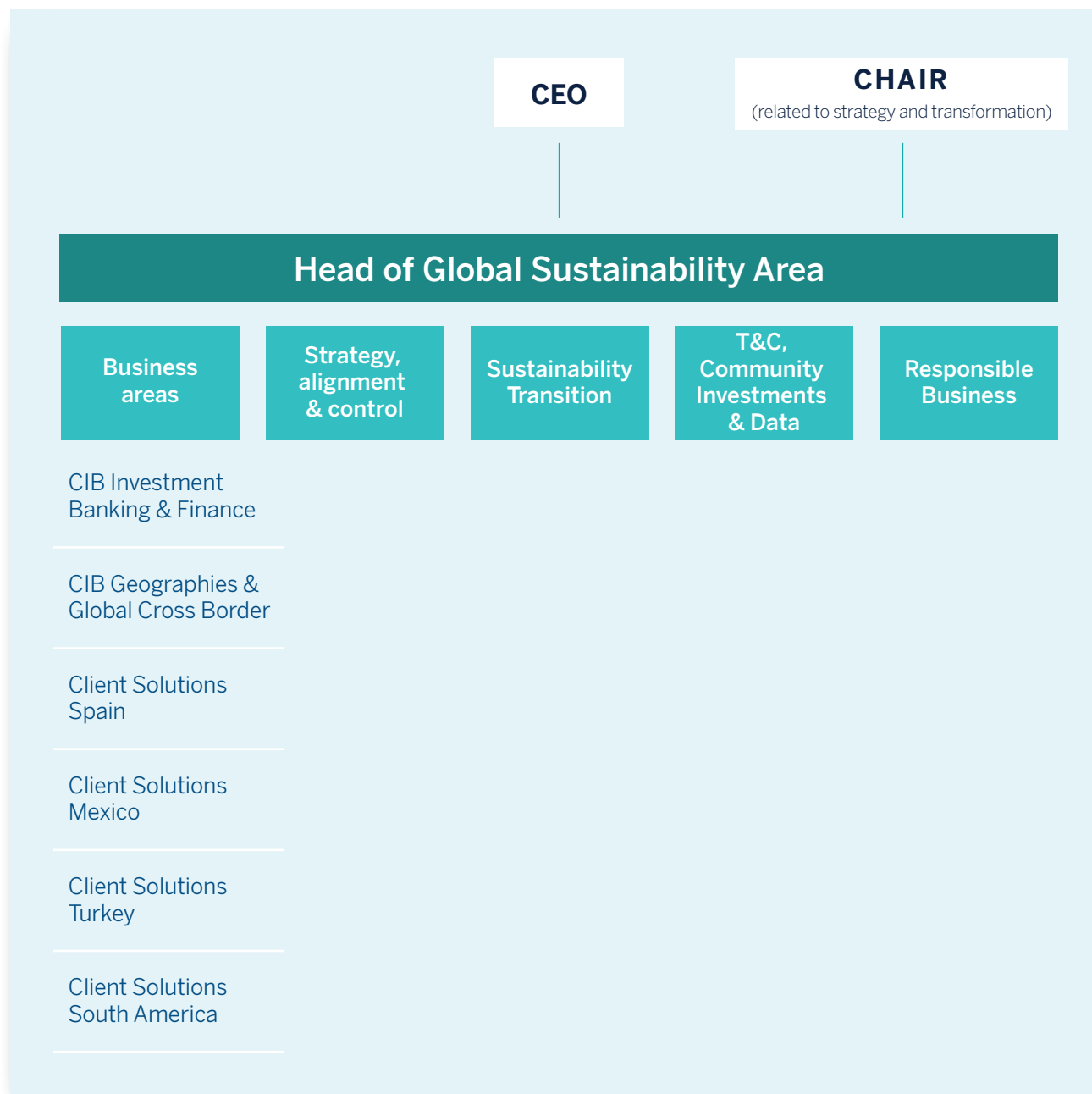
Responsible for fostering sustainable business growth in all countries and in all business segments, supported by the development and implementation of innovative financial solutions and deployment of new tools.

T&C, COMMUNITY INVESTMENTS & DATA

Responsible for driving social or inclusive growth business in all countries and business segments, supported by the development of innovative financial solutions, as well as for community investment and the design and implementation of the sustainability data strategy.

RESPONSIBLE BUSINESS

Responsible for defining sustainability standards and validating their application, implementing processes and the transformation plan, as well as managing non-financial risks related to sustainability. In addition, it is responsible for the public agenda on sustainability, responsible customer experience and impact management.



Alignment governance

BBVA has set financed emissions alignment targets in line with NZBA guidelines for the oil & gas, power generation, autos, steel, cement and coal sectors, and is in the process of setting targets for new sectors.

BBVA has specified a governance model for the approval and monitoring of these alignment goals, the levers to implement them, as well as the decision-making for their management.

The governance framework for portfolio alignment management rests on **three main pillars**:

01.

The creation of a **Sustainability Alignment Steering Group (SASG)** to approve the proposal of the alignment goals and levers, monitor compliance and promote knowledge of the best industry practices in sustainability and their integration into business management. This group consists of the global heads of Global Sustainability business area, Global Risk Management, Corporate & Investment Banking and Strategy. They report to the CEO, the Chair and the Board of Directors through the Global Sustainability business area. More specifically, the functions of this group are:

- Approval of the proposal of the sectoral alignment objectives and intermediate objectives, as well as the methodologies used in their calculation.
- Evaluation of the fulfillment of these objectives and the promotion of initiatives to facilitate their management.
- Analysis and understanding of the best practices in the sector, promoting the integration of alignment criteria in day-to-day business.

After having passed through the SASG, the monitoring of compliance with the objectives, including the explanation of possible deviations and measures to redirect them (if applicable), will be submitted for review to the highest executive level and subsequently to the corporate bodies, at least two-yearly.

02.

The definition of a **business area leader** for each sector (or cluster of sectors) to define and follow a Sector Strategic Plan and its related KPIs associated with the alignment goals achievement.

03.

Integration into business and risk processes, as customer alignment and expectations of their evolution towards a low-carbon economy must be a further consideration in risk decisions.

Another key aspect is the creation of multidisciplinary industry climate and environment working groups comprising business, risks, strategy and sustainability areas, which generate sectoral intelligence to support critical processes related to the opportunities and risks arising from the decarbonization of clients.



Remuneration systems



As established in the DIRECTORS' REMUNERATION POLICY approved by the General Shareholders' Meeting, the remuneration system for executive directors includes a **FIXED** remuneration, which will take into account the level of responsibility and the functions performed, and a **VARIABLE** remuneration.



The remuneration model applicable to all BBVA Group employees also consists of a **FIXED** remuneration and a **VARIABLE** remuneration.

The corporate variable compensation model aligns **VARIABLE** compensation with the Group's strategic objectives.



This remuneration is based on an incentive, which is granted on an **ANNUAL** basis, and reflects its performance measured through the **ACHIEVING OF PREVIOUSLY ESTABLISHED TARGETS** to evaluate the results obtained in each financial year, based on the strategic priorities defined by the Group and considering the risk incurred.



FINANCIAL performance indicators are aligned with the Group's most relevant management metrics. Regarding **NON-FINANCIAL** indicators, they are related to the strategic objectives defined at Group level and, in the case of executive directors, in 2022 they include indicators that incorporate **ECONOMIC, SOCIAL AND ENVIRONMENTAL**, aspects, as well as other indicators referring to **DIVERSITY AND INCLUSION**.



Since 2021, the **SUSTAINABLE BUSINESS** mobilization target has been part of the indicators for calculating the variable remuneration of all BBVA Group employees. This indicator is related directly to the activity carried out by the Group in the fight against climate change. In 2022, the same non-financial indicators have been maintained as those applied in 2021 for the calculation of the Annual Variable Remuneration of all employees.



As of 2023 and bound to the approval of the corresponding corporate bodies, the BBVA Directors Remuneration Policy and the BBVA Group General Remuneration Policy are expected to include, as part of the Annual Variable Remuneration of the members of the identified group, including executive directors and members of the Senior Management of BBVA, a long-term incentive linked, among other things, to the degree of **COMPLIANCE WITH THE DECARBONISATION** objectives of a series of sectors for which the Bank publishes specific objectives.

SECTION 02

Strategy

The global Sustainability business area designs the strategic sustainability agenda, directs the business, defines and promotes the lines of work in this area for the global business and transformation units, and develops new sustainable products, in a context in which the Group's employees and areas integrate sustainability into their daily work.

In this context, significant progress has been made in the identification and prioritization of major business opportunities (Big Bets) in the different geographies where the BBVA Group is present, which are defined in more detail in the section [Climate change opportunities for BBVA](#). This integration of sustainability into BBVA's strategy is also reflected in leadership and innovation opportunities with BBVA being a pioneer in the implementation of certain solutions tailored to customer needs (see more detail in the [METRICS AND GOALS](#) section), which has contributed channel €136bn to sustainable activities between 2018 and 2022, with a target of mobilizing €300bn by 2025.

With respect to risks, considerable progress has been made in identifying risks derived from sustainability, and in adapting BBVA to regulatory requirements and initiatives. BBVA has taken on the goal of

being emission-neutral by 2050, has set the goal to stop financing coal by 2030 in developed countries and by 2040 in the rest of the geographies where it operates (in the terms of its Environmental and Social Framework), and has set intermediate targets for 2030 to decarbonize its portfolio in the electricity generation, oil & gas, autos, steel and cement sectors and in part of its BBVA Asset Management portfolio. See

MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE

Likewise, BBVA has also developed industry-specific plans with the development of a transition risk management framework and the construction of tools such as a transition risk indicator at client level and for sectors classified as high transition risk, which allows the incorporation of a medium and long-term vision regarding the level of preparedness of companies to face the decarbonization process. Additionally, a new metric was incorporated into the 2023 management limits, with a transition risk management approach, by focusing on customers with a level of misalignment with respect to the emissions intensity trajectories established by the International Energy Agency's Net Zero Emissions scenario, as indicated in the section

MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE

Lastly, it is worth to mention that the Bank has a strong presence in international initiatives and indexes worldwide, highlighting the highest score (86 points) obtained in 2022 among the banks in Europe and the second at global level in the last Dow Jones Sustainability Index (DJSI) (see [Main advances in the execution of the strategy](#) section).

Pioneers in sustainability

Sustainability has a long history at BBVA, since it participated in the first green bond issue in 2007. Sustainability is currently a major element of BBVA's strategy, as one of its six strategic priorities: helping our clients transition towards a sustainable future.

Our ambition is to support business growth and manage its impacts, with **3 main goals and indicators**:

- 1/ Foster new business through sustainability,
- 2/ Achieve Net Zero 2050,
- 3/ Make a positive impact.

Our road TO NET ZERO in 2050



(1) Scope 1 & 2 and part of scope 3: waste, emissions from business travel and trips of central service employees in the main geographies where it operates.

Definition of risks and opportunities associated with climate change

Climate change is a challenge that needs to be addressed urgently, but it is also a major business opportunity for the financial sector. The decarbonization of the economy will have an impact on all industries and on the way people move, consume or fit out their homes, requiring significant investment that will last for decades to come.

In addition, the Bank has an opportunity to promote inclusive growth. The current environment, with high digitalization and use of data, makes it easier to provide an efficient service with a deeper understanding of customer behavior. This environment allows to develop new business opportunities that favor inclusive economic development, supporting disadvantaged sectors and inclusive infrastructures, as well as mass banking penetration leveraged by digital channels and new relationship models.

Climate change opportunities for BBVA

There are a range of opportunities relating to climate change that BBVA is highly aware of in order to position itself correctly in the face of the significant disruption that climate change represents.

TABLE 01. Climate change opportunities for BBVA

Sector	Opportunity	Time Horizon		
		ST <4 years	MT 4-10 years	LT >10 years
 Oil & Gas	Possibility of reusing oil & gas transport assets for biofuels and hydrogen		MT	
	Electrification of the oil & gas industry, and use of hydrogen		MT	
 Chemicals	Carbon capture and storage through chemical separation of carbon dioxide for later reuse	ST		
 Electricity	Strong boost to renewable energy, electricity storage	ST		
	Energy efficiency services and hydrogen development		MT	
	Development of nuclear fusion			LT
 Construction & infrastructures	Boosting the distribution of solar panels	ST		
	Renovation of buildings (headquarters, housing, premises, etc.) as well as industrial plants in need of energy-efficiency improvements because of the increased regulatory impact and self-consumption	ST		
	Infrastructures to improve climate change adaptation: changes in cities, development of a smart grid, charging infrastructure for electric vehicles	ST		
 Transportation	Efficient low-emission and mobility services (electrical, Liquefied natural gas -LNG- and hydrogen)	ST		
 Mining & metals	Production of metals to manufacture electric vehicles (copper, lithium, cobalt and nickel among others)	ST		
 Agriculture	Efficient irrigation systems, use of waste as a source of biogas	ST		
	Renewable energy use (solar) in agricultural plants		MT	
	Development of new anti-drought products		MT	
 Carbon markets	Creation of carbon credit markets	ST		
 Other sectors	Circular economy, recycling, waste and water treatment, tree planting, food industry, tourism industry conversion to carbon neutrality (fossil fuel change, etc) and natural capital	ST		

Climate change risks for BBVA

There are two type of risks that impact the business of BBVA or its customers: :

Transition risks

These are the risks pertaining to the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change..

TABLE 02. **Transition risks**

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Legal and regulatory	Increase in the cost of CO ₂ emissions	Financial risk to BBVA customers whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in emission neutralization, resulting from regulatory changes	ST		
		Increased cost of direct emissions from the Bank in its operations	ST		
	Increase in monitoring and tracking requirements	Increased staffing and economic resources for the study and monitoring of the Group's clients, and tracking of their compliance with environmental requirements	ST		
		Changes in the regulation of existing products and services	Uncertainty for financial agents regarding changes and their implementation	ST	
	Impairment of client asset positions due to the generation of stranded assets (assets that prior to the end of their economic life are no longer able to earn an economic return)			MT	
	Sales drop due to adjustments to offerings, to align with new legal specifications for a product			MT	
	Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of riskweighted assets based on their exposure to physical and transition risks		MT	
		Adverse regulatory changes that may cause certain exposures on BBVA's climate change balance sheet to have higher capital consumption		MT	
	Risks of environmental lawsuits	Possible lawsuits against BBVA for not complying with environmental regulations in its business or supply chain	ST		
	Risk of lawsuits against third parties	Potential lawsuits for environmental crimes against BBVA clients. BBVA could be impacted by its clients' loss of solvency resulting from an increase in litigation costs	ST		

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Technological	Replacement of existing products and services with lower-emission alternatives	BBVA clients with a position in sectors that are outperformed by alternative technologies could suffer solvency problems and their ability to cope with their credit commitments could be diminished	ST		
	Failed investment in new technologies	Clients that invest in failed technology may go through solvency difficulties and be unable to meet their credit commitments	ST		
	Cost of transitioning to low-emission technology	The necessary investments to be made by BBVA clients to change their production models and in R&D can have a negative impact on the balance sheet structure or profitability of said clients if they are not made properly and reduce the ability to meet their credit commitments	ST		
		Costs of investing in remodeling and adapting BBVA-owned buildings	ST		
Market	Changes in (market) trends, financial agent and consumer preferences	Changes in demand caused by changes in consumer preferences can lead to falls in sales for BBVA clients and result in loss of profits and solvency	ST		
		Reduction in demand for certain products can cause price falls that affect the valuation of companies' assets (crude oil reserves, fossil fuel cars, etc.)	ST		
		Increased demand for certain products or services may impact on the price of certain raw materials. While this may be reflected in prices, it may lead to lower profits or the loss of BBVA's clients' market share	ST		
		Risk of change in the Bank's client preferences for not considering the Bank well positioned in the sustainable segment	ST		
	Uncertainty in market signals	Difficulty or impediments to proper price formation or allocation of financing or investment sums	ST		
		Forecasts made by research agencies or services to dictate the strategy of entities may not be fulfilled due to abrupt changes in the market caused by changes in regulations or demand	ST		
	Increased cost of raw materials	Sharp changes in the price of raw materials, resulting in changes in supply or energy cost, can lead to deteriorating liquidity and declining profits for clients. It can be mitigated with end-product price increases	ST		
		BBVA's energy supply cost could also be affected	ST		
	Financial risks	Risk of a significant increase in the cost of financing clients with higher exposure to climate change risks, in a way that affects their solvency by making it more difficult for them to cope with their credit commitments	ST		
		Risk of worsening the credit rating of clients with exposure to climate change risks, with the associated adverse effects for BBVA	ST		

Risk subtype	Risks associated with climate change	Risk description	Time Horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Reputational	Change in consumer preferences	Direct risk of client loss for not meeting what various stakeholders expect from BBVA as regards the climate change challenge and fostering a more inclusive world	ST		
		Indirect risk of our clients losing business, which affects their solvency, because they engage in an activity that is not considered sustainable	ST		
		Demand from clients to limit our operations' direct impacts	ST		
	Stigmatization of a sector	Risk of assets stranded by a sharp change in the perception of a sector, with significant loss of sales	ST		
	Investment exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or a sectoral ban	ST		
	Policy implementation	Risk derived from greater scrutiny of activities, policies, objectives and the way in which aspects related to climate change are disclosed. The Group's reputation may be damaged if its efforts to reduce environmental and social risks are considered insufficient.	ST		

Physical risks

Risks which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

TABLE 03. Physical risks

Risk subtype	Riesgos asociados	Risk description	Time Horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Acute risks	Increased severity of extreme weather events, such as cyclones and flooding	Reduced revenue from decreased production capacity (e.g. transport difficulties and supply chain disruptions)		MT	
		Direct losses from asset damage (BBVA and clients)		MT	
		Increased cost of insurance		MT	
	Business continuity problems	Damage to BBVA facilities from environmental catastrophes that hinder normal service provision		MT	
Chronic risks	Changes in precipitation patterns and extreme variability weather patterns	Loss of value of clients' assets (guarantees) because they are located in areas with water supply problems (desertification)		MT	
		Increases in clients' operating costs (investments in agriculture)		MT	
		Lower renewables production (hydro and wind)		MT	
	Rising average temperatures	Population movements that can lead to depression in certain areas, accompanied by loss of business			LT
	Sea level rise	Threats to client assets that can lead to loss of profits and their solvency			LT

Main advances in the execution of the strategy

The global Sustainability business area has continued to actively promote the sustainability strategy in the 3 goals and indicators mentioned above:

1. Foster new business through sustainability

The role of the financial sector in general, and of BBVA in particular, is essential, accompanying customers in their transition towards a sustainable future, developing specific products for customers and financing this profitable investment.

Sustainability is a lever for growth for BBVA and it has a holistic approach, with a focus on climate action and inclusive growth, covering all segments. To capture this opportunity, we are working on five lines of growth:

- Sector strategy for corporate clients: focused on low-carbon technologies and high-emission sectors to help them decarbonise. Sector plans are being drawn up to proactively address the reduction of the carbon footprint of the loans that BBVA grants to its clients (alignment of portfolios) and the teams specialized in sustainability are being strengthened.
- Promoting the company: developing products focused on six themes (auto, real estate, agriculture, supply chain, energy and inclusive growth), taking advantage of the Bank's knowledge with corporate customers and creating dedicated teams in all geographies.
- Launch of bets to rapidly expand the retail business by using the Bank's digital advantage: this line is making it possible to create an innovative and disruptive value proposition in specific sectors, for which teams have been created dedicated to developing new solutions in cars, energy efficiency and carbon markets.
- Financing of new sustainable technologies, which are currently unbankable with traditional financing structures (hydrogen, batteries, carbon capture, storage and use technologies, etc.), allowing BBVA to be a reference in the ecosystem.
- Building sustainability risk management capacity: Achieving superior risk management capacity is a key element in fostering growth. The focus is on embedding sustainability throughout the risk value chain, from the risk appetite framework to the loan approval process. The development of specific tools is a priority as a key element in decision making. Sectoral plans have also been developed for the 6 sectors in which alignment objectives have been set (oil & gas, power generation, autos, steel and cement) or phase-out goals, as is the case of the sector of coal.

Goal 2025

Between 2018 and 2022, BBVA channelled a total of €135.871bn into sustainable activities. This represents 45% of the channelling target: €300bn by 2025.

Integration of sustainability in financial planning

BBVA incorporates sustainability in its day-to-day business, both in customer relations and internal processes, including its management control and reporting processes.

BBVA in Spain is already integrating sustainability into its financial reporting to senior management and business areas. These reports on sustainable transactions include financial plans and budgets. Several internal resource allocation decisions are derived from them.

On a recurring basis, financial reports are used for decision-making based on the sustainability vector, including data on sustainable business channelling, profitability, sustainable activity penetration percentage, as well as balance sheets and income statements that allow to monitor sustainable transactions for each business segments.

Sustainability is expected to be gradually integrated into other business areas as well.

Single Development Agenda

The “Single Development Agenda” (SDA) is the process by which scarce resources, both financial and human, are allocated to those projects that are best aligned with BBVA’s strategy and that will have the greatest impact. The exercise is implemented dynamically in quarterly cycles.

The scope of the SDA covers all manner of projects or initiatives of all the companies within the consolidated scope of the BBVA Group and its business areas in all countries. These are actions that require resources during a limited period of time to produce previously defined deliverables that seek to achieve an impact or objective.

Strategic analyses of the project portfolio, both globally and locally, are conducted on an ongoing basis during the quarter. These analyses are carried out to provide an overall view of the project inventory and its performance, as well as to provide an in-depth analysis of specific issues as required.

In addition, as a result of the strategic plan approved by the Bank’s Board of Directors in 2019, the six strategic priorities were reformulated, including “Helping our clients transition towards a sustainable future”. The execution of this priority is cross-cutting within the Group, and all areas are responsible for progressively incorporating it into their strategic agendas and work dynamics.

In order to coordinate the Bank’s efforts in the different countries and units, part of the resources needed to achieve the sustainability objectives have been channelled through the SDA. Over the past year, investments in sustainable projects have increased by 138%, this being the strategic priority that has grown the most. In 2022 the investments made in the risk area stand out, such as the PACTA (Paris Agreement Capital Transition Assessment) and PCAF (Partnership for Carbon Accounting Financials) integration projects, key pieces for the alignment of the Bank’s portfolio towards decarbonization goals.

Transfer pricing system

The Fund Transfer Pricing system (FTP) is an essential part of BBVA's liquidity and funding management. The FTP is a vitally important tool for pricing the products offered by the bank to reflect the cost of liquidity and funding for each transaction and serve as a major component for measuring profitability.

In this sense, it is critical that the FTP system is aligned with the Group's strategic priorities. Thus, it is a lever which aims to support customers towards a sustainable and inclusive future.

BBVA has a corporate FTP methodology that is reviewed within the scope of the Corporate Asset Liability Committee, which represents the basis for the rest of the Group's geographical areas.

In the first quarter of 2021, the corporate methodology was revised in order to recognize the lower funding cost of green and social bond issues placed in the market compared to conventional bond issues, and to translate this improvement into eligible transactions for green and social bond collateral.

Investment in new technologies

Investing in "venture capital" funds is a key part of the Group's strategy to learn about new technologies in order to generate business and financial returns. Thus, in 2022, the Group increased its investments related to technologies that address the major challenge of decarbonization. During 2022, BBVA entered funds such as Hy24, which seeks to invest in industrial projects that bring green hydrogen-based solutions to commercial scale; Lowercarbon, which invests in companies that develop technologies to absorb carbon directly from the atmosphere; or Fifth Wall Climate, a leader in "proptech," with a fund that seeks to decarbonize the value chain of the construction and real estate sector.

2. Achieve Net Zero 2050







BBVA is one of the founding banks of the Net Zero Banking Alliance and, as such, has acquired the commitment to be neutral in carbon emissions ("Net Zero") by 2050. To this end, the Bank is applying the strategy of alignment of portfolio and management of indirect emissions.

2.1. Risk management and portfolio alignment

In recent years, significant progress has been made:

- Setting intermediate decarbonization targets for 2030 in emissions financed in six sectors: oil & gas, power generation, autos, steel, cement and coal (the target for oil & gas was set in 2022). Decarbonization targets were also set for the BBVA Asset Management portfolio in 2022. The goals for each sector can be found in [Alignment of metrics and goals](#) section.
- Developing specific tools to measure clients' transition to a low-carbon economy that are integrated into credit policies. For example, a Transition Risk Indicator, which is a combination of two metrics (climate change awareness and client assessment of the transition path) that, together with credit policies, provide a comprehensive assessment of each client's transition.
- Implementing a governance model that ensures the execution and monitoring of objectives.

■ Developing industry-specific plans for these 6 sectors.

-  OIL & GAS
-  POWER GENERATION
-  AUTOS
-  STEEL
-  CEMENT
-  COAL

As a member of the Net Zero Banking Alliance and in accordance with the Guidelines for climate target setting for banks published by UNEP-FI, BBVA has made the following progress in the fulfillment of its commitments:

NET ZERO BANKING ALLIANCE REQUIREMENTS (UNEP FI Guidelines for Climate Change Target Setting)	
Alignment targets	Setting alignment targets in the most CO ₂ intensive sectors
Ambition of the alignment targets	Targets in line with the Paris Agreement goals. Scenarios from trustworthy and recognized sources
Scope of the business operations included	Lending and investment operations
Scope of the CO ₂ emissions	Prioritizing the most CO ₂ intensive sectors. Cover significant scope 3 emissions
Baseline year	Less than two years in relation to the date when the target is set
Intermediate targets	2030 or earlier
Unit of measure for the targets	Absolute CO ₂ emissions Sector specific emissions intensity
Establishing a baseline for emissions and performing annual measurements and reporting	Calculating and reporting every year on the profile of financed emissions from the bank's portfolio, including absolute emissions and emission intensity
High-level transition plan to meet the targets	Publishing a top-level transition plan 12 months after setting the target; the plan must include a summary of the actions devised to meet the targets and an approximate timeline
Independent verification or assurance	Independent review or accreditation based on its first results report

PROGRESS MADE BY BBVA
BBVA has set the goal of becoming net zero by 2050. It has set intermediate targets for 2030 in 6 sectors: oil & gas, power generation, autos, steel, cement and coal.
BBVA has set targets based on the IEA's Net Zero 2050 scenario
BBVA has set targets for its lending operations
BBVA has set targets for the portion of the value chain in each sector where most of the emissions are generated.
BBVA set 2020 as the baseline year for 5 sectors, and 2021 for 1 sector (in both cases less than two years in relation to the date when the target was set)
BBVA has set intermediate targets for 2030 in 6 sectors (phasing out of coal by 2030 in developed countries and 2040 globally)
BBVA has set targets based on: <ul style="list-style-type: none"> ■ Absolute CO₂ emissions for the oil&gas sector. ■ Emission intensity by production unit in the power generation, autos, steel and cement sectors. ■ Total Commitment in millions of euros for the coal sector (phase out)³
BBVA has published data on its progress in 2021 and 2022 as compared with the baseline year. Please see the Metrics and Targets-Alignment Metrics section of this report.
Likewise, BBVA has published the CO ₂ emissions data for each sector in absolute value in the same section.
BBVA includes an action plan/transition plan for the 6 sectors with alignment targets. Please see the Metrics and Targets-Alignment Metrics section of this report.
The information in the table included in the Metrics and Targets-Alignment Metrics table of this report. (excluding the breakdown for the coal sector) was extracted from the consolidated non-financial information report, which is part of BBVA Group's consolidated management report for 2022. The information included in the consolidated non-financial information report was verified by Ernst & Young, S.L. as independent provider of verification services, within the scope specified in its report.

³ Phase-out 2030 in developed countries and 2040 globally.

Sectoral plans

The Group is working on sectoral strategic plans for all sectors for which a portfolio alignment target or phase-out commitment has been set. The content of these plans includes an analysis of the sector's risks and opportunities, the long-term vision of the sector's role in the decarbonization of the economy and the strategic responses of stakeholders across the sector, as well as the current state of the portfolio and positioning with respect to the Group's target. See more information in [Identification, measurement and integration of climate change into risk management](#) section of this report.

Risk planning

BBVA has also incorporated a transition risk metric in its Risk Appetite Framework. See section [Integrating climate change into risk planning](#).

2.2. Direct impact management:

- Since 2020, BBVA has been neutral in direct emissions (Scope 1, 2 and part of Scope 3: waste, emissions from business travel and travel of headquarters employees which represent a 35.8% of the total employees object of the report)⁴.
- BBVA continues with its strategy to reduce its own emissions. It has therefore set a target to achieve 100% renewable energy use in its operations by 2030, to reduce Scope 1 and 2 CO₂ emissions by 68% compared to 2015 by 2025, and to extend the scope of CO₂ emissions measurement to more Scope 3 activities.

BBVA's progress in terms of its direct impact can be found in [Management of direct environmental impacts](#) section of this report.

4. Within the scope 3 emissions reported, the following categories defined in the GHG Protocol are not included: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy related activities (not included in scopes 1 or 2); Category 4 upstream transportation and distribution; Category 7 transportation of network workers (which account for 64.2% of the total reported); Category 8 upstream leased assets; Category 9 transportation and distribution; Category 10 processing of the products sold; Category 11 use of the products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. In relation to the information on Category 15 Investments, see section [MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE](#). The scopes excluded to date could be material.

Use of carbon credits

The goal to net zero emissions continues to be to achieve the greatest possible reduction in carbon footprint, first and foremost. To achieve this target in 2050, the offset should be limited to cases where there are no technologically or financially feasible emission elimination alternatives.

However, carbon credits can play a complementary role in BBVA's decarbonization pathway beyond carbon footprint reduction efforts. BBVA is offsetting its Scope 1 and 2 emissions, and part of Scope 3: waste, emissions from business travel and travel of headquarters employees.

BBVA takes part in the NZBA Offset working group to contribute to the specification of the appropriate use of offsets for setting and achieving decarbonization targets of financial institutions, including the appropriate use of offsets from their customers' emissions.

3. Make a positive impact

Through the BBVA Community Commitment 2025, in the 2021-2025 period, BBVA and via foundations will allocate €550m to social initiatives to support inclusive growth in the countries where it is present. The programs will reach 100 million people during this period. In particular, between 2021 and 2025 it is expected to support 5 million entrepreneurs, train 2 million people in financial education and provide quality education to 3 million people. This is the most ambitious social plan that BBVA has launched to date.

Between 2021 and 2022, BBVA contributed with €237m to social initiatives to support inclusive growth in those countries where it is present, reaching 62 million people. In particular, until 2022, BBVA has supported 3.2 million entrepreneurs, it has trained 1.5 million people in financial education, and 1.2 million people have participated in educational programs. BBVA provides with both climate change and sustainable finance contents in its financial education initiatives and develops tools to help its customers to learn about both energy efficiency and sustainable financing matters.

Additionally, the Bank has a commitment to generate a positive impact in the exercise of its own activity. To this end, action plans are being drawn up:

WITH EMPLOYEES:



BBVA is committed to employees, being an organization based on values that enriches talent, with a diverse and inclusive team. Currently, the focus is:

- **EQUALITY:** BBVA has taken another step towards gender equality and established in 2022 a target for the presence of women in management positions of 35% by 2024. At the end of 2022, this percentage stood at 33.5%.
- Employee awareness and engagement actions on sustainability. **SUSTAINABILITY PRODUCTS FOR EMPLOYEES.**
- **TRAINING ON SUSTAINABILITY.** See more details in **Appendix 5** of this report.

WITH CUSTOMERS:



BBVA promotes an integral relationship with customers based on transparency and responsibility. With regard to transparency, BBVA is committed to continue improving sustainability-related reporting, as demonstrated by this report and the consolidated Non-Financial Information Report published to date.

WITH SOCIETY:



BBVA makes information and content on sustainability available to the general public on its website (www.bbva.com) and on social media. Since June 2022, **Aprendemos Juntos 2030** project has been promoting content related to a greener and more inclusive future and incorporating the **Desafíos** program for young people. In 2022, **Aprendemos Juntos Kids** program was launched for young people and their families.

Just transition

BBVA takes into account that the transition to a low-carbon economy must be just and fair and leaves no one behind, contributing from 3 perspectives: business, risks and stakeholder engagement.

1. Inclusive growth, a core element of the sustainability strategy

Within the framework of the General Sustainability Policy, BBVA focuses its strategy in this area around two vectors:

- The fight against climate change and the protection of natural capital
- Inclusive growth

In this second subject it is very relevant to contribute to a just transition, leaving no one behind and bringing the age of opportunity to everyone.

At the implementation level, the just transition perspective has been integrated into different lines of work throughout the organization that are developed in the business areas through our Community Investment initiatives and our relationship with employees and suppliers.

With regard to the €135.871bn mobilized in sustainable business between 2018 and 2022, 22% are intended to contribute to the inclusive growth of the customers and the societies where the Group operates. In this line of inclusive growth, resources have been mobilized for investments necessary for a just transition (e.g., social infrastructure), financing has been allocated to strengthen and transform the business sector to promote inclusive and sustainable economic growth, and credit products (cards, loans and mortgages) have been designed and marketed to individuals who meet the low-income and/or vulnerability thresholds established for each country.

In addition, a pilot project was launched in Mexico and Colombia in 2022 to promote the financial inclusion of unbanked groups and to improve the financial health and resilience of underbanked or underserved customers.

BBVA also supports inclusive entrepreneurship, with special relevance in Turkey, where there is a line of financing for women entrepreneurs (in small and medium-sized companies) with loans under preferential conditions.

Also noteworthy in this area is BBVA's promotion of microfinance through the BBVA Microfinance Foundation, whose main purpose is to provide financial services, to train and to support the people in vulnerable situations so that they can progress through the surpluses generated by their productive activities. Further, the BBVA Microfinance Foundation has products and services for the adaptation of small farmers to climate change, such as Eco Vivienda, Ecocrédito or the agreement with the NGO water.org to facilitate access to clean water and sanitation systems.

2. Gradual integration in risk management

BBVA has been conducting human rights due diligence processes in line with the UN Guiding Principles on Business and Human Rights, incorporating the vision of a just transition in critical sectors in the green transition (specifically mining, agribusiness, energy and infrastructure). Specifically, BBVA's Environmental and Social Framework (hereinafter, the Framework) establishes due diligence for new customers and operations covered by the Framework, in order to mitigate the environmental and social risks associated with these sectors.

Likewise, as a signatory of the Equator Principles, BBVA has due diligence procedures relating to the financing of new projects whose implementation affects indigenous communities. When this circumstance occurs, the free, prior and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which ensures the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

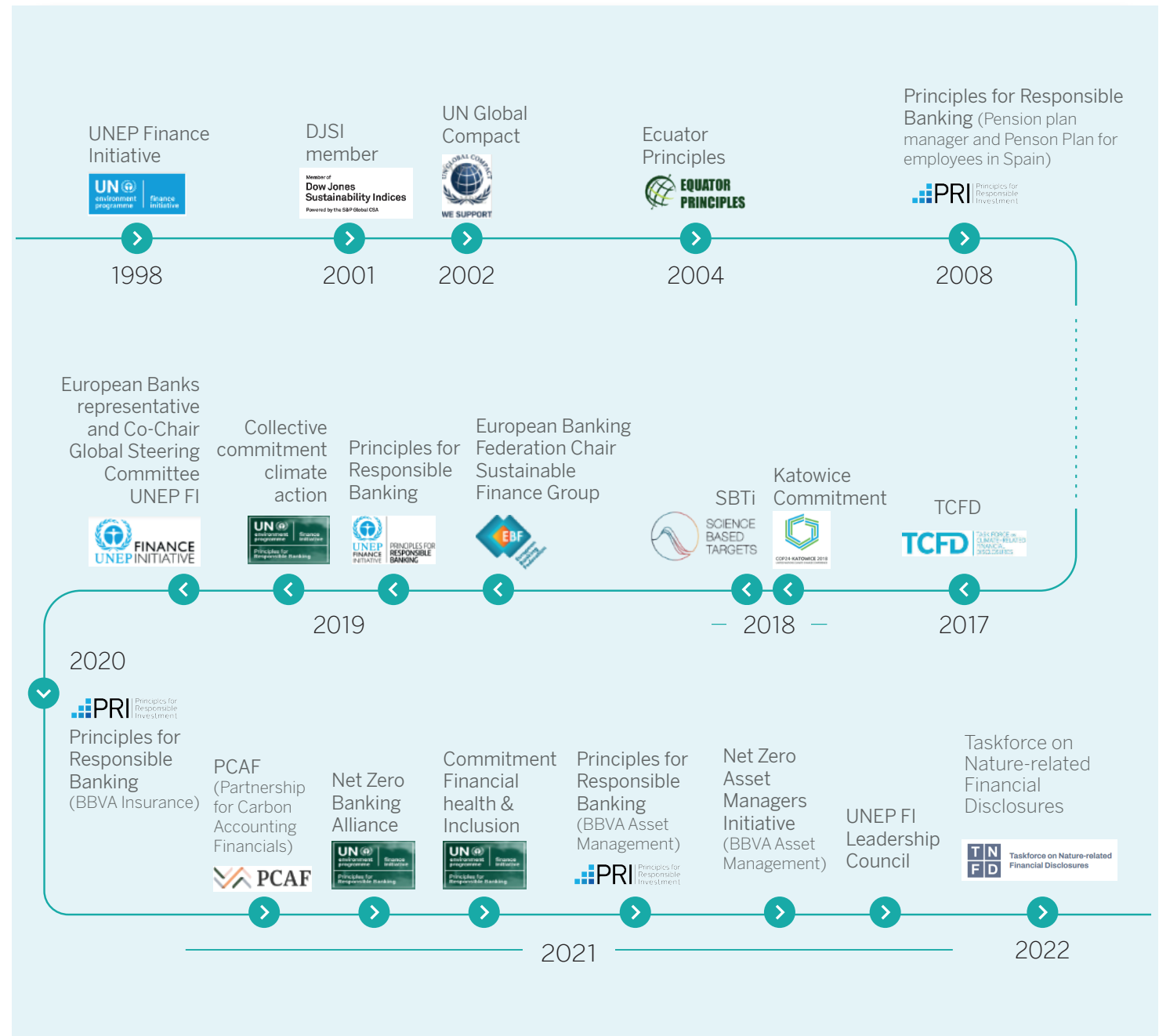
3. Engagement with initiatives to promote a just transition

Finally, BBVA participates in international industry-specific initiatives in support of a just transition, such as the UNEP-FI "Social and Human Rights Thematic Advisory Group (TAG)". Further, BBVA is part of the CSR Europe's multi-sectoral working group (The European Business Network for Corporate Sustainability and Responsibility) for an Inclusive Green Deal.

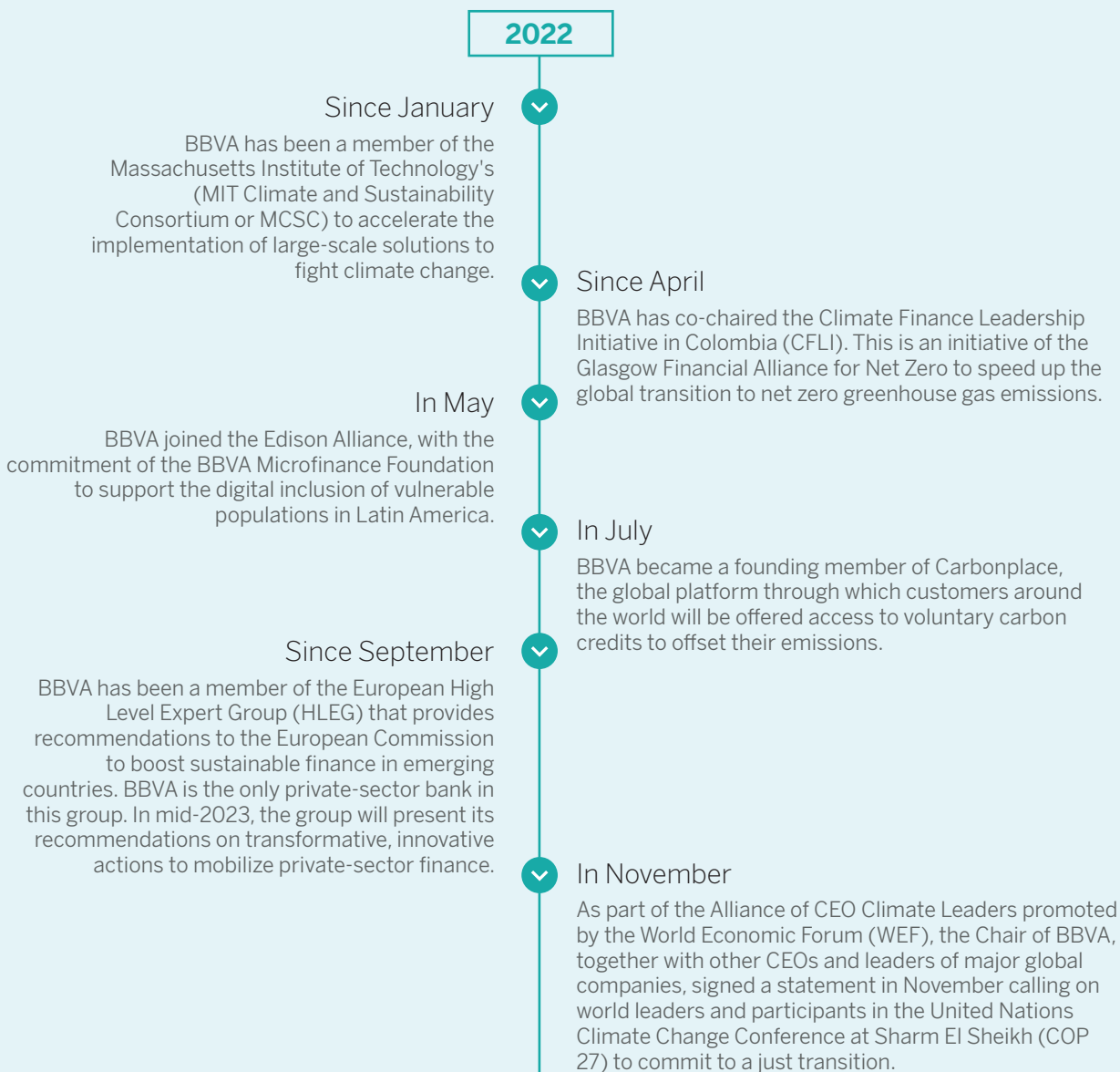
Likewise, BBVA also understands the just transition in the framework of the relationship between developed and developing countries. A just transition cannot be undertaken without the incorporation of those economies that are already suffering the most from the impact of climate change and have the greatest financial and institutional challenges to address the transition. BBVA is therefore vocal in promoting greater financial support to developing countries and participates in initiatives such as CFLI (Climate Finance Leadership Initiative) in Colombia or the European Commission's HLEG (High-Level Expert Group in sustainable finance) to promote sustainable finance in low and middle-income countries.

Engagement in international initiatives

For over 20 years, BBVA has participated actively in various supranational initiatives in close collaboration with all the stakeholders (such as the industry itself, regulators and supervisors, investors and civil society organizations). For yet another year, BBVA reiterates its support for the United Nations Global Compact.



Specifically, over the course of 2022, the Bank engaged in the following initiatives:



A global benchmark

In 2022, and for the third consecutive year, BBVA obtained the highest score (86 points) among banks in Europe and the second at global level in the latest Dow Jones Sustainability Index (DJSI). Its Corporate Sustainability Assessment (CSA) measures the performance of the largest companies by market capitalization in economic, environmental and social matters. The Group achieved the highest score (100 points) in the sections on financial inclusion, environmental and social information, materiality, tax strategy, crime prevention, public influence or lobbying, and human rights.

Likewise, BBVA was included for the fifth consecutive year in the Bloomberg Gender-Equality Index 2022, which is recognition of the commitment to create trustworthy work environments, in which professional development is guaranteed and equal opportunities for all employees regardless of their gender. The entity's firm commitment to diversity and inclusion allowed it to improve its rating by five percentage points compared to the previous edition. Garanti BBVA, the Group's subsidiary in Turkey, is also part of the index.

BBVA is a member of the main sustainability indices (for more details, see the section "Sustainability indices and ratings" in the chapter "Report on climate change and other environmental and social issues" of the consolidated Non-financial Information Report of BBVA Group.

Resilience of the strategy against climate change risks

The concept of climate resilience requires that organizations develop the adaptive capacity to respond to climate change, leveraging opportunities and managing the associated transitional and physical risks.

TCFD recommends that organizations describe the ability of their strategy to leverage opportunities related to climate change, consistent with a scenario of orderly transition to a low-carbon economy, but also their resilience to possible scenarios of increased climate risks.

As mentioned in the section **Definition of risks and opportunities associated with climate change** BBVA's strategy may be affected by climate-related risks and opportunities.

Therefore, BBVA is working on measuring the impact of different climate scenarios, both transition and physical risks, on its strategy and business.

The first results, obtained in the framework of the Climate Stress Testing regulatory exercise promoted in 2022 by the ECB, show immaterial impacts on both transition risk and physical risk. However, it is important to consider that methodological limitations, especially in terms of data and scenario design, could be underestimating the losses estimated by the financial system. In this sense, BBVA is working to reinforce and strengthen bottom-up methodologies and analytical capabilities in order to obtain projections of customer financial statements and estimate impacts on collateral values based on different climate scenarios and over different time horizons.

Additionally, the inclusion of impacts from a physical risk event in the capital self-assessment exercise (ICAAP) is being developed. Preliminary analyses of these events also show immaterial impacts.

Finally, the resilience of the strategy in the face of different climate scenarios is reinforced by the fact that BBVA has set sustainability as one of its six strategic priorities, with a special focus on the fight against climate change, integrating its commitment to align its financing portfolio with scenarios compatible with the Paris Agreement: BBVA subsequently set intermediate 2030 goals for CO₂ the oil & gas, power generation, autos, steel, cement sectors and the coal phase-out⁵ goal.

On the business side, the analysis is ongoing and the available results point to a resilient situation, given the relatively low exposure to clients and sectors with higher climate-related risks. In fact, BBVA's wholesale exposures related to emission-intensive and transition risk-sensitive activities represent approximately 12.95% of total wholesale exposure, and 6.69% of the Group's total exposure. Additional information on risk assessment and scenario analysis is included in the **Integrating climate change into risk planning** section of this report.

5. Phase-out of coal in 2030 in developed countries and 2040 in the rest of the geographical areas where BBVA is present in the terms of its Environmental and Social Framework.

Engagement strategy with customers, the industry and the public sector

1. Customer engagement

BBVA provides financial services to corporate and institutional customers through its Corporate & Investment Banking (CIB) and Corporate and Business Banking (CBB) units, and to its retail and individual customers through its Retail Banking unit. These clients include both large global corporate and institutional clients, as well as smaller clients with a more local presence or less sophisticated financial needs. BBVA continuously engages with its customers as indicated below.

1.1. Due diligence process and knowledge of the customer

For wholesale clients, industry-specific sustainability questionnaires have been created with the aim of increasing managers' and risk specialists' knowledge of the environmental performance of large corporate and institutional clients. This is linked to the timing of the preparation or renewal of the client's financial program in order to make the best data-driven decisions.

Based on the information included in the KYC and provided by an external ESG expert advisor, BBVA ensures that new wholesale customers covered by the Environmental and Social Framework do not incur any of the general exclusions or specific prohibitions for the mining, agribusiness, energy, infrastructure and defense sectors. If a potential customer is involved in any controversy or breach, a specific analysis of the situation will be carried out. A plan of dialogue and accompaniment of the customer with measures aimed at understanding and trying to correct the situation may then be undertaken.

BBVA will not support the provision of financial services to wholesale customers included in the scope of the Framework when there is sufficient evidence that they

or their transactions are involved in the prohibited activities foreseen in the defense sector. In the rest of the industries (mining, energy, agribusiness and infrastructure), a specific analysis of the situation will be carried out. This may involve non-initiation of the relationship, or adoption of a plan of dialogue and accompaniment with the client with measures aimed at understanding and trying to correct the situation.

Although the Environmental and Social Framework is applicable to new clients and new projects from its publication date, a review process has been carried out, based on best efforts, of the stock of clients for the progressive implementation of the measures provided therein. Since 2021 more than 300 business groups were analyzed under this framework. BBVA initiated a dialogue and accompaniment plan with 17 groups.

BBVA identifies, accredits and documents the activity carried out by retail customers through KYC (Know Your Client) under a risk-based approach. The process allows for a better understanding of customers, their operations, customer segmentation, products, channels, jurisdictions and transaction monitoring.

1.2. Analysis of customers' environmental and social risks and opportunities

BBVA has developed a "Guide for the integration of ESG factors in wholesale credit analysis" which identifies the key environmental and social aspects by industry and presents metrics to monitor the performance of our corporate clients.

In addition, BBVA has specified an internal taxonomy of transition risk. The purpose is to classify sectors according to their sensitivity to this type of risk. In the development of its sectoral frameworks used in credit approval, BBVA identifies the metrics that make it possible to assess the vulnerability of each client to transition risks and to integrate this aspect into risk and support decisions. Further information on this point is available in the chapter **Integrating climate change into risk planning** in this report.

Progress is also being made in developing internal capabilities to classify clients based on their climate reporting, low-carbon business profile and decarbonization plans.

In the area of Corporate and Business Banking (CBB), BBVA was pioneering in the use of data analytics to calculate companies' carbon footprint and use it to offer value-creating solutions to our customers. The

carbon footprint calculator for companies provides information on the ESG profile of clients (footprint calculation, change over time, comparison with the sector average and similar companies, etc.), which allows us to categorize our clients and to implement targeted, personalized and tailored advisory and commercial actions adapted to each client's profile.

Recently functionalities have been added which allow the definition of energy saving targets, alerts which provide a warning when the target is not being met, and a comparison of consumption with other companies in the same sector of activity (NACE), similar level of revenue and number of employees on the workforce, indicating the percentile of monthly expenses compared with peers.

In addition, BBVA uses natural language processing techniques for ESG categorization of business customers on a large scale from public information such as corporate customer websites, official records, news, etc. This leadership in digital transformation enriches the business information provided and helps customers improve their environmental performance.

BBVA was the first bank in Spain to offer the calculation of the carbon footprint to its individual customers thanks to its digital and data analytics capabilities. This service raises the awareness of the Bank's individual customers on the impact its actions have on the environment, and help them transition to a more sustainable world.

By adding the characteristics of the home (surface area, energy certification, etc.), BBVA can assess improvements in energy efficiency and offer information on simple and sustainable changes in habits that help reduce the amounts in the household bills of its individual customers.

Besides, the cost of an electric vehicle can be compared to a gasoline vehicle so that the individual customer can see the economic advantages of opting for a more sustainable transport solution. Customers will also be able to view and/or subscribe to any of the sustainable products offered by BBVA. The Bank provides its customers with the Valora tool, which allows them to have an estimated automatic appraisal of their real estate and transportation assets.

1.3. ESG engagement actions with customers

In the daily dialogue with wholesale customers, both at a strategic and commercial level, sustainability is part of the conversation and value proposition and is integrated into the intake, pricing and risk management processes. BBVA interacts and shares ESG knowledge and best practice with its wholesale customers through a variety of mechanisms:

To complete the sustainable offer, the ESG Advisory service was created in 2020 to assist global customers in their transition toward a sustainable future in all sectors of activity. This involves data-driven assessments and guidance to assist customers in undertaking commitments to align with the Paris Agreement and make progress in terms of the United Nations 2030 Sustainable Agenda. Dialogue with customers on ESG aspects is based on:

- General description of how sustainability is evolving in the political and financial context, explaining the principal regulatory issues, reporting needs, developments in the financial markets, ESG classifications, etc.

- Industrial specialization in industries which are facing the biggest challenges for a transition to a low-carbon economy: oil & gas, power generation, autos manufacturers and auto parts, as well as other industries such as infrastructures, processed food, beverages, cement, fintechs and pharmaceuticals. Customers are informed on the main challenges and opportunities for the industry and the dialogue is focused on a roadmap for each industry to align with the Paris Agreement commitment. BBVA provides its clients with information on regulation, technological improvements and best practices in each industry as well as a comparative analysis on how similar companies are evolving in terms of ESG, different options to improve their sustainable profile and how to set specific short and medium term objectives.
- BBVA offers customers a list of sustainable products and finance (bonds, loans, global transactional banking, global markets, equities, mergers and acquisitions).

BBVA directly supports its global and non-global clients in the incorporation of ESG practices in their business strategies and operations through one-on-one visits, events, project consulting, etc., with a focus on energy efficiency projects, sustainable construction, sustainable mobility, and the promotion of sustainable practices

(efficiency in the use and management of water, circular economy, waste management, environmental impact and protection of biodiversity, among others) in all types of sectors and economic activities.

Corporate and Business Banking (CBB) customers also have general information and a catalogue of sustainable products on the transactional banking website. The Group makes available to its customers product information and sustainability advice and explains their impact on the environment (savings in electricity consumption with an energy efficiency loan, fuel savings when arranging a loan to renew the vehicle fleet, etc.).

The model for smaller companies and individuals is complemented by external capabilities. In this regard, strategic alliances with third parties are being formed, which are key to contribute to support the sustainable transition of these companies and individuals. Among them are:

- The development of sustainable business of companies in Spain, focused on promoting sustainable mobility, energy efficiency and renewables, has led to agreements with Faconauto for the distribution of electric cars and with Anese to promote energy saving projects. On the other hand, an agreement has been reached with Minsait for the management of subsidies.

- The promotion of solar self-consumption in the main countries where BBVA is present has made it possible to build alliances and agreements with solar panel installation companies in Mexico, Turkey and Spain. These capacities are being developed in Argentina and Colombia.
- Agreements with multilateral organizations and development banks to promote sustainable business, such as the agreement with the International Finance Corporation to mobilize sustainable business in Mexico, Peru and Colombia; and the Garanti BBVA's agreement in Turkey with the European Bank for Reconstruction and Development (EBRD).

BBVA supports its individual customers to incorporate ESG practices through one-on-one meetings and visits, mass participation events or advice on projects with technology and consulting firms. BBVA informs its customers through digital channels and its commercial branch network. It is an integrated model of service that ranges from raising awareness to project design and management of public subsidies.

Bank managers, mobile banking and the commercial website offer retail customers a wide range of sustainable investment and financing products, adapted to each of the geographical areas in which they operate and focused mainly on sustainable mobility, energy-efficient home improvements and energy-efficient mortgages. BBVA in Spain already offers a sustainable alternative for most of the existing traditional products for SMEs and individuals, and work is underway in the rest of the world to ensure that this is the case.

BBVA makes information on sustainability available to retail customers using a range of digital media. On the corporate website, customers can find news and articles. On the website and the mobile banking app, they can find information on the sustainable products offered by the Bank and subscribe to them. In addition, the website provides numerous tips on how to reduce carbon emissions and also achieve economic savings by reducing energy consumption, while offering savings simulators by using different sustainable goods, an electric car, efficient appliances, condensing boilers or small changes in daily habits such as changing the room temperature or installing LED lights.

In September 2022, the second BBVA Sustainability Forum took place, bringing together representatives of the Spanish government, presidents and CEOs of leading global companies, and customers to discuss the fight against climate change and financing for sustainable growth.

Besides the EduFin Summit 2022, the annual financial education summit organized by BBVA's Center for Financial Education and Skills, was held in Madrid and Mexico City. Participants shared their knowledge on how digitalization revolutionizes financial education and boosts the inclusion of the most vulnerable.

Customer engagement metrics

Since 2020, CIB bankers have visited close to 500 large global clients and more than 300 pitches have been made with the goal of having a dialogue and discussion focused on sustainability (representing approximately around 15% of the corporate and institutional client base). In total, CIB bankers made visits to customers in 42 different countries and of these, nearly 20% have been visited in more than one geographical area in which BBVA is present. In 2022, 30 global clients were contacted through the ESG Advisory service.

Furthermore, in 2022, close to 350 commercial and ESG advisory visits were made to Corporate and Business Banking (CBB) customers who have been presented with a value proposition with ESG features adapted to their needs and profile (sector, activity, maturity, relationship with BBVA, risk profile, proposed use of funds, product and price). BBVA has a network of sustainable finance experts (spread throughout Spain and under development in other countries) to support the customers in their transition to a greener future.

The development of sustainable business in CBB is focused on promoting sustainable mobility, energy efficiency and renewable energy and has led to agreements with third parties for the distribution of electric cars, to enhance energy saving projects and the installation of solar panels. Agreements with energy companies and automotive dealerships stand out.

Likewise, events with sustainability-related content have been organized: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, clean transportation and agriculture.

Finally, BBVA, in partnership with a company specializing in managing European funds from the Next Generation EU program approved by the European Commission, offers information to clients promoting Spanish business projects related to the environmental transition and sustainable mobility, among other topics. More than 65,000 visits were generated on the aid portal created for this purpose, resulting in more than 2,500 informational opportunities in this area.

In 2022, BBVA created more than 700 articles which added to the 878 in 2021, have impacted more than 7.6 million unique

users. In addition, more than 50 podcasts were produced which, together with the 2021 podcasts, were downloaded more than 560,000 times. The newsletter has more than 7,700 subscribers. More than 70 YouTube videos were also posted in 2022, which, together with the existing ones, add up to more than 880 thousand views since 2020.

Content shared on social media attracted more than 30 million page views and more than 55,000 clicks this year. Through social media, BBVA reaches out to people and generates knowledge of ESG issues to generate a positive impact and raise awareness about the importance of taking action. Special attention should be given to our entry into the world of TikTok where with more than 75 videos posted, it has had more than 39 million views.

BBVA held two webinars in 2022: one on the City of the Future, which has more than 3,200 views, and another on Climate Migrations, which has more than 3,400 views. These webinars are supported by our specials on sustainable topics. In total, 8 special features, with topics as varied as the circular revolution, sustainable gastronomy or sustainable tourism among others. They already have more than 6.5 thousand downloads.

2. Engagement with the industry and the public sector

For over 20 years, BBVA has participated actively in various supranational initiatives. BBVA seeks to play an active role in redefining the architecture of the financial system to place sustainability as a very important element in financial decisions. As well as repeating its support to the UN Global Compact once again this year, BBVA actively participates in numerous initiatives, always in close collaboration with all stakeholders, such as the industry itself, regulators and supervisors, investors and shareholders, and organizations from civil society.

In terms of sector initiatives, it should be noted that BBVA has been a member of UNEP-FI since 1998, and since 2019 co-chairs its Global Steering Committee on behalf of European banking, in addition to being a member of the UNEP-FI Leadership Council. It was also one of the 28 founding banks of the Principles for Responsible Banking, thus defining the reference framework for sustainability in the banking sector.

In terms of portfolio alignment with the Paris Agreement, BBVA became one of the founding members of the Net Zero Banking Alliance, of which it is currently a member of the Steering Group. Additionally, BBVA Asset Management is a member of the Net Zero

Asset Managers initiative. Both initiatives are part of the Glasgow Finance Alliance for Net Zero (GFANZ).

Likewise, BBVA, together with four other banks that have signed the Katowice commitment, and with the support of the think tank 2 Degree Investing Initiative (2DII), has collaborated in the implementation of the PACTA (Paris Agreement Capital Transition Assessment) methodology for the decarbonization of the credit portfolios of financial institutions. BBVA is a member of the Partnership for Carbon Accounting Financials (PCAF), which aims to establish an international methodology for measuring and disclosing greenhouse gas emissions financed by banks and investors.

The Bank is also a member of the Science Based Target Initiative and participates in the World Economic Forum (WEF), CEO Climate Leaders Alliance, the world's largest global community of CEOs committed to climate action.

It is worth mentioning that BBVA is Chair of the European Banking Federation's Sustainable Finance Working Group, through which it has participated in the creation of several reports, including the one related to testing the application of the EU Taxonomy to banking products. At the global level, BBVA also participates in the IIF's working groups on sustainable finance. At the local level, the bank is active in the sustainability

committees in each of the banking associations in the main geographical areas (Spain, Mexico, Turkey, Colombia, Peru and Argentina), undertaking initiatives to help less advanced banks in climate change management by sharing practices and methods.

BBVA is also a promoter in the implementation of the Equator Principles, the Green Bond Principles, the Social Bonds Principles, the Green Loan Principles and similar standards developed by the industry itself.

In 2022, BBVA continued to take an active role in its dialogue with government authorities regarding financial legislative initiatives at the EU and global level, as well as in the different jurisdictions where it operates.

Within the framework of its participation in the Sustainable Finance Working Groups of various forums, in particular the Spanish Banking Association (AEB), the European Banking Federation (FBE), the Association of Financial Markets in Europe (AFME), the European Financial Services Roundtable (EFR), the European Banking Group (EBG), the Monetary Authority of Singapore (MAS) and the Institute of International Finance (IIF), BBVA also contributes to the development of sectoral positions on initiatives, both Spanish and European and at a global level. In this regard, BBVA participated in various consultations with industry associations.

In this context, in 2022 we would highlight the role of monitoring, dialogue and accompaniment with the European regulator in relation to key proposals on sustainable finance, such as the proposed directive on corporate due diligence in environmental and human rights matters, the proposed Regulation for a Green Bond Standard (EU GBS), the implementation of sustainability disclosure standards (EFRAG, ISSB where BBVA participates in the IFRS Advisory Council and SEC), the review of European regulations on capital requirements (both micro and macroprudential), the developments of the European taxonomy, or the review of the European Union Emissions Trading Scheme (EU ETS).

BBVA also promotes sustainability and maintains a dialogue with European institutions through its active participation in the European association CSR Europe. In 2022, BBVA took part in the CSR Europe Leaders' Hub for an inclusive Green Deal, a platform supported by the European Commission, through which it has contributed to the development of a roadmap to help European companies integrate just transition into their strategies and operations.

In 2022 BBVA Mexico actively participated in the development of the Sustainable Taxonomy of this country, through its participation in the different sectoral groups on construction, energy, agriculture, circular economy, gender and sustainable cities.

A second area of relations has been with banking supervisory bodies. In 2022, the first climate stress test by the European Central Bank and the first thematic review in relation to the expectations of the European supervisor took place. In addition to its own supervisory activities, BBVA has actively participated in various working sessions, sharing its experiences with the European Central Bank, the Bank of Spain, the Bank's Association of Turkey and the Bank of Mexico, among others.

Thirdly, and beyond the financial regulatory sphere, BBVA has continued to promote initiatives to ask governments for more ambitious action on climate change and public policies. In this regard, it is worth noting the calls to the G20 led by the WEF in Davos and at COP27, as well as the letter promoted by We Mean Business Coalition and the Grupo Español de Crecimiento Verde on REPowerEU.

Finally, a fourth area of involvement with governments has to do with the promotion of sustainable finance in emerging countries. BBVA considers it a priority to close the large gap in sustainable financing in these countries, without which it will not be possible to achieve zero net emissions.

In April 2022, within the framework of GFANZ, BBVA promoted the creation of the Climate Finance Leadership Initiative (CFLI) in Colombia, which it currently chairs together with Bancolombia. The initiative aims to catalyze sustainable financing in the country by bringing together leading companies in the private sector and with the active involvement of local government and the support of multilateral entities.

In September 2022, BBVA was appointed a member of the European High-Level Expert Group tasked with providing recommendations to the European Commission to boost sustainable financing in emerging countries.

SECTION 03

Management of risks associated with climate change

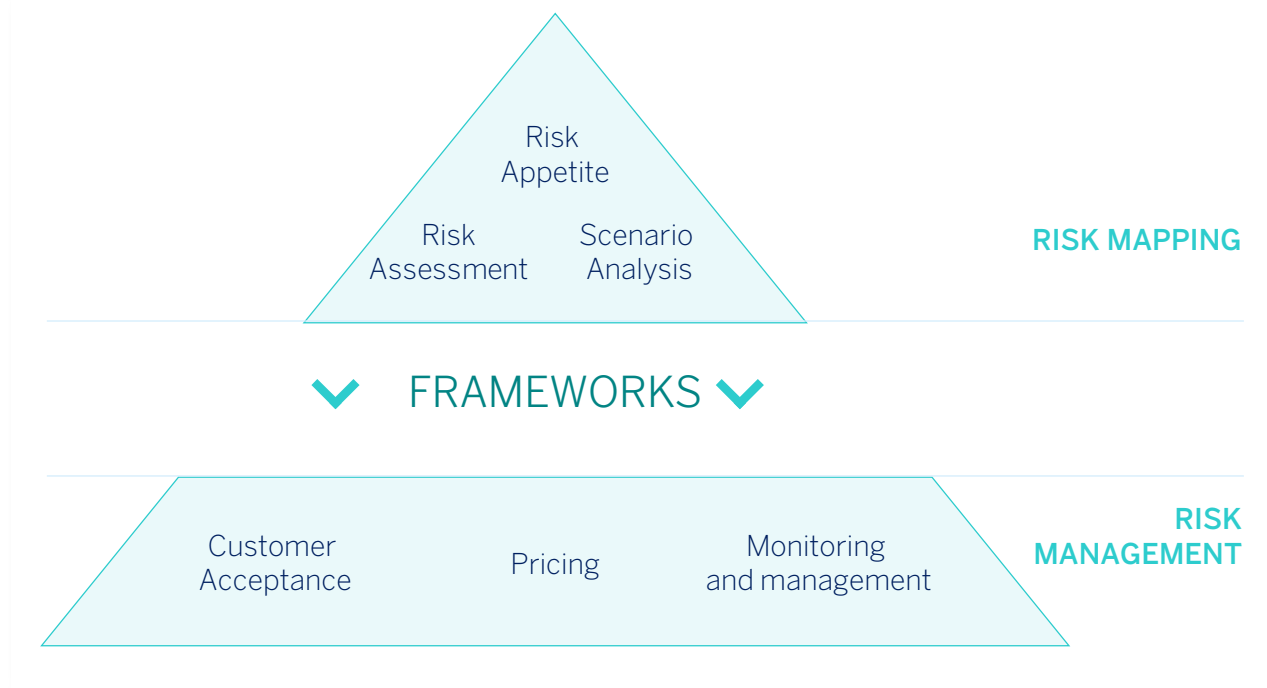
Integrating climate change into risk planning

The risks associated with climate change (transitional and physical) are considered as an additional factor affecting the risk categories already identified and defined in the BBVA Group and are therefore managed through the Group’s risk management frameworks (credit, market, liquidity, operational and other non-financial risks). As a result, the integration of climate-change related risks into the BBVA Group’s risk management framework is based on their incorporation into the governance and processes currently in place, taking into account regulatory and supervisory trends.

Correct planning requires reliable, complete and up-to-date data. Accordingly, in 2022 work continued on the deployment of the sustainability data strategy, based on the Principles for effective risk data aggregation and risk BCBS 239, in which sustainability data needs have been identified, data gaps have been assessed and a conceptual model and implementation plan have been developed. All this is geared to guaranteeing a comprehensive vision of the Group’s

climate change risks to ensure their correct control and management. In response to both regulatory and management needs, and so on, the data considered include data related to customer climate scorings, real estate energy efficiency certificates, ESG ratings, greenhouse gas emissions, asset and collateral location and sector-specific metrics, etc.

Climate change risk management in BBVA Group is based on the risk planning process which is marked by the defined risk appetite and makes use of management frameworks which establish how these risks are to be addressed in day-to-day business activities.



Risk planning

Risk appetite Framework (RAF)

BBVA's Risk Appetite Framework, approved by the corporate governance bodies and applicable to all the Group's material geographic areas, determines the risk levels that BBVA is willing to assume to achieve its targets, considering the organic evolution of the business. It is organized under a pyramidal structure that starts from the thresholds of the core metrics and the metrics by type of risk and declines in a framework of management limits. The Framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. The statement includes a commitment to sustainable development as one of the elements defined by the BBVA business model, focusing on supporting the customer in the transition toward a sustainable future, and incorporating the climate factor in risk management. This statement is complemented and detailed by a quantification of the appetite through metrics and thresholds that provide a clear and concise guide to the maximum acceptable risk profile.

A quantitative transition risk metric has been incorporated into the framework since 2021. This High Transition Risk metric measures Exposure at Default (EAD) in relation to capital of the activities most exposed to transition risk in accordance with the Taxonomy defined internally (High Transition Risk), focusing on activities classified as High or Very High risk. With respect to this metric, the Board of Directors of BBVA has approved thresholds at a Group and geographic area level, which determine the maximum appetite for this risk.

Furthermore, a new metric has been included in the 2023 management limits, called High Market Misalignment. This metric is defined as the percentage of the

capital base of exposure to customers whose issuance intensity is above 30% of the market average. This metric takes a transition risk management approach by focusing on customers with a clear level of misalignment with respect to the emissions intensity trajectories established by the International Energy Agency, The Net Zero Emissions scenario for each of the sectors. The calculation scope is the loan portfolio of the autos, power generation, steel and cement sectors.

The definition of the levels of tolerance established in the Risk Appetite Framework are based on the Risk Assessment and Scenario analyses described below.

Risk Assessment

This section firstly provides a self-assessment of how the different climate-change related risk factors impact on the main types of risk currently existing (credit, market, liquidity, etc.); secondly, an analysis of the sectors that are most sensitive to this risk (under the so-called “internal risk taxonomy”); and, finally, the methodology used to assess the climate vulnerability of the relevant geographic areas where the BBVA Group operates. These last two aspects are integrated into the management through processes such as admission frameworks or the establishment of risk limits.

As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to identify material risks that could have a negative impact on its risk profile and to manage those risks actively and proactively. These processes cover all types of risks faced by the Group in its daily activity, including those risks that are more difficult to quantify. Since 2022, the General Risk

Management and Control Model specifically considers sustainability as an essential part of the Group’s strategy.

The Global Risk Assessment is a prospective exercise which updates at least twice a year, and allows a comparison between risk types, business activities and moments in time, facilitating the understanding of the Bank’s positioning and its development, and identifying the material risks to cover with capital. Since 2020 the Group has carried out a climate assessment, mainly of a qualitative nature, which assesses BBVA’s vulnerability to transition and physical risk. As in the case of the global assessment, the climate assessment process is of a participative and global nature in the GRM area. The results of the assessment are submitted to the highest executive risk committee (GRMC), as well as the corporate bodies, as this assessment is integrated in key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

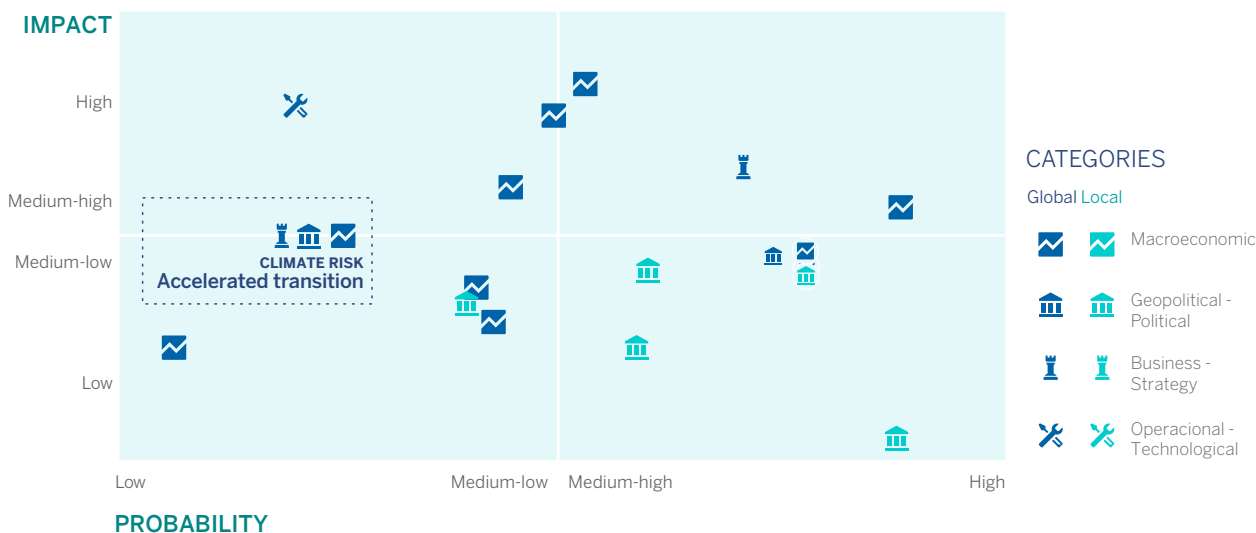
The climate change risk assessment process runs parallel to the Group’s global risk assessment, although there are two major differences. First, there are still no mature indicators to assess the different risks quantitatively and second, the time horizon of the analysis is much more extensive. The analysis is carried out for a short-term horizon coinciding with the planning horizon (4 years), medium term (4-10 years) and long term (over 10 years). The climate change risk assessment, like the other risks, is carried out from two perspectives of the global assessment:

1/ Identification of risk events: transition risk and physical risk are included in the identification of risk events that may have a material impact on the Group. Below is the matrix of risk events identified in 2022 that are graphically represented according to their estimated impact on the BBVA Group and their assigned probability.

Climate change risk is included as a material event in this inventory since 2019. The assessment in the analysis of climate change risk events classifies physical and transition risks. In the short term (12-18 months), it is considered that an accelerated transition to a low-carbon economy would entail a medium-impact risk event, although the probability currently given to this type of scenario is medium low. At a medium/ long-term time horizon, the risk of physical climate change is included in the inventory of emerging risks (those that may have an impact on a longer horizon) and is assigned a medium risk.

2/ Risk level assessment: The second approach followed in risk assessment is based on an assessment of the profile of each type of risk expressed in a heat map. In 2022, the analysis was extended to the six relevant geographical areas of the BBVA Group (Spain, Mexico, Turkey, Argentina, Peru and Colombia). The financial year incorporates risk factors, such as the carbon footprint of customers, the energy efficiency of real estate collateral and the emissions financed, to name a few. Work has also been done on the preliminary inclusion of quantitative metrics for certain risk factors, especially exposures to activities that are sensitive to transition risk (include table of indicators).

GRAPH 01. Risk materializing in the short term: time horizon 12-18 months



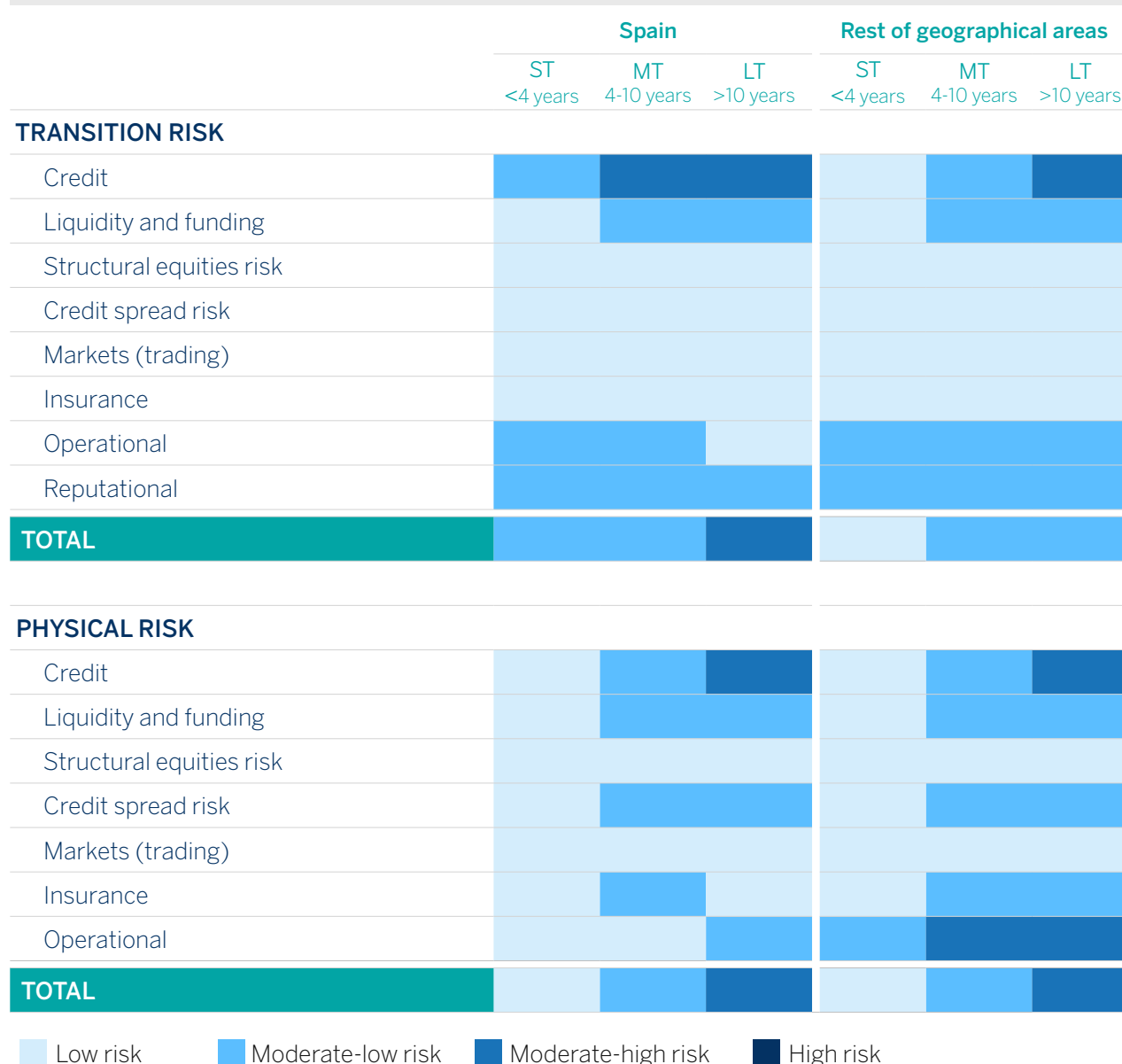
The conclusions of the assessment for 2022 suggest that the main risks emerge in medium- and long-term loan portfolios, with an earlier impact on transition risk in Spain given the speed of this geographic area in adopting decarbonization policies. In contrast, there has been a reduction in risk due to regulatory pressure in emerging geographies. The factor that has the greatest impact in the long term on credit risk is that derived from the investments in technological change that companies will have to carry out in order to decarbonise. With respect to the impact of physical risk

on loan portfolios, the greater frequency/severity of extreme meteorological events and structural changes in climate patterns explains the deterioration shown in the assessment over longer-term horizons. Also noteworthy is the increase in medium-term insurance risk associated with the increase in reinsurance premiums, which may have an impact in the medium term, although the level of risk remains at a medium-low level.

The impact of transition risk on liquidity risk is low due to the stability of the retail deposit base and the high asset quality of the liquid asset buffer. Market risk is equally low, due to the diversification of the equity portfolio and low exposure to sectors sensitive to transition risk in the fixed-income portfolio.

As for operational risk, there is a difference in the perceived risk in Spain (medium-low) and in the rest of the geographic areas (medium-high), due to the greater exposure of the latter to physical risk in the medium and long term.

TABLE 04. Risk assessment climate change 2022



Within the scope of preparing and defining its industry frameworks governing the credit admission process, BBVA has developed an internal Taxonomy of transition risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the customer level to assess their vulnerability and to integrate this aspect into risk and customer support decisions.

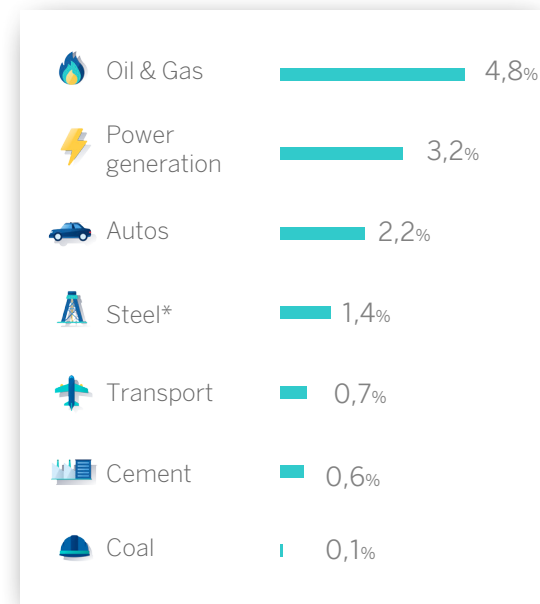
The estimation of the transition risk-sensitivity level is based on the qualitative analysis of the amount of exposure to regulatory, technological and market changes caused by decarbonization that may have a financial impact on the companies of the industry and on the estimation of the time horizon impact of these effects.

Therefore, industries are categorized according to their level of sensitivity to transition risk: very high, high, moderate or low. The industries identified as most sensitive to transition risk are energy or fossil fuel generation sectors (oil and gas, power generation and coal mining); emission-intensive basic industries (steel, cement); and activities that are final users of energy and generators of emissions through their products or services (vehicles manufacturers, air and sea transportation).

As a result of this exercise, with data as at December 31, 2022, 12.95% of the exposure (measured by EAD) of the wholesale portfolio (equivalent to 6.69% of the Group’s portfolio) has been identified as corresponding to sectors defined as “high transition risk”, with a high or very high level of exposure to this risk. This calculation was made on a portfolio of €209,759 (of the Group’s total EAD of €406,097), corresponding to the EAD of the wholesale lending portfolio.

During 2022, this calculation was introduced for the small business sector (SMEs and the self-employed). The results obtained 2022 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and focused in mainly in Spain and in the autos (components) sector.

In addition, climate change and environmental risk impact has been incorporated into country risk analysis since 2019, as an additional input for establishing risk policies affecting exposures to private or sovereign administrations of all the countries with which the Bank has some type of risk (+100 countries).



Prepared by BBVA.

Includes the percentage of exposure at default of activities internally defined as “transition risk sensitive” over the EAD of the wholesale portfolio as of December 31, 2022 (not including the subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The “transition risk sensitive” portfolio includes activities that generate energy or fossil fuels (energy, power generation -excluding renewable generation and water and waste treatment-), coal mining; basic industries with emission-intensive processes (steel and cement), final activities users of the energy through their products or services (vehicles manufacturers, air and sea transportation) with a high or very high level of sensitivity to this risk. The reduction in exposure (measured by % EAD) of the wholesale portfolio compared to 2021 is due to the increase in the EAD of the wholesale portfolio in 2022 (from €368,819m as of December 31, 2021 to €406,097m as of December 31, 2022) and because the EAD included in the numerator of the calculation formula, does not include power generation from renewable sources.

* Also includes steel industry

Analysis of scenarios and stress testing

Scenarios and internal stress tests

The climate scenarios have been integrated into the governance of the BBVA Group's internal scenarios, with initiatives being developed in several areas:

1/ The climate reflection is presented together with the preparation of the budget baseline scenario. It reviews the climate policies in place in each relevant geographic area, their effective relevance within the overall economic policy framework, their consistency with the transition to a decarbonized economy and whether there may be any bias on the economic growth of the budget baseline scenario due to its potential development.

2/ The climate driver has been integrated into the high-level risk scenarios (HLRS) which are monitored and assessed continuously in the Group by the Scenario Working Group. They serve as a basis for choosing the scenario which is used in the Group's internal capital adequacy assessment process (ICAAP).

In 2022 different physical risk events in Spain were assessed in order to consider them as input in the ICAAP. Among the events taken into account, drought is considered relevant for the design of physical climate change risk scenarios due to its presence in recent history, its persistence over time and its impact on the economy.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for the stress tests on climate change risk scheduled for 2022 in the months March to July. 104 entities participated fully or partially in this exercise, and of these, 41 entities, including BBVA, participated in the whole exercise. The exercise was based on three different modules, with the following contents:

MODULE 1

Qualitative questionnaire about the internal framework of climate stress testing including 11 blocks with topics related to governance, RAF, integration with the strategy, ICAAP and future plans

MODULE 2

Analysis of the current portfolio of entities with respect to revenue dependence on polluting sectors⁶ as well as emissions financed in such sectors

6. The exercise focused on a list of 22 NACE sectors published by the ECB.

MODULE 3

Bottom-up stress testing and loss projections with different types of risks and horizons considered:

■ TRANSITION RISKS:

Short-term

(3 year projection)

Including both credit risk and market risk, based on the Network for Greening the Financial System Disorderly scenario (NGFS).

Long term

(2030-2040-2050)

Including only credit risk and considering dynamic balance sheet projections based on both the macro situation and the Entity's strategy covering three NGFS scenarios (Hot House, Orderly and Disorderly)

■ **PHYSICAL RISK (credit risk)**: two one-year projections each, considering a flood scenario and a drought and heat wave scenario.

■ The exercise **COVERED OPERATIONAL RISK AND REPUTATIONAL RISK** by means of qualitative questionnaires

In order to comply with the methodology required by the ECB in this exercise, a sectoral layer has been incorporated into the loss projection models. These models, together with the sectoral scenarios published by the ECB, have made it possible to make projections reflecting the idiosyncrasies of each sector. In this way, the possible differences in sensitivities to climate change risk in each of them are adequately reflected through differentiated impacts.

Identification, measurement and integration of climate change into risk management

Once climate change risk is incorporated into the Risk Appetite Framework and the business strategy, it must also be included in the day-to-day risk management, which is a part of the risk decision making that supports the Group's customers.

It is therefore necessary to identify this risk type for subsequent integration into the existing management processes, including the adaptation of policies, procedures, tools, parameterization, risk limits and risk controls in a consistent manner. Currently, BBVA is developing the methodologies and tools it needs to identify and measure the different components of climate change risk, and the financial impact analysis of each of them for their subsequent integration into the management. These tools are based on the metrics of financed emissions, alignment with decarbonization pathways, analysis of the vulnerability and exposure to climate hazards of our customers and

their collaterals, and the analysis of climate scenarios that allow for a prospective view of risks, opportunities and their financial impacts.

The adaptation of policies and procedures initially focused on the integration of transition risk in the Sectoral Frameworks (a basic tool in the definition of risk appetite in wholesale loan portfolios) where climate criteria are specified in the admission guidelines and in the mortgage and vehicle action frameworks in retail credit. In 2022, sectoral analyses of the risks derived from decarbonization were developed according to the baseline scenarios. This work made it possible to define strategies and business plans aimed at meeting the alignment objectives established in the medium term, as well as mitigating the risks related to decarbonization on the balance sheet.

Sector plans

The Group is working on drawing up strategic sector plans for all sectors for which a portfolio alignment and/or exit objective has been defined. The content of these plans includes an analysis of the risks and opportunities of the sector, the long-term vision of the role of the sector in the decarbonization of the economy and the strategic responses of the actors of the entire sector.

In addition, the plans include an analysis of the current state of the portfolio and the positioning with respect to the Group's objective for the sector, as well as the identification of drivers to manage the risk of portfolio transition, including the portfolio alignment metric. All this is reflected in the formulation of a business plan, which includes the identification of opportunities with existing and potential clients, and a tiered approach to define the appetite towards clients in the sector. These business plans allow the definition of projected decarbonization curves for each sector to monitor progress in the alignment exercise.

During 2022, a series of multidisciplinary working groups have been launched, made up of teams from GRM, CIB, Sustainability and Strategy, called Climate and Environmental Sectoral Panels. These groups have developed Sector Strategic Plans in the oil & gas and electricity (which includes electricity generation) sectors. This work has made it possible to define strategies and business plans aimed at meeting the alignment objectives established in the medium term as well as mitigating the risks related to decarbonization in the balance.

This work is a fundamental part of portfolio alignment management and input for the definition of the risk appetite included in the Sector Frameworks. In 2023, plans will be implemented for the rest of the sectors for which an alignment objective has been defined.

Loan portfolio alignment with Net Zero 2050

The Net Zero 2050 commitment (zero net emissions in 2050) also includes emissions from customers who receive financing from the Bank. For this reason, in order to accompany its clients in the transition towards a more sustainable future, with specific plans and objectives, BBVA undertook to publish alignment objectives for the sectors defined in the Guide to set the Net Zero Banking Alliance objectives.

BBVA's commitment to alignment involves establishing a framework comprising objectives and commitments for the different sectors considered to be the greatest emitters. These objectives, as defined in the aforementioned Guide, must be set at the sectoral level. In this sense, BBVA announced its objective of phase-out of activities related to coal, ceasing to finance companies involved in these activities before 2030 in developed countries and before 2040 in the rest of the countries in which BBVA is present. (under the terms of the Environmental and Social Framework).

Under the PACTA methodology, BBVA published intermediate decarbonization targets for 2030 for the power generation, autos, steel and cement sectors, which, together with coal, account for 60% of global

CO₂ emissions. The Net Zero scenario of the International Energy Agency (IEA) has been used as a benchmark.

In 2022, BBVA published its alignment target for the Oil & Gas sector. BBVA is participating in the definition within the NZBA of a specific guideline for this sector. However, given its relevance in global emissions, it was decided to publish a metric that would include the largest amount of emissions given the information available. The PCAF methodology has been used for the calculation and a scope 1, 2 and 3 absolute emission reduction target has been established for oil exploration and production.

In order to follow up on these objectives and supervise their compliance, a Sustainability Alignment Steering Group (SASG) has been created made up of the heads of the Business, Risk, Sustainability and Strategy areas, with the following functions:

- Approval of the proposal of the sectoral alignment objectives and intermediate objectives, as well as the methodologies used in their calculation
- Evaluation of the fulfillment of these objectives and the promotion of initiatives to facilitate their management.
- Analysis and understanding of the best practices in the sector, promoting the integration of sustainable criteria in day-to-day business.

After having passed through the SASG, the monitoring of compliance with the objectives, including the explanation of possible deviations and measures to redirect them (if applicable), will be submitted for review to the highest executive level and subsequently to the corporate bodies, at least twice a year.

To facilitate effective management and compliance with the alignment objectives, BBVA has developed a series of internal tools that allow it to integrate the management of these objectives into the day-to-day risk and business processes. These tools include:

- **Alignment dashboard** with PACTA methodology.
- **TRi** (Transition Risk Indicator), a tool for assessing each customer's current emissions profile and decarbonization strategies.
- **Sustainability Client Toolkit**, which compiles ESG information from large corporations and/or entities with public information that is required at management level in a single repository for use from the front end.

For additional information, see section **Measurement and integration of transition risk**.

Calculation of financed emissions

BBVA is working on measuring the issues financed in retail and wholesale portfolios. To carry out this measurement, BBVA has adopted the PCAF (Partnership for Carbon Accounting Financials) methodology. This calculation will gradually cover all the portfolios covered by the PCAF methodology and the different geographical areas, allowing a global vision of the financed emissions to be obtained and identifying in which portfolios and sectors these emissions are concentrated in order to subsequently define mitigation plans, as well as a transversal vision of the quality of data available to perform these calculations.

In the defined roadmap, the calculation at the end of December 2022 includes the measurement of financed emissions for the perimeter of loans to companies, project financing, commercial real estate, mortgages and autos within the scope of BBVA, S.A.⁷ In parallel, the Group is working on the inclusion of other portfolios and geographical areas during 2023 and 2024.

The sectors with the greatest weight in the CO₂ financed emissions for the BBVA, S.A.⁸ perimeter are detailed below:

TABLE 05. **Financed emissions as of December 31, 2022⁹**

Sector	Emissions financed (MtCO ₂ e)	Intensity (tCO ₂ e/M€)	Score
Manufacturing	16.4	756	4.6
Power generation, gas, steam and air conditioning	5.4	671	4.9
Mining and quarrying	4.4	2,264	4.9
Transport and storage	2.4	448	4.5
Agriculture, forestry and fishing	2.0	1,116	4.4

For the BBVA, S.A. perimeter¹⁰ the total emissions financed according to the EBA definitions for the publication of the report with prudential relevance (also known as Pillar 3), has been estimated at 34.5 million tons of CO₂e.

Additionally, adding the financed emissions to other sectors outside the perimeter of Pillar 3, mortgages to individuals and other retail portfolios, the total financed emissions have been estimated at approximately 39.9 million tons of CO₂e.

7. 8. 9. 10. For the perimeter BBVA, S.A. except Portugal branches.

TABLE 06. **Financed emissions as of December 31, 2022**¹¹

Sector	Emissions financed (MtCO₂e)
Manufacturing	16.4
Power generation, gas, steam and air conditioning	5.4
Mining and quarrying	4.4
Transport and storage	2.4
Agriculture, forestry and fishing	2.0
Rest of sectors	3.9
Total perimeter Pillar 3	34.5
Sectors out of scope of Pillar 3	3.0
Mortgages	1.9
Other retail portfolios	0.5
Total	39.9

These estimates of financed emissions are the result of calculating with the best possible approximation and with the data currently available. For the year 2023, there is a line of work to evolve said estimate. In the case of customers' scope 3 emissions estimates, it must be taken into account that this is a partial estimate, subject to the availability of emission factors made available by the PCAF methodology.

PCAF offers various levels of quality scores when calculating financed emissions. The criterion takes into account the availability and reliability of the data used in the calculation by the entities and is measured based on a scale from 1 to 5. This means, that the score is situated at a higher level if the quality of the data is lower (estimates by sector or trends by industry, for example), tending to 5. On the contrary, the best score is obtained when the calculation of financed emissions is based on data on emissions reported and verified at the individual counterparty level (score 1).

11. For the perimeter BBVA, S.A. except Portugal branches.

Measurement and integration of transition risk

In 2022, sustainability factors continued to be included as one of the analysis axis in the Action Frameworks of all the sectors included in the taxonomy as High transition risk. In these Action Frameworks, the risks and opportunities of the climate transition are incorporated as an additional factor in the definition of the risk portfolio view, which is carried out annually and where the risk appetite is defined at sector level.

In sectors classified as High transition risk, transition risk assessment criteria have begun to be defined at customer level based on their alignment with the objectives of the Paris Agreement or the ambition and credibility of their transition plans. In some cases, this analysis leads to the definition of specific risk policies with the customer or to the definition of credit risk mitigants.

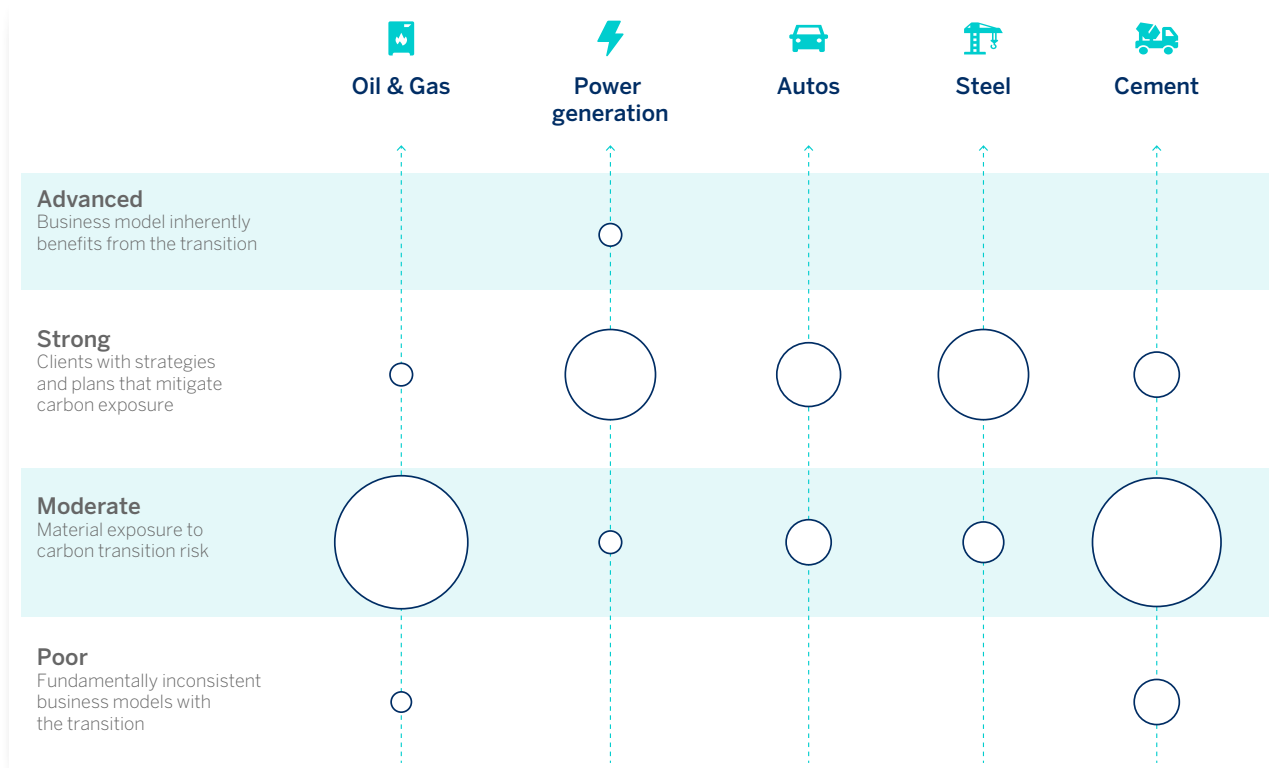
In addition to the integration into the sectoral frameworks, in 2022, sustainability factors also continued to be systematically integrated into the customer analysis processes for credit origination, enabling their incorporation into decision making.

This analysis is performed in an environment integrated in BBVA's systems, called ESG Client Toolkit, which presents a common interface for the Risk and Business teams where the customers' sustainability information is viewed. This interface provides insight into climate transition strategies, governance and climate change risk and opportunity management practices, decarbonization metrics and targets, as well as progress in the management of other ESG aspects material to the customer's sector of activity, its compliance with BBVA's Environmental and Social Framework, existence of social, environmental and ethical controversies and its level of alignment with the objectives of the Paris Agreement and level of emissions financed. This environment integrates the calculation of the transition risk scorecard, known as the Transition Risk indicator.

Moreover, for those sectors classified as high transition risk, an advanced transition risk scorecard has been developed to incorporate transition risk dimensions in the customer's profile. The scorecard evaluates

the company's current low-carbon profile; the levels of regulatory pressure in the geographic areas where it is present; its level of disclosure on climate management in line with TCFD recommendations; and the ambition and maturity of its decarbonization objectives. The result of the scorecard is a valuable tool to better identify the strengths and weaknesses of customers and to define concrete products to help them in the transition to low-carbon business models.

In 2022, versions of the transition scorecard were developed for the steel and cement sectors to join those previously defined for Automotive, Power Generation and Oil & Gas. The number of customers for whom the transition scorecard is available has been significantly expanded and work has begun on integrating it into standard risk management processes. The following image shows the results of the transition scorecard of the main customers in BBVA's oil & gas, power generation, autos, steel and cement manufacturing portfolio (the size of the circles represents the number of customers in each category):



In the retail area the transition risk analysis was focused on the mortgage, auto loan and SME portfolios. In all of them, one of the main aspects that determines the transition risk are carbon emissions associated with each of them. These emissions are associated with the use of fossil fuels or electricity, or dependence on them for the correct operation of the asset or customer. Therefore, the calculation

of financed emissions serves as a lever to identify the portfolios that are most sensitive to changes in regulation, fuel prices or depreciation of certain types of “unsustainable” assets. In turn, to mitigate risk, BBVA also acts as a financing facilitator to address the investments required for climate change mitigation and adaptation to climate change with more sustainable forms of life and products.

In the case of mortgages, during 2022 we worked on the correct collection of consumption and emissions data associated with mortgage guarantees, both from real and estimated Energy Efficiency Certificates (EEC), and in Spain we are promoting the standardized and homogeneous collection of these estimates and real EEC data at sector level. Based on the definition made in 2021 of sustainability criteria to classify when a collateral asset is considered sustainable, BBVA has applied differentiated pricing to loans with sustainability content, such as in the Efficient Home Mortgage, for homes with consumption letter A or B.

In the case of vehicle loans, as well as the type of fuel, mechanisms are being implemented to have information available associated with average emissions of each vehicle based on its make, model and version. As with mortgages, financing with sustainable products is encouraged when the sustainability criteria are met, in this case, for electric or plug-in hybrid cars.

Lastly, as mentioned in previous sections, the BBVA Group is committed to sustainable development, which is one of the defining elements of BBVA's business model. In this regard, the General Retail Credit Risk Policy establishes that one of the general principles governing retail credit risk management in the BBVA Group is respect for equality and diversity, avoiding unfair bias in access to financial products for reasons such as gender, color, ethnic origin, disability, religion, sexual orientation or political opinion.

Additionally, the General Risk Management Model Policy establishes that in order to avoid unfair bias in access to financial products based on gender, color, ethnic origin, disability, religion, sexual orientation or political opinion, none of these variables will be included in the admission and pricing models.

Non-financial risks related to sustainability

In order to identify and mitigate non-financial risks related to sustainability, including possible risks arising from divergent opinions on ESG issues and policies, BBVA has established specific working groups, with the participation of all relevant business and control units. These working groups review the main activities that may generate this type of risk (communications, products, goals and commitments, adherence to initiatives, etc.), develop, in each case, the appropriate control frameworks and check their implementation in the management processes.

Classification and measurement of physical risk

Physical risk is associated with the location of assets and vulnerability based on their activity and can materialize in credit risk through different transmission channels, having an impact in multiple ways such as, for example, on the purchasing power of customers, business productivity, market demand or the value of assets. In 2022, BBVA learnt a great deal in this field and its level of maturity and knowledge of the different methodologies for the assessment of physical risk has advanced considerably. However, these advances represent a first approximation due to the complexity of carrying out an assessment of the exposure and impacts of physical risks.

BBVA has continued to make progress in assessing the materiality of chronic and acute risks in the different portfolios. The analysis of physical risk is articulated around three pillars: threat, exposure and vulnerability.

Regarding the threat, the methodology of the Think Hazard tool of the World Bank has been followed. This tool indicates the risk levels of the different natural hazards, both acute (cyclone, heat waves, fire and river flooding) and chronic (drought and coastal flooding) at a global level and in different detail depending on the geographical area of the planet. These risk levels are calculated based on the frequency of occurrence and intensity of the different natural hazards. It is important to note that the information used is provided by a number of private, academic and public organizations. In addition, work has been done to increase the granularity of the risk levels offered by Think Hazard, using scientific and technical criteria, for the most relevant hazards in BBVA's geographical areas, specifically, tropical cyclones, coastal and river flooding, and forest fire.

For the vulnerability component, during 2022 the sectoral granularity of the analysis for Wholesale Banking and SMEs has been increased. This analysis is carried out based on 8 indicators that capture direct and indirect physical impacts, so that the sensitivity of each sector to climate hazards is indirectly assessed by analyzing its sensitivity to these vulnerability indicators. This methodology follows the best practices identified by the

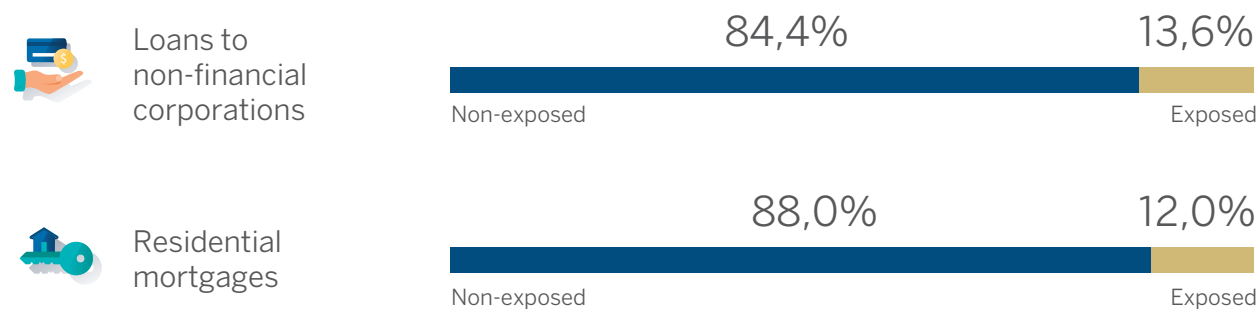
Taskforce on Climate-related Financial Disclosure (TCFD) and UNEP-FI. As a result, a qualitative classification of the (sub)sectors is generated according to the potential impact on their business model and activity of chronic or acute changes in the climate.

Threat and vulnerability scores are applied at the contract level based on the location to identify prone exposure to physical risk. As a result, the sectors identified as most vulnerable to physical risks have been power generation, basic materials, construction, consumption, and real estate.

The advances achieved during 2022 have allowed a first approximation, based on international tools and methodologies, of the exposure prone to chronic and acute risks. The implementation of an action plan has also begun, the objective of which is to have the analytical capabilities and data necessary to integrate physical risks into risk policies and processes.

As of 2023, work will be done to have precise and standardized information on the locations of the guarantees and assets of our clients from all portfolios, to analyze the exposure of the wholesale and retail portfolios to the different chronic and acute hazards based on climate scenarios. and in calculating the financial impacts of perils at the customer and asset level.

GRAPH 02. Exposure to physical risk as of December 31, 2022 (percentage)*



*El desglose incluye las carteras de España, México, Turquía, Perú, Colombia y Argentina.

Integration of natural capital

The global effort to combat climate change cannot be effective without addressing the natural capital challenge simultaneously. To reflect this, companies' future transition plans will need to be improved to reflect companies' dependencies and impacts on nature and biodiversity including just transition.

The General Sustainability Policy posits the protection of natural capital as one of its main focuses of action. Specifically, BBVA recognizes the need to protect ecosystem services and natural assets, native species and natural ecological processes. It considers biodiversity and natural capital in its relationship with its clients.

The Environmental and Social Framework includes a range of general bans and prohibited activities related to biodiversity loss and the fight against deforestation:

- Projects that threaten UNESCO World Heritage sites, Ramsar-listed wetlands, Alliance for Zero Extinction sites and International Union for Conservation of Nature category I-IV sites.
- Projects involving resettlement or infringement of the rights of indigenous or vulnerable groups without their free, prior and informed consent.

- Projects related to deforestation:: burning of natural ecosystems for the purpose of clearing land for the implementation of agricultural or livestock projects, elimination of high conservation value and high carbon forests, palm oil farms not certified or not in the process of certification by the Roundtable for Sustainable Palm Oil (RSPO), palm oil farms in swamps and peat-rich areas, and from 2022, projects in IUCN key biodiversity areas of the Brazilian Amazon and Cerrado.

If BBVA concludes that any of the circumstances described in the prohibited activities or general bans apply to a project, it will decline to participate in that project.

In 2022, BBVA has identified the levels of environmental impact and dependencies for sectors following the methodology of the ENCORE tool, which enables us to know how each of the financed sectors has an adverse impact on natural resources. The tool was developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC. BBVA conducted an impact analysis using UNEP-FI's Impact Tool which assesses the impacts related to natural capital in most of the countries in which BBVA is present.

As a member of the TNFD Forum (Task Force on Nature-Related Financial Disclosures), BBVA is following the publication of the different versions of the framework for the management and disclosure of nature-related risks and opportunities and the guidelines published for market participants to begin pilot testing for reporting under the TNFD framework which is scheduled to be published in 2023.

As solutions, BBVA developed a range of financial products aimed at generating positive impacts on the assets that make up natural capital. In 2022, BBVA formalized the first syndicated credit line linked to indicators related to the reduction of the water footprint (Water Footprint Loan), for an amount of €2.5bn and with a total of 24 financial institutions, where BBVA acted as the sustainable banking lead (key indicators: water consumption in power generation and CDP Water Score). Also in 2022, BBVA and an Italian company signed a Water Footprint Loan for €50m (key indicators: water withdrawal and water leakage). In addition, BBVA has financed companies through sustainability-linked loans that include

water-related KPIs in some key sectors with high dependence on this natural resource. In 2020, BBVA Mexico signed the first KPI-linked loan with a cement company in Latin America and in 2021, with a data center, apps and services company.

BBVA has developed internal standards to promote the financing of sustainable fishing activities with the MSC and ASC (sustainable blue finance) labels, and also supports reforestation projects to offset its environmental footprint.

BBVA Research maintains a line of work on environmental sustainability, including biodiversity, with the aim of generating and raising awareness internally and for society as a whole of its importance and, in particular, its potential economic impacts. Outreach work has been done since 2017 on sustainability on the website www.bbva.com in the Planet category titled 'Biodiversity Conservation.' Specifically, 46 publications were created, including articles and videos, which in 2022 attracted more than 655 thousand unique users (14% more than in 2021).

Identification and measurement of other environmental risks

Following international reference frameworks such as the SASB Materiality Map and rating agencies, BBVA has identified the sub-sectors of activity it finances and the most relevant environmental and social factors of each one, including aspects such as pollution and waste, biodiversity and land use or water resource management. This exercise is included in the “Sector Guide for the integration of sustainability factors in credit analysis”, which defines the most common metrics and reference thresholds in relation to environmental aspects and is used as a support tool in the admission process.

In the case of natural capital, BBVA has identified the levels of impact and dependencies by sector following the methodology of the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC. This tool provides information on how the activity of the sub-sectors that BBVA finances depends on nature and provides environmental information by sector.

TABLE 07. Natural capital dependency - Heat mapping of portfolios

	Natural capital dependency	EAD (billions of euros)
Agribusiness	High	2,2
Paper & forest products	High	1,3
Integrated Oil & Gas	High	4
Water utilities	High	3,2
Other Food, beverage and tobacco	Medium	16
Mining	Medium	3,2
Marine transportation	Medium	0,4
Road and rail transportation	Medium	2,7
Transportation infrastructure operators	Medium	3,1
Textiles, apparel and luxury goods	Medium	2,9
Power generation	Medium	16,2
Air transportation	Medium	1,1
Steel & Processed Metals	Medium	4,7
Other	Low or very low	91,3
TOTAL		152,3

■ Low or very low
 ■ Medium
 ■ High

The activities with the most significant dependencies on natural capital are agriindustry, oil & gas, forestry and paper products, food, beverages and tobacco, and mining. While water, flood and storm protection and climate regulation are the most important ecosystem services on which our loan portfolio depends, confirming our current environmental priorities.

Given the importance to BBVA's loan portfolio and the dependence on water resources in the Power Generation sector, the Group has built a framework for conducting detailed water stress risk assessments at the customer level. This assessment was carried out using the locations of its customer's power generation plants, the Aqueduct Water Risk Atlas tool of the World Resources Institute (WRI), which identifies water risk at asset locations, and

the ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool developed by the Natural Capital Finance Alliance, which details water impacts and dependencies.

The results of the assessment are a water stress risk scorecard of the customer and of the assets. The results of this assessment lead to the conclusion that water is a key parameter when assessing the credit risk of customers, considering that their activity may be negatively affected by the physical effects of climate change in the coming years.

SECTION 04

Metrics and goals

Alignment metrics







BBVA is a founding member of the Net Zero Banking Alliance (NZBA) with the goal of being CO₂ neutral by 2050. It is also a member of the PCAF initiative, which establishes an international methodology for measuring and reporting financed greenhouse gas emissions.

BBVA has published intermediate alignment goals for 2030 in the sectors of power generation, oil & gas, autos, steel and cement, and the goal coal phase-out in 2030 in developed countries and 2040 in the rest of the geographies where it operates under the terms indicated in its Environmental and Social Framework. [Intermediate targets for the alignment of the aviation and maritime transport sectors are scheduled to be published in 2023.](#)

BBVA discloses in this TCFD its first annual progress measurement report for the 5 sectors in which it set alignment targets in 2021: power generation, autos, steel, cement and coal. The extent of progress is not disclosed for the oil & gas sector as it has set targets in October 2022. The methodology chosen, adapted for each sector, follows the recommendations of the NZBA and the Guidelines for Climate Target Setting for Banks published by UNEP-FI.

The following table presents, for the sectors in which decarbonization objectives have been defined, the details of the metrics chosen, the scope of emissions considered, the metric of the current situation, absolute emissions, the methodology used and the objective decarbonization by 2030:

TABLE 08. Details about decarbonization goals by sector (BBVA Group 2022)

Sector	Metric	Emission scope	2020 baseline ¹	2030 target	Target Reduction	2021	2022	Market scenario	Reduction 2022 vs baseline	Methodology	Attributed emissions associated with the value chain (M t CO ₂ e) ²
 Oil & Gas	Absolute emissions upstream (million t)	1&2&3	14	9,8	(30) %	14	-	n/a	n/a	PCAF	n/a
 Power Generation	Emission intensity (kg CO ₂ e/MWh)	1&2	221	107	(52) %	199	212	414	(4.07) %	PACTA	3.5
 Autos	Emission intensity (g CO ₂ /v-km)	3	205	110	(46) %	202	195	180	(4.88) %	PACTA	0.77
 Steel	Emission intensity (kg CO ₂ /t steel)	1&2	1,270	984	(23) %	1,250	1,140	1,750	(10.24) %	PACTA	0.82
 Cement	Emission intensity (kg CO ₂ /t cement)	1&2	700	579	(17) %	690	690	700	(1.43) %	PACTA	0.31
 Coal	Portfolio trend (€mn) ³	n/a	*	*	*	-	1,701	-	-	-	0.31

n/a: not applicable.

(1) Oil & Gas baseline year 2021.

(2) The calculation of the attributed emissions associated with the value chain has been carried out by adding all the emissions from the different NACE sectors of the sectors under analysis. These NACE sectors comprise more sectors than those included in the PACTA calculation since PACTA is only calculated on the point in the value chain where most of the emissions are generated. This calculation is carried out in this way because, based on the PACTA methodology, it is assumed that by aligning the part of the value chain responsible for emissions, the sector as a whole is aligned. The calculation has been carried out using the PCAF methodology and includes the emissions of BBVA.S.A. except Portugal branches.

*Phase-out 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. (3) Total commitment (€mn)

The information included in the table above (minus the breakdown on the coal sector) has been obtained from the consolidated Non-financial information report, which is part of the BBVA Group's 2022 Consolidated Management Report. The information included in the aforementioned Non-financial information report has been verified by Ernst & Young, S.L., in its capacity as an independent provider of verification services, with the scope indicated in its Verification Report.

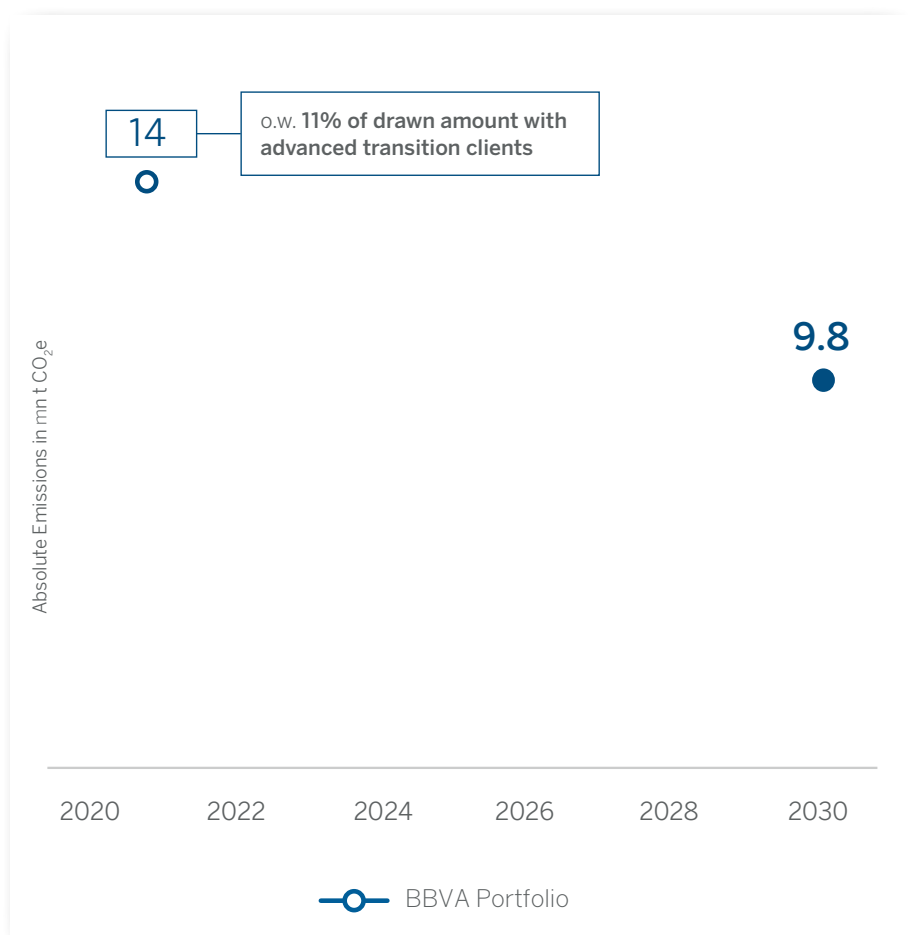
It is important to emphasize that the baseline of these metrics may change, since the sources of information used and the methodology are constantly changing. BBVA's commitment is to maintain the level of ambition for reduction despite the fact that the baselines may change.

In this sense, the baseline of the power generation, steel and cement sectors has been modified and the objectives have been adjusted maintaining the level

of ambition. These changes have been due to improvements in the calculation methodology and in the databases used. The primary provider of emissions intensity information is Asset Resolution, which provides asset information for the portfolio included in the calculation perimeter. The coverage percentage is between 95% and 100% depending on the sector under analysis.



1.1. Transition plan and alignment of the Oil & Gas sector



BBVA is committed to clean energy and will support the energy industry (oil & gas) in its transition. BBVA will align its exposure to the oil & gas sector following an absolute emissions metric. Between December 2021 and December 2030, the goal has been set to reduce emissions from its credit portfolio in exploration, drilling and extraction activities by 30% (from 14 mn t CO₂e to 9.8 mn t CO₂e) in accordance with the 2050 net zero emissions scenario, the most stringent scenario at this time (not to exceed a 1.5°C temperature increase in 2050). In addition, BBVA will not provide financing directly related to new exploration, drilling and extraction projects in this industry.

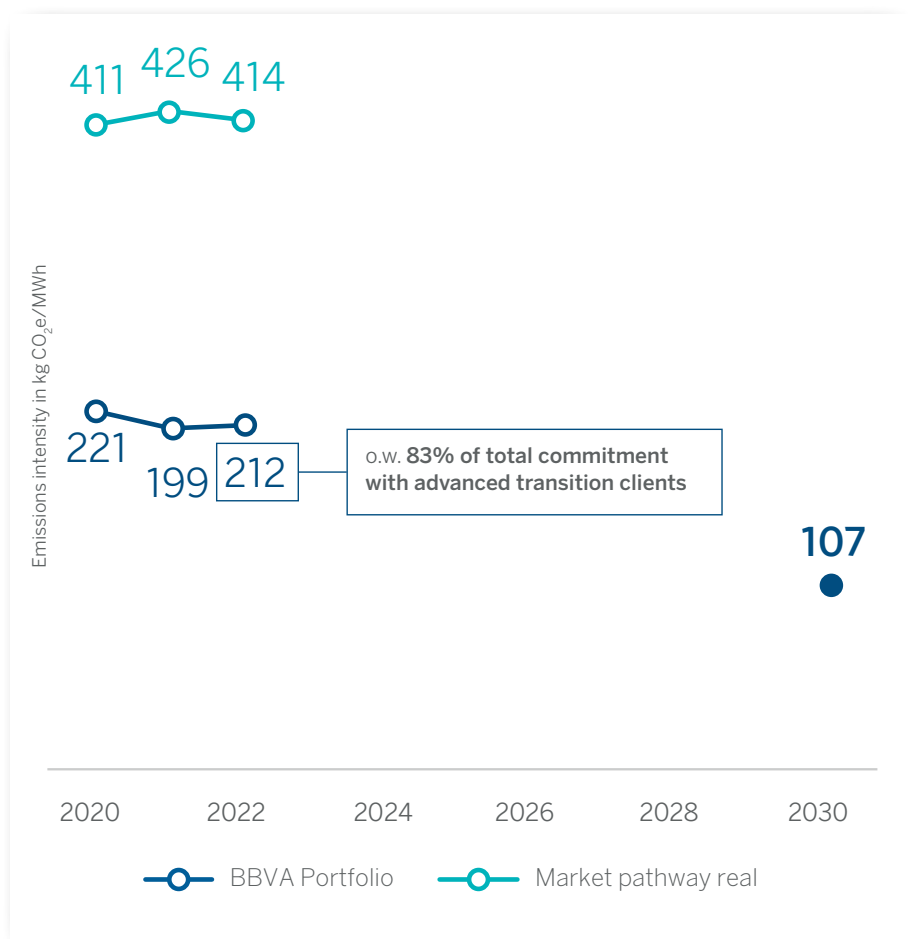
Customers with an advanced level on transition¹² represent 11% of BBVA's drawn amount in this industry. Therefore, BBVA will focus on engaging with customers with plans still pending to be elaborated to help them create robust plans and set clear emission reduction targets. BBVA will also support these customers in their transition to other forms of low-carbon power generation through the necessary investments that will facilitate their diversification and decarbonization.

It is important to note that progress towards our targets is expected to be non-linear in the short term.

¹² Customers are considered to be advanced in their transition when they show a solid position according to internal tools such as the Transition Risk indicator (TRI), including the definition of medium-term emission reduction targets, the identification of reduction levers for the emissions management and the commitment of capital investments to execute its transition plan and/or other internal evaluations based on the intensity of the customer's emissions compared to its peers.



1.2. Transition plan and alignment of the power generation sector



The power generation portfolio (212kg CO₂e/MWh) has outperformed the NZ IEA scenario and the power market as a whole (414kg CO₂e/MWh). This is due to the focus in supporting customers investing in renewables and the focus on reducing new financing of coal-fired power generation, with the goal to phase-out coal by 2030-2040, as described in the following section 1.6.

The size of the power generation portfolio has increased 26% compared to 2020 (+25% vs. 2021) driven by increased activity in the sector. Year 2022 has been affected by the global energy crisis, exacerbated by special weather conditions with severe droughts, below average wind conditions, nuclear plants under maintenance and some coal plants fulfilling gas fired plants gap.

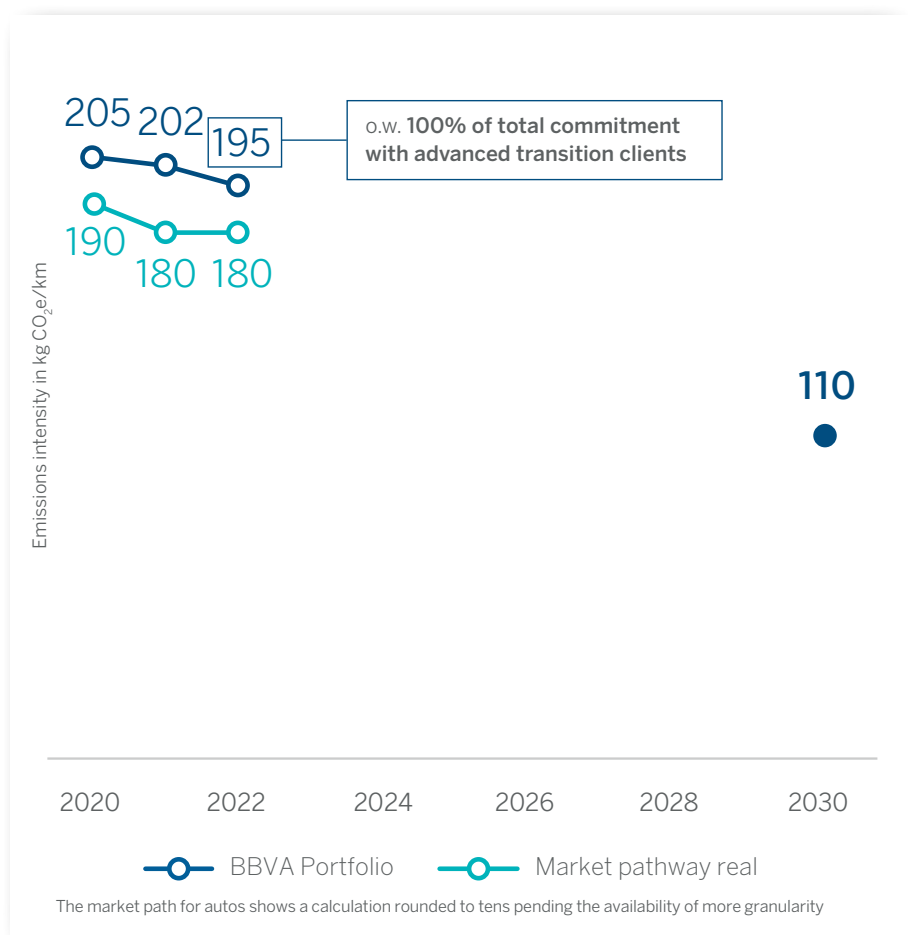
BBVA's performance has been actively driven by putting the focus mainly on customers with an advanced level on transition¹³ which represent 83% of the total commitment amount. The average portfolio emissions intensity remains similar to the starting point in 2020 (221kg CO₂e/MWh).

It is important to note that progress towards this target is expected to be non-linear in the short term.

13. Customers are considered to be advanced in their transition when they show a solid position according to internal tools such as the Transition Risk indicator (TRI), including the definition of medium-term emission reduction targets, the identification of reduction levers for the emissions management and the commitment of capital investments to execute its transition plan and/or other internal evaluations based on the intensity of the customer's emissions compared to its peers.



1.3. Transition plan and alignment of the autos sector



BBVA's intermediate goal by 2030 is to reduce the carbon intensity of its portfolio in the autos manufacturing sector by 46%, measured in g CO₂/km of scope 3 emissions. Ultimately, the Group's commitment is to reach to net zero emissions by 2050.

The portfolio's intensity (195g CO₂/km) has shortened the gap with the industry pathway (180g CO₂/km), especially during the last year (-7g CO₂/km), even when the size of the portfolio has remained stable compared to 2020. This is due to the focus placed in supporting customers investing in new technologies and on reducing new financing to misaligned customers.

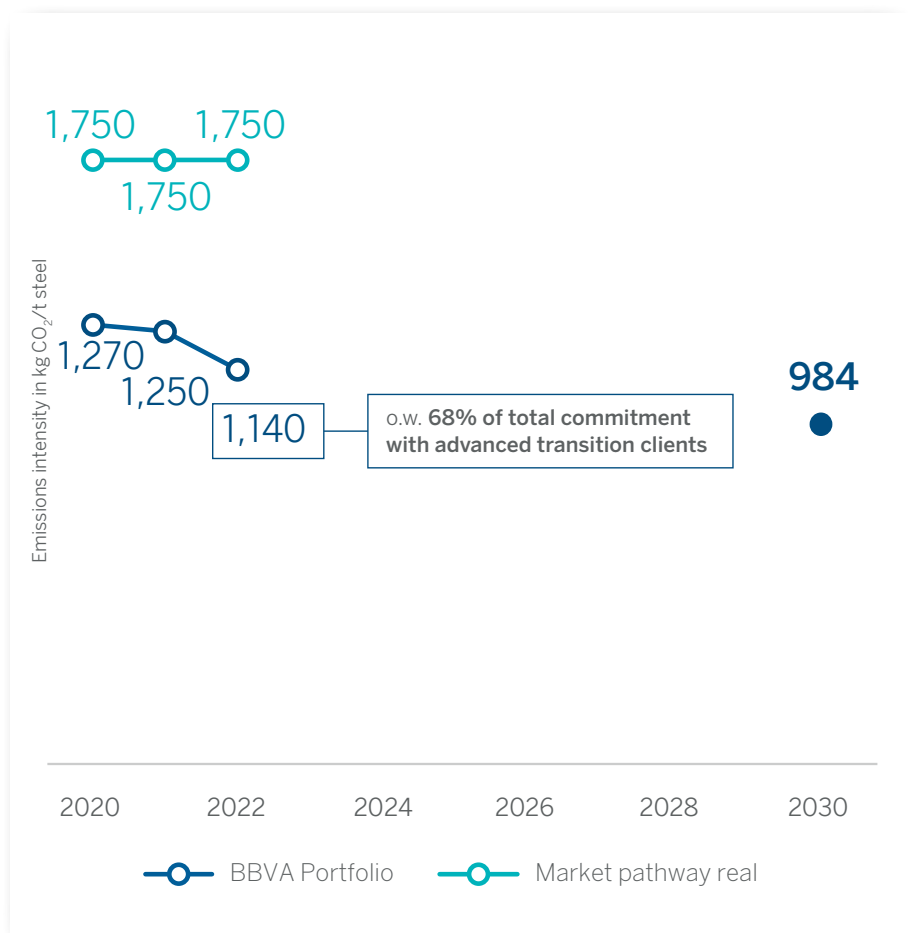
The sector continues to transition to decarbonization by investing in the EVs (electric vehicles) and hybridization. As a matter of fact, in Europe (BBVA's core geographical area in this industry) the car production has remained flattish, with EV and hybrids increasing their market shares, at the expense of ICE (internal combustion engine) sales. BBVA's strategy will be actively driven by accompanying and financing customers with an advanced level on transition¹⁴ which currently represent the totality of the total commitment.

It is important to note that progress towards these targets is expected to be non-linear in the short term.

14. Customers are considered to be advanced in their transition when they show a solid position according to internal tools such as the Transition Risk indicator (TRI), including the definition of medium-term emission reduction targets, the identification of reduction levers for the emissions management and the commitment of capital investments to execute its transition plan and/or other internal evaluations based on the intensity of the customer's emissions compared to its peers.



1.4. Transition plan and alignment of the steel sector



BBVA has established a **reduction target** regarding its carbon emissions intensity by **23%** in the steel sector by **2030**, measured in kg CO₂/tonne of steel (scope 1+2).

The steel portfolio (1,140kg CO₂/t steel) has outperformed the steel market as a whole (1,750kg CO₂e/t steel) consistently the last 2 years, even when the size of the portfolio has increased considerably compared to 2020 (+27%). This has been possible thanks to the **increasing accompaniment with customers outperforming the market in terms of their carbon intensity** and, in the specific case of Turkey, it has been positively influenced by an improvement in the emission factors provided by the data provider for 2022.

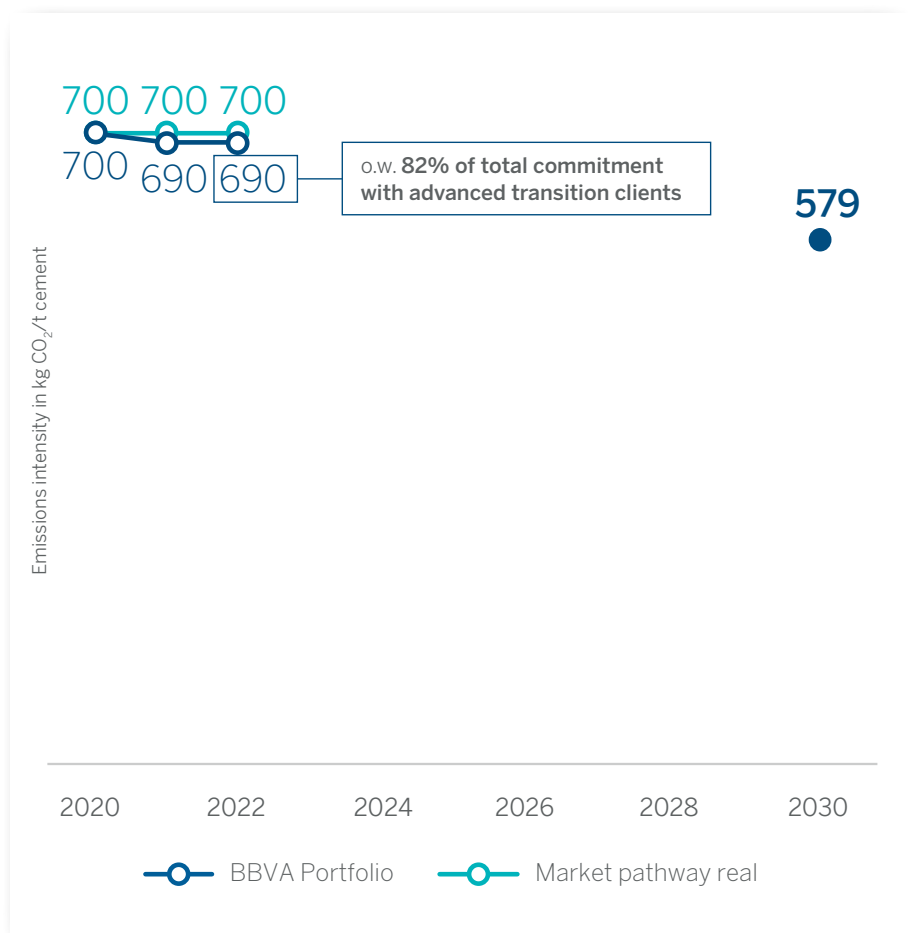
Decarbonizing the steel industry will require heavy investments in **new production modes** EAF (Electric Arc Furnaces) and H2-DRI (Direct Reduction of Iron with Hydrogen), and an increased proportion of **recycled materials**. BBVA's strategy will be actively driven by **accompanying and financing customers with an advanced level on transition**¹⁵, which currently represent 68% of the total commitment in this industry, although it is not yet reflected in intensities per production unit.

It is important to note that **progress towards these targets is expected to be non-linear in the short term**.

¹⁵ Customers are considered to be advanced in their transition when they show a solid position according to internal tools such as the Transition Risk indicator (TRI), including the definition of medium-term emission reduction targets, the identification of reduction levers for the emissions management and the commitment of capital investments to execute its transition plan and/or other internal evaluations based on the intensity of the customer's emissions compared to its peers.



1.5. Transition plan and alignment of the cement sector



Cement portfolio’s emissions intensity (690 CO₂/t cement) is performing slightly better than the cement industry as a whole (700 CO₂/t cement) which has remained stable during the last few years, mainly due to the reduction of BBVA’s portfolio’s size since 2020 (-1.5%).

However, cement production is expected to recover, and by 2050 production levels are expected to be 6% higher than today. Thus, the decarbonization of the cement industry will require the development and deployment of technology that is not currently available. Appropriate investment over the next decade will be critical to achieve the foreseen decarbonization goals.

Key strategies to cut carbon emissions in cement production include improving energy efficiency, switching to lower-carbon fuels, promoting material efficiency (to reduce the clinker-to-cement ratio and total demand), and low carbon innovation (e.g. CCS). BBVA’s strategy will be actively driven by accompanying and financing customers with transition plans¹⁶ which currently represent 82% of the total commitment in this industry.

It is important to note that progress towards these targets is expected to be non-linear in the short term.

¹⁶ Customers are considered to be advanced in their transition when they show a solid position according to internal tools such as the Transition Risk indicator (TRi), including the definition of medium-term emission reduction targets, the identification of reduction levers for the emissions management and the commitment of capital investments to execute its transition plan and/or other internal evaluations based on the intensity of the customer’s emissions compared to its peers.



1.6. Transition and alignment plan for the coal sector

BBVA targets zero exposure¹⁷ to coal clients by 2030 in the developed countries and by 2040 globally, through engaging a dialogue with these clients and actively monitoring their portfolio.

Coal clients are defined as those with greater than 5% of group revenue from thermal coal mining for power generation or clients with revenues derived from power generation with more than 5% of installed capacity for electric power generation derived from thermal coal. For clarification purposes, other indirect activities associated with the foregoing, such as trading activity or auxiliary services for mining, would be excluded.

BBVA's exposure to thermal coal in 2022 amounted to €1.7bn defined as the total commitment weighted by the groups' revenues from thermal coal mining or by the coal fired power generation installed capacity. Approximately €1bn of this amount¹⁸ is to customers which have an expectation to transition in time to meet BBVA's coal phase-out goal.

BBVA will work with the customers which do not have a transition expectation in order to assess and proactively manage its exposure to such clients. Furthermore, BBVA will not onboard any new clients nor provide any financial services to new coal clients subject to the Environmental and Social Framework with more than 25% of thermal coal group revenue or more than 25% generation capacity from thermal coal-fired power generation.

BBVA will however continue to finance sustainable projects for these coal clients, in the terms of the Environmental and Social Framework, in support of their sustainability transition.

17. In the terms of BBVA's Environmental and Social Framework published in its corporate website.

18. In estimated terms as of the date of this report according to the internal methodology and sources of information used.

Alignment metrics: emissions from assets under management (BBVA Asset Management)

BBVA Asset Management has joined the Net Zero Asset Managers Initiative to reach the year 2050 with portfolios with zero net emissions. Regarding the latter commitment, in 2022 BBVA Asset Management announced initial targets for decarbonization of portfolios, including 22% of total assets under management, with the following intermediate targets for 2030:

The Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework has been selected as the target setting framework, recommended by the Net Zero Asset Managers initiative, among the most widely used by asset managers and with the greatest methodological coverage by asset type. Under this framework, a portfolio alignment target and emission reduction targets by asset type should be established.

In the portfolio alignment goal, assets that have reached Net Zero, are aligned with Net Zero or are in the process of alignment with Net Zero are included.

Regarding equity and corporate fixed income assets and covering fixed income (Eurozone) a target of 50% emissions reduction by 2030 has been set, using a metric of emissions intensity per million of sales. This allows for portfolio growth in energy efficient, Scope 1 and 2 companies as there is insufficient data available to measure Scope 3 emissions in the portfolio.

In the case of Eurozone sovereign fixed income, a qualitative indicator has been chosen, as recommended by PAII in the absence of methodologies for assigning emissions to sovereign fixed income. It is used the Climate Change Performance Index (CCPI), which evaluates a country's progress in the fight against climate change based on the evolution of per capita emissions, energy efficiency indicators and climate change policies.

As a reference scenario in the emissions reduction pathway, it is used the IEA Net Zero 2050 scenario, which is one of the most widely used in the financial industry and consistent with those used by the BBVA Group to set its decarbonization targets.

TABLE 09. **BBVA Asset Management (assets under management): intermediate targets to decarbonize the portfolio**

Metric	Baseline year (2021)	Target 2030	Market Scenario	Methodology	% Assets under Management
Equity and corporate fixed income assets. Sovereign fixed income (euro zone)					
% assets aligning or aligned with Net Zero	26%	60%		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	22% (12% + 10%)
Equity and corporate fixed income assets					
Average Intensity (million t) Scope 1,2 WACI ¹	173tCO ₂ / €M sales	50% reduction in emissions	IEA Net Zero 2050	Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	12%
Sovereign fixed income (euro zone)					
CCPI ²	56.5 CCPI	Annual improvement		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	10%

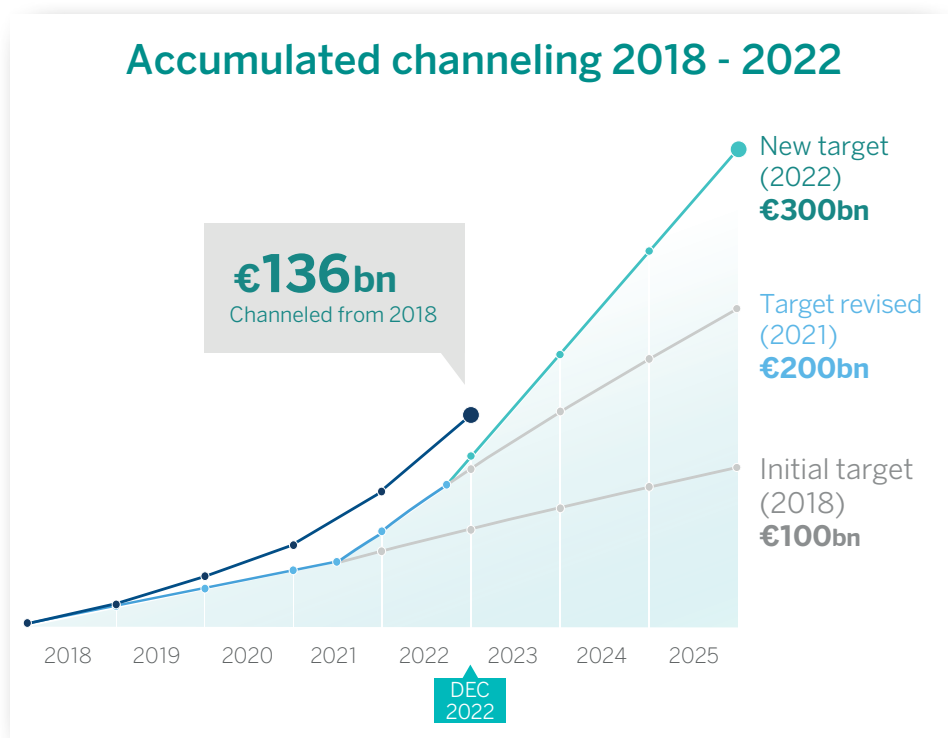
Initial commitment to decarbonize 22% of its portfolio of assets under management. These assets are part of the portfolios managed in Europe and Mexico and comprise Eurozone sovereign bonds (10% of total assets under management) and equities and corporate bonds (12%). Asset classes for which there is no reliable data or methods are outside the scope of the project for the time being. However, this is just an initial commitment. It will be reviewed in the coming years to widen its scope. Assets not included: Third party Funds, cash and equivalents, real estate and private equity, sovereign fixed income issued by agencies.

(1) Weighted average carbon intensity
(2) Climate Change Performance Index

Channeling sustainable business

2018-2022 period

BBVA¹⁹ has again increased its Goal 2025 Pledge, tripling its initial target up to €300,000 mn in the period 2018-2025. Between 2018 and 2022, BBVA mobilized a total of €135,871 mn in sustainable business, distributed as follows:

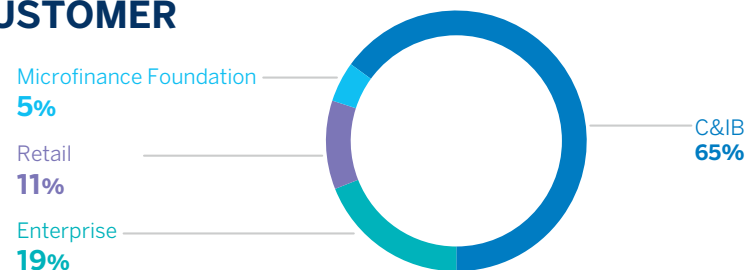


19. For the purposes of the Goal 2025, it is included the channeling of sustainable business of the entities that are part of BBVA Group as of 12/31/2022 as well as the BBVA Microfinance Foundation.

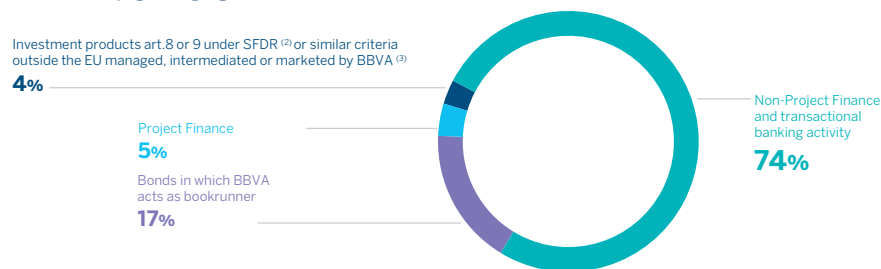
BY CATEGORY⁽¹⁾



BY CUSTOMER



BY PRODUCT



(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available.

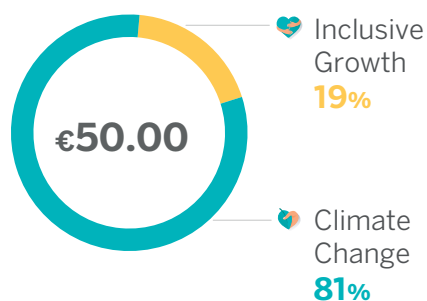
(2) Sustainable Finance Disclosure Regulation (SFDR).

(3) Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and self-renting of electric vehicles, mainly.

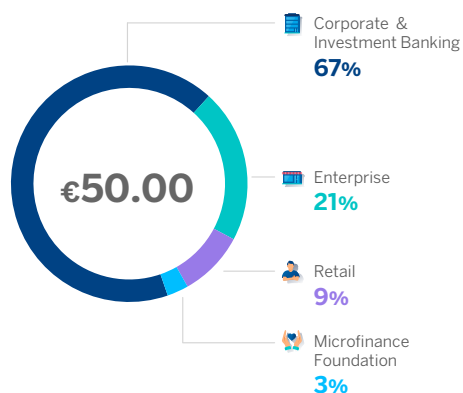
2022

In 2022 it channeled €50bn, distributed as follows (data in billions of euros):

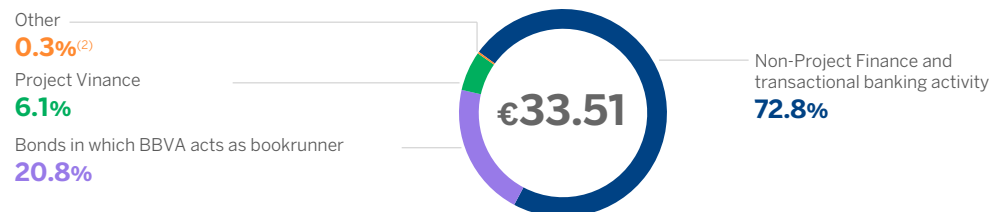
CATEGORY BREAKDOWN ⁽¹⁾ 2022



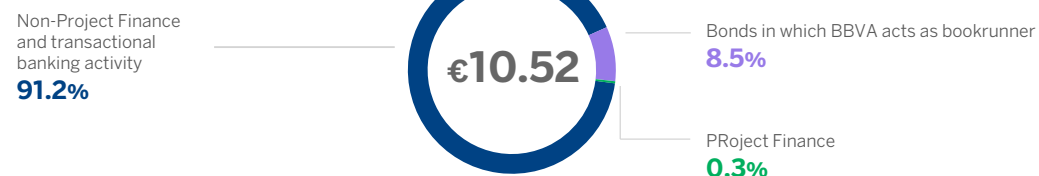
CLIENT BREAKDOWN ⁽¹⁾ 2022



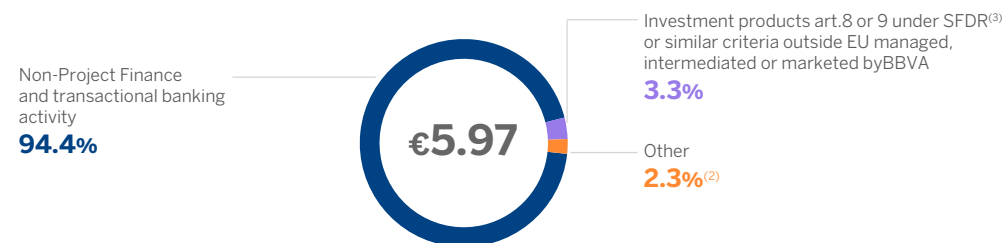
CIB 2022



ENTERPRISE 2022



RETAIL + FM BBVA 2022



(1) In those cases where it is not feasible or there is not enough information available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the information available.

(2) Includes, in CIB and Enterprise: structured deposits, mainly; and in Retail: structured deposits, insurance policies for electric vehicles and third party renting of electric vehicles, mainly.

(3) Sustainable Finance Disclosure Regulation (SFDR).

For the purposes of the Goal 2025, channeling is considered to be any mobilization of funds, cumulatively, towards activities or clients considered to be sustainable in accordance, fundamentally, with existing regulations, internal standards inspired by existing regulations, market standards such as the Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and the Sustainability Linked Loan Principles of the Loan Market Association and best market 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, either from public sources, provided by customers or by a third party (mainly data providers and independent experts)²⁰.

The aforementioned sustainable business pipeline is a metric that may differ from other metrics of a regulatory nature. In particular, this metric differs from the amount of exposure to sustainable business disclosed under the technical standards of execution (ITS) on the information of Pillar 3 related to environmental, social and governance (ESG) risks²¹, whose objective is the measurement of exposure to mitigation and adaptation actions²² against climate change. The reasons for these differences come from the different calculation criteria used in both concepts, highlighting the following:

I

While channeling includes mobilization of financial flows that may not be recorded on the balance sheet (e.g. transactional banking activity, investment funds, investment or bonds in which BBVA acts as bookrunner, etc), the regulatory metric only includes exposures within the balance sheet assets;.

II

While the concept of channeling is cumulative (reflects accumulated balances since 2018), the regulatory metric only includes exposure for the year in question;

III

While the channeling reflects the total mobilization of flows, the regulatory metric only includes outstanding balances on the balance sheet in the fiscal year in question;

IV

While the concept of channeling also includes the mobilization of flows that contribute to a purpose of a social nature such as inclusive growth and other environmental objectives, the regulatory metric only contemplates the contribution to a climate purpose.

Among the sustainable business mobilization solutions aimed at contributing to the fight against climate change and promoting inclusive growth, the following stand out:

21. Included in the Implementing Regulation (EU) 2022/2453 of the Commission of 30 November 2022, amending the implementing technical standards laid down in the Implementing Regulation (EU) 2021/637.

22. According to the regulatory definition (FINREP) of exposure: outstanding risk of loans and advances, as well as bonds in the investment portfolio.

20. BBVA does not assume any responsibility for the opinions expressed by third parties or for any errors or omissions in the information coming from external sources.

Sustainable solutions for wholesale Banking (corporate and institutional)

In 2022, BBVA has continued its development of sustainable solutions for wholesale customers. A model has also been implemented that reaches large and medium-sized companies, managing to close transactions with practically all sectors of the economy. Ranging from sectors such as power generation, industry and autos in Europe, to food and tourism in Mexico, real estate, cement and livestock in Colombia, logistics and recycling in Peru, rail transport in Turkey and the agricultural sector in Argentina. The amount mobilized comes to €44bn in the wholesale segment: €39bn in climate change and €5bn in inclusive growth.

Sustainable project finance

BBVA remained extremely active in the financing of sustainable projects throughout 2022, participating in the mobilization of €2,098m (BBVA participation) of sustainable finance in the following main areas:



Renewable energy

BBVA has once again consolidated its position as one of the most active entities in this type of projects. It has closed deals both in Europe (financing for solar projects such as Elawan Energy, wind projects such as Tages and the Sancho project for Iberdrola-Mapfre, and wind and hydroelectric portfolio projects such as the Generg project for Total-Eren), and in the United States and Canada, highlighting the Goshen Project to finance a photovoltaic project with BP and Leeward as sponsors in an American market that has an infrastructure plan for the implementation of renewable power generation, or the financing operation in Canada for a solar portfolio with Copenhagen Infrastructure Partners and Latin America, which shows BBVA's support to leading companies in the implementation of new sustainable technologies.

July Italy

EUR 1,100,000,000

Project Telkes-206 MW
Solar PV and Wind Portfolio





MLA, Bookrunner,
Green Coordinator,
Hedge provider

BBVA

December USA

USD 147,000,000

Project Goshen II -
124,5 MW Wind PV Portfolio

MLA & Bookrunner

BBVA



Sustainable infrastructure projects

BBVA has been particularly active in financing telecommunications projects, given the key role they play from a societal perspective as facilitators in accessing new technologies, digitalization and their contribution to economic development. Transactions in Europe (City Fibre, the largest fiber finance project in the United Kingdom) and in the United States (“Stack-IPI,” a project for the construction and operation of a data center) stand out.

June UK

GBP 3,900,000,000
Open Access network roll-out

MUBADALA Goldman Sachs
ANTIN CityFibre
INFRASTRUCTURE PARTNERS

Underwriter,
Bookrunner and Mandated
Lead Arranger

BBVA

Other loans different from Project Finance plus transactional banking activity

In 2022, in the area of sustainability-linked corporate lending, the Bank globally mobilized €14.06bn in financing transactions linked to the achievement of certain environmental and social indicators (KPI-linked) and to the customer’s ESG rating (ESG-linked).

BBVA continues working to offer innovative solutions to its customers and has launched a new financing linked to KPIs specifically related to water that focuses on reducing the water footprint of our customers (Water Footprint Loan) which has already been formalized with two of them, in Spain and Italy. This loan is of special interest to companies that make intensive use of water in their production process, such as those operating in the energy sector, among others.



Real Estate

BBVA’s leadership in this sector also stands out, having actively participated in more than 25 social housing projects in Mexico, Peru and Colombia, as well as leading transactions such as the “Palace Hotel” in Madrid, where BBVA acted as Green Structuring Advisor, signed in July in Spain.

July Spain

EUR 185,000,000
605MWp Solar PV Portfolio

ARCHER | HOTELCAPITAL
Hotel Palace

Term Loan, MLA & Green
Structuring Advisor

BBVA

July 2022

EUR 2,500,000,000
Syndicated Sustainable
KPI-linked RCF


IBERDROLA

Sustainable Coordinator,
Glocal Coordinator, Bookrunner
& MLA Arranger

BBVA



In Spain,

BBVA has taken on the role of sustainable lead in several key deals.

Company

Description

Cellnex

€ 2.5 bn in financing linked to the client’s sustainability framework, making it one of the first Spanish companies to link its syndicated bank financing to its global sustainability framework.



January 2022

EUR 2,500,000,000

Syndicated Sustainable KPI-linked Facilities



Sustainable Coordinator, Bookrunner & MLA



Cepsa

Pioneering Oil & Gas company in signing a KPI-linked deal in Spain. This is a KPI-linked deal in the form of a revolving credit facility in the amount of €2bn linked to the performance of environmental and social sustainability indicators.



October 2022

EUR 2,000,000,000

Syndicated Sustainable KPI-linked RCF



Sustainable Coordinator, Bookrunner & MLA





Outside Spain,

BBVA has spearheaded several landmark operations, including a number of the main syndicated finance deals in Germany, the UK, Italy, the US, Mexico, Peru and Colombia. The Group continues to work on formats that seek to drive positive sustainability behaviors from its customers, in line with the goals of the Paris Agreement..

This has contributed to making BBVA one of the leading entities, as sustainable coordinator for the sixth consecutive year, positioning itself as the leading Spanish bank both in number of sustainable coordination mandates and in volume, where operations stand out significant in various sectors²³.

In the **transactional banking**, area, BBVA has participated in transactions for an amount of €8.85bn, issued under its “**CIB Sustainable Products Framework**”, which is available on the bank’s corporate website. In addition, it

23. Refinitiv: Corporate finance and project finance at global level in euros.





continues to **innovate with solutions** for its customers that seek to drive improvement in aspects related to sustainability, such as, for example, **reverse factoring linked to sustainability**, based on a service of assessment and classification of its suppliers based on sustainability criteria, which allows it to offer better discount prices to suppliers that have a higher score in relation to these criteria, in addition to being able to support customers in the reduction of their Scope 3 emissions.



In this line, the signing of a **circular reverse factoring** solution with the customer ENDESA stands out, with the aim of improving the competitiveness of supplier companies, while rewarding good sustainable practices. The areas in which circular economy actions can be accredited are energy management, emission reduction, waste recovery, water management and implementation of business strategies for environmental management and circular economy.

Bonds in which BBVA acts as bookrunner

During 2022, BBVA acted as bookrunner in bond issuances:

Bookrunner:	Amount intermediated (in Billion €)
Green bonds 	3.24
Social bonds 	0.419
Sustainable bonds ²⁴ 	2.49
Bonds linked to sustainable indicators 	1.71
TOTAL	7.86

24. Includes both climate action and an inclusive growth








#BBVA



has led the intermediation of green, social and sustainable bond issues, as well as KPI-linked bond issues in the United States, Mexico, Latin America, Asia and Europe, including Spain, where the activity of European customers in 2022 stands out:

GREEN BONDS






-  France
Prologis International and La Banque Postale
-  Germany
Volkswagen
-  Italy
Hera y A2A
-  Ireland
ESB
-  Spain
Acciona Energía, Unicaja and Iberdrola
-  Portugal
EDP
-  China
State Grid

BBVA also continues to support the development of the green bond market in Mexico, Colombia, Argentina and Asia, as lead arrangers of the inaugural issuance of bonds in these regions.


SOCIAL BONDS



-  Mexico
KOF and Banco Compartamos
-  France
Caffil
-  Spain
Cajamar




SUSTAINABLE BONDS



-  Mexico
The state-owned company of the Ministry of Finance and Public Credit, Edomexico, KOF and América Móvil
-  Spain
Community of Madrid, Government of Navarra and Telefónica

BONDS LINKED TO SUSTAINABLE INDICATORS



-  Francia
Teleperformance y Pernod Ricard
-  México
Grupo Herdez, GCC, FEMSA y Orbia
-  Italia
A2A

These actions have positioned BBVA as the most active bookrunner in Spain for sustainable bonds issued by corporates in euros by volume, and 18th worldwide²⁵.

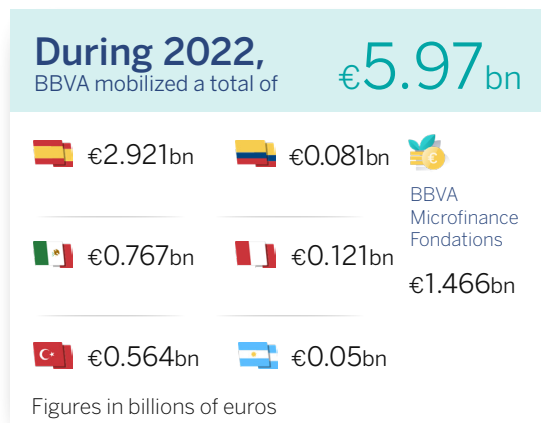
²⁵. Source: Bloomberg. Corporates in euros.

Sustainable solutions for retail customers



In 2022, BBVA continued to develop tools and solutions based on data that help retail customers to estimate their CO₂ emissions, in addition to continuing to promote different financing and investment products that help them in this **transition to a more sustainable economy**, adapting to the situation in each of the geographical areas in which the Group operates.

In 2022, BBVA mobilized €5.97bn in sustainable business in the retail segment: €1.469bn in climate change and €4.401bn in inclusive growth.



Sustainable solutions related to energy efficiency and decarbonization



BBVA is working on making available to retail customers various products, both investment and financing products, which seek to promote positive behavior in sustainability matters, adapting to the situation of the geographical areas in which the Group operates. Thus, the offer of sustainable solutions in the different countries aims, among other things, to support energy efficiency and the decarbonization of the economy, with products such as:



Loans for the **purchase of hybrid** and electric vehicles



Green mortgages for homes with high energy ratings



Loans for the **improvement of energy efficiency in housing and self-consumption**

In 2021, BBVA in Spain was already providing its individual customers with sustainable formats for most of the products it sells. In 2022, products were incorporated globally and, in the main geographical areas where BBVA is present, sustainable alternatives are offered, at least for the financing of **hybrid and electric vehicles and mortgages for homes with high energy ratings** (except in Argentina).

In relation to **energy efficiency** in homes, BBVA has carried out two types of actions: firstly, to facilitate financing at the point of sale through alliances with retail chains in Mexico, Argentina and Colombia for the purchase of energy efficient appliances and, secondly, to facilitate financing for the purchase and installation of solar panels (in the case of Spain, during 2022, this has been promoted through an alliance with a large company in the country's energy sector).

In relation to SMEs, plans have been launched to promote **mobility and energy efficiency**, highlighting the performance of these lines of financing in Colombia, where vehicles, solar panels and sustainable agriculture projects, among others, are financed. In Mexico, a product was created for SME finance with different conditions depending on the sustainable purpose of the finance.

In this way, in 2022, BBVA has channeled a total of **€1.47bn** in sustainable solutions in the retail area, mainly focused on the following four main lines: **€199m** for the purchase of hybrid and electric vehicles, **€870m** in green mortgages, **€60m** in energy efficiency measures in homes, such as the purchase of energy-efficient equipment or home refurbishment, and **€151m** in financing for the purchase and installation of solar panels.



Sustainable investment solutions



In 2022, BBVA Asset Management (BBVA AM), the Group's investment management unit that brings together all asset management activities worldwide, continued with its sustainability integration plan. The plan took specific form, among others, in the following developments:

- **INCORPORATION OF THE ESG EXTRA-FINANCIAL CRITERIA** in the process of investment and risk control decision-making for vehicles and portfolios they manage, both in the investment process and voting policy. Once this model was developed for assets under management in Europe, during 2022 BBVA AM worked towards its incorporation into assets under management in Mexico.

- Commitment to sustainable investment best practices such as **ADHERENCE TO THE PRINCIPLES FOR RESPONSIBLE INVESTMENT PROMOTED BY THE UNITED NATIONS AND THE NET ZERO ASSET MANAGERS COMMITMENT** to reach 2050 with net zero emission portfolios. In 2022, regarding the latter commitment, BBVA AM announced some initial targets for decarbonization of portfolios, including 22% of total assets under management, with the following intermediate targets for 2030:
 - reduction of 50% of emissions in the equity and corporate fixed-income portfolio, and
 - improved CCPI (Climate Change Performance Index) for eurozone sovereign debt. The CCPI is an index that annually monitors climate protection performance by country.

- **EXCLUSION POLICIES.** An exclusions rule was approved for the entire BBVA AM business that includes:
 - Exclusion of companies in breach of **international standards and treaties** related to good practices in labor rights, human rights and anti-corruption policies,
 - Exclusions of certain **activities**, such as **controversial** armament, coal, and oil & gas linked to tar sands and the Arctic, and
 - **Additional sectoral** exclusions for sustainable products.

This policy already applies to all assets under management in Europe and Mexico.



During 2022, BBVA AM continued to expand its offering of sustainable products, i.e. products that follow sustainability targets or metrics in their investment policy. BBVA AM now markets 9 new investment funds (8 in Spain, 1 in Mexico), bringing the total number of investment vehicles using sustainability targets and metrics to 33. Assets under management in sustainable solutions at the end of 2022 amounted to €7,020m (€5,598m in 2021), and net acquisition of new funds was €976m (€1,559m in 2021).




In the retail banking segment, it is worth noting that €3,133m correspond to funds that promote ESG characteristics, that 108 million euros correspond to funds with a sustainable investment objective and that 2,593 million euros correspond to pension plans that promote ESG characteristics.

The assets managed under the criteria described above at year-end 2022 and 2021 are shown below:

TABLE 10. **Assets Under Management**
(BBVA AM. Millions of euros)

	2022	2021
TOTAL	124,601	119,307
Europe	74,599	80,981
Mexico	35,614	30,179
South America	7,384	4,252
Turkey	7,005	3,895

SRI strategy applied

 Exclusion ¹	110,213	119,307
 Vote ²	110,213	111,160
 Integration ³	110,213	80,981

(1) The exclusion strategy, with the exclusion policy approved in 2021, applies to assets managed in Europe and Mexico.

(2) The voting strategy is applied to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European and US geographical areas and in the business of AM México for those issuers that generate voting rights and their issuers are in the Mexican geographic area.

(3) The integration strategy is applied in SRI pension plans and mutual funds of the Europe business and, since 2022, AM Mexico.

During 2022, a standout was the work carried out to expand and adapt the offer of sustainable products in Spain to the evolution of the regulation, so as to have an offer that covers a wide range of assets, risk profiles and vehicles available to our customers.

Also noteworthy is the launch in Mexico of the industry's first ETF to replicate an index that incorporates ESG criteria along with smart beta criteria. To this end, a change was made to the index of the Mextrac Mexican equity ETF, working with the index provider to incorporate sustainability criteria in its construction and attracting new customers.

Circular economy



BBVA is committed to using recycled material for its cards. The Aqua card has been launched in Spain in its credit, debit and prepaid modalities, manufactured 100% with recycled PVC (polyvinyl chloride) plastic, thus reducing the amount of new natural resources that have to be used for its manufacture. In addition, the Aqua card offers the possibility of not issuing a physical card at all.

In this line, BBVA in the main geographies in which it is present, also offers sustainable cards with 85.5% recycled PVC plastic for customers who renew a Visa International and Visa Gold credit card, with the idea of gradually extending this concept to all BBVA credit and debit cards.



Management of direct environmental impacts

BBVA has a clear commitment to both society and the environment. The global strategy of the reduction of direct impacts is organized around four core elements:



1 Reduction in consumption through the energy efficiency initiatives



2 Use of renewable energy



3 Awareness and involvement of employees and other stakeholders in the path toward a low-carbon economy; and



4 Compensation of its environmental footprint in scope 1, 2 and part of scope 3 (category 5 waste, category 6 emissions from business trips and category 7 displacements of employees of central services that represent 35.8% of the total number of employees object of the report)¹ through the purchase of project credits from the Voluntary Carbon Market to comply with the commitment acquired in 2021 to be a carbon-neutral company by 2050.





1. Reported Scope 3 emissions do not include the following categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy-related activities (not included in scope 1 or 2); Category 4 upstream transportation and distribution; Category 7 transportation of network workers (accounting for 64.2% of the total reported); Category 8 upstream leased assets; Category 9 transportation and distribution; Category 10 processing of products sold; Category 11 use of products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. For information on Category 15 Investments, see the section "Management of risks associated with climate change". The scopes excluded to date could be material.

Group eco-efficiency plan 2021-2025

In its objective of reducing environmental impacts, BBVA, within the framework of the 2025 Goal, will recommend, on the one hand, a 68% reduction in Scope 1 and 2 CO₂ emissions compared to 2015 and, on the other hand, a consumption of 70% of electricity from renewable sources in 2025, reaching 100% in 2030. In line with the latter objective, BBVA has been a member since 2018 of the RE100 initiative, through which the world's most influential companies commit to making their energy 100% renewable by 2050. For its part, on the other hand, BBVA continues to make progress towards reaching 100% by 2030.

In 2021, BBVA established a new Global Eco-efficiency Plan for the period 2021-2025, setting more ambitious targets, aligned with its climate strategy, focused on reducing direct impacts and achieving the 2025 Goal:

TABLE 11. Goal 2025 and global eco-efficiency plan 2021-2025 (BBVA Group)

Vector	Indicators	Goal target*	GEP target**
 Consumptions	Renewable electricity (%)	70 %	77 %
	Electricity consumption per employee (MWh/Employee)		(10) %
	Energy consumption per employee (MWh/Employee)		(7) %
	Water consumption per employee (m3/Employee)		(11) %
	Paper consumption per employee (kg/Employee)		(11) %
 Circular economy	Net waste per employee (t/Employee)		(4) %
 Carbon footprint	Scope 1&2 carbon emissions (tCO ₂ e)	(68) %	(67) %
 Sustainable building	Environmentally certified area (%)		45 %

* Base year 2015.

** (2) Base year 2019. For the 2021-2025 Eco-efficiency Plan, 2019 is taken as the base, since the consumption values for 2020 are distorted due to the effect of the COVID-19 pandemic.

This plan is based on four lines of action:

1. CONSUMPTION

With the aim of reducing BBVA's environmental footprint²⁶, the following lines of actions will be implemented:

- **ELECTRICITY CONSUMPTION:** BBVA's strategy is focused on the use of renewable energy as a key lever to contribute to the decarbonization of the energy markets where the Group is present. The strategy consists of reaching Power Purchase Agreements, such as those already in place in Mexico, Spain and Argentina, and acquiring renewable energy certificates, such as Guarantees of Origin in Spain and Portugal, or international renewable energy certifications (iRECs) in Mexico, Colombia, Peru and Turkey. There will also be a commitment to self-

generation of renewable energy by the installation of solar photovoltaic and solar thermal panels in the Group's facilities, as is already happening in a number of subsidiaries in Turkey, Uruguay and Spain.

- Implementation of **ENERGY SAVING MEASURES** (ESMs) for the operation of buildings, to control and reduce consumption.
- Initiatives for **THE REDUCTION OF WATER CONSUMPTION**, such as gray water recycling systems and rainwater recirculation for irrigation in the headquarters of Spain and Mexico, and the installation of waterless urinals in some of the buildings in Spain.
- Finally, there are measures for the digitalization and centralization of printing **TO REDUCE THE CONSUMPTION OF PAPER**, which is also recycled or environmentally certified in most of the geographical areas (Argentina, Colombia, Spain, Mexico, Peru, Turkey and Portugal) by 79.2% in 2022.

26. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain BBVA Group companies in Spain and Turkey, which represent 8.2% of the BBVA Group's total number of employees, are not included in the scope.

2. CIRCULAR ECONOMY



Waste generation is becoming a serious problem at global level, so part of BBVA's contribution to sustainable development must consist in transitioning linear consumption practices to circular consumption. BBVA has been working for many years to reduce this impact through sustainable construction standards and the implementation of ISO 14001-certified Environmental Management Systems. It has also implemented Aenor's Zero Waste certification in Ciudad BBVA, BBVA's headquarters in Spain. The goal is to minimize the amount of waste sent to landfills. The Bank's facilities have clearly differentiated and marked areas that enable to carry out a proper sorting and subsequent recycling of waste.

The increase in hazardous waste generation in 2022 is due to the replacement of facility components at the end of their useful life. This equipment replacement is necessary to ensure the continuity of the facilities. Throughout 2022, initiatives have been established to reduce disposable single-use plastics, so the value is not reported as it is negligible.

TABLE 12. **Waste** (circular economy)

	2022	2021
Hazardous waste (tons)	440	120
<i>Recycled hazardous waste (tons)</i>	<i>293</i>	<i>58</i>
<i>Disposed hazardous waste (tons)</i>	<i>147</i>	<i>62</i>
Non-hazardous waste (tons)	4,129	4,251
<i>Recycled non-hazardous waste (tons)</i>	<i>1,410</i>	<i>2,207</i>
<i>Disposed non-hazardous waste (tons)</i>	<i>2,719</i>	<i>2,044</i>

3. CARBON FOOTPRINT



The reduction of the carbon footprint is one of the goals established within the Goal 2025. BBVA's total emissions are composed of:

- **SCOPE 1 GREENHOUSE GAS EMISSIONS**, comprising **DIRECT EMISSIONS** from own-use property combustion facilities, vehicle fleet fuels and refrigerant gases.
- **SCOPE 2 GREENHOUSE GAS EMISSIONS**, including **INDIRECT EMISSIONS** related to the production of electricity purchased for and consumed by buildings and branches.
- **SCOPE 3 GREENHOUSE GAS EMISSIONS**, which **INCLUDE OTHER INDIRECT EMISSIONS**. At BBVA, this scope includes emissions from business travel (by plane and train), emissions from waste management and emissions from the commuting of employees from central services to the work center.

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated taking into account the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

BBVA is a neutral company in terms of CO₂ emissions related to the aforementioned categories and offsets its carbon emissions through the purchase of credits in the Voluntary Carbon Market. Moreover, in line with the recommendations of the Taskforce on Scaling Voluntary Carbon Markets, BBVA has established requirements for the selection of projects with which to offset its residual emissions. Among these requirements are the obligation for projects to be certified under the maximum quality standards such as the Verra Verified Carbon Standard (VCS) and the Gold Standard, American Carbon Registry (ARC), Climate Action Reserve (CAR) and Plan Vivo; and that preferably are CO₂ absorption or capture projects. The projects selected in 2022 have been 4 reforestation/afforestation projects (Carbioin, Scolette, Cumare, Guarané) and 2 wind farms (Manantiales Wind Farm and Rotor Elektrik).

4. SUSTAINABLE CONSTRUCTION



Another of the objectives is to guarantee the implementation of the best environmental and energy standards in BBVA buildings to achieve a large percentage of environmentally certified surface area. In fact, the BBVA facilities hold a number of construction and management certifications.

Among the construction certifications, there are 16 buildings and 10 Group branches with the prestigious LEED (Leadership in Energy and Environmental Design) certificate for sustainable construction. These buildings include the Group's headquarters in Spain, Mexico, Argentina and Turkey. Three of them have also received the highest certification, LEED Platinum. We also hold 7 WWF Green Office labels in Turkey and 20 Edge badges in Peru. These certifications promote the reduction of our environmental footprint and carbon emissions.

With respect to management certifications, BBVA has implemented an Environmental Management System in many of its buildings, based on the ISO 14.001:2015 standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. This system is implemented in 86 buildings and 1,022 branches in the main countries where the Group operates. In 2022, BBVA Mexico expanded its area certified under this management system to four new buildings (42,260 sq m). Finally, three of the buildings in Spain, the BBVA Argentina headquarters and ten branches in that country also have an Energy Management System certified by an independent third party that meets the ISO 50.001:2018 standard.

TABLE 13. Evolution of the global eco-efficiency plan indicators (BBVA Group)¹

	Values 2022	Achievement 2022 (Δ 22-19) ²	Objective PGE 22-19	Objective PGE 25-19
Renewable electricity (%)	92%	92 %	74 %	77 %
Electricity consumption per employee (MWh/Employee) ³	5.74	(14) %	(6) %	(10,0) %
Energy consumption per employee (MWh/Employee) ⁴	6.30	(16) %	(5) %	(7) %
Water consumption per employee (m ³ /Employee)	16.58	(12) %	(2) %	(11) %
Paper consumption per employee (kg/Employee)	34.05	(31) %	(9) %	(11) %
Net waste per employee (t/Employee) ⁵	0.03	(8) %	(2) %	(4) %
Scope 1&2 carbon emissions (tCO ₂ e) ⁶	52,966.20	(79) %	(62) %	(67) %
Environmentally certified area (%) ⁷	44 %	44 %	41 %	45 %

(1) Data for the last months of 2022 have been estimated due to the non-receipt of media.

(2) Achievement in the year 2022 with respect to the base year 2019. The achievement of the renewable electricity and environmentally certified area indicators is the % resulting in 2022.

(3) Includes the sum of renewable and non-renewable electricity (per employee).

(4) Includes the consumption of electricity and fossil fuels (natural gas, Liquefied Petroleum Gas -LPG-, diesel, coal).

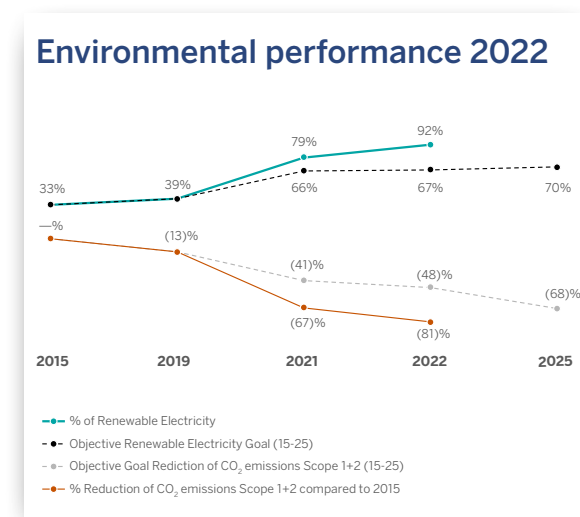
(5) Net waste is the total waste generated minus the waste that is recycled. To obtain the 2022 achievement, the reference data for 2019 of net waste has been restated, including the estimate of recycled waste, since its measurement was not incorporated until 2020.

(6) Includes scope 1 (fuels in installations and vehicle fleet and refrigerant gases), scope 2 market-based. The reference data for 2015 and 2019 of Scope 1 emissions has been restated, including the estimation of Refrigerant Gas emissions and Fleet fuels as its measurement was incorporated in 2021.

(7) Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office certifications.

The Group’s environmental footprint shows positive data with respect to the base year 2019, exceeding in all areas the objectives defined for this moment, with reductions of (79)% in Scope 1 and 2 emissions (according to the market-based method), (14)% in electricity consumption, (16)% in energy consumption, (12)% in water consumption, (31)% in paper and (8)% in net waste (all data points are per employee). The percentage of renewable electricity consumption has reached 92%, and the environmentally certified area was 44%.

Goal 2015-2025²⁷



BBVA’s environmental performance data obtained in 2022 and the progress achieved with respect to 2021 are shown in the following table:

27. In order to establish the objectives of achieving the Goal 2015-2025, the consumption data for 2015 are taken as a reference. The reference data for 2015 and 2019 of Scope 1 emissions has been restated, including the estimation of Refrigerant Gas emissions and Fleet fuels as its measurement was incorporated in 2021..

TABLE 14. Environmental footprint (BBVA Group)ⁱ

	2022	2021 ^{viii}	Δ 22-21
Total water consumption (cubic meters)	1,809,571	1,934,769	(6.5) %
Public water supply (cubic meters)	1,727,582	1,882,391	(8.2) %
Recycled water (cubic meters)	81,989	52,377	57 %
Paper (tons)	3,718	3,640	2 %
Total Energy (Megawatt hour) ⁱⁱ	688,158	707,920	(2.8) %
Energy from renewable sources (%)	83.9 %	71.3 %	18 %
Energy from non renewable sources (%)	16.1 %	28.7 %	(44) %
Scope 1 emissions (t CO ₂ e) ⁱⁱⁱ	41,395	51,038	(19) %
Emissions from fuels in facilities (t CO ₂ e)	11,783	14,799	(20.4) %
Emissions from vehicle fleet fuels (t CO ₂ e)	10,163	8,546	19 %
Emissions from refrigerant gases (t CO ₂ e)	19,450	27,693	(30) %
Scope 2 emissions (tons CO ₂ e) market-based method ^{iv}	11,571	42,152	(73) %
Scope 2 emissions (tons CO ₂ e) location-based method ^v	199,183	204,977	(3) %
Scope 1&2 emissions (tons CO ₂ e) market-based method	52,967	93,190	(43) %
Scope 1&2 emissions (tons CO ₂ e) location-based method	240,578	256,016	(6) %
Scope 3 emissions (t CO ₂ e) ^{vi}	37,026	4,254	770 %
Emissions from waste management (t CO ₂ e)	1,367	1,116	22 %
Recycled hazardous waste (%)	66.0 %	48.0 %	18.0 %
Recycled non-hazardous waste (%)	34.0 %	52.0 %	(18.0) %
Donated IT equipment (units)	1,154	1,225	(6) %
Emissions from business travel (t CO ₂ e)	14,568	3,138	364 %
Emissions from employees commuting (t CO ₂ e)	21,091	5,325	296 %
Total CO ₂ e emissions (t CO ₂ e) market-based method	89,992	97,444	(8) %
Total CO ₂ e emissions (t CO ₂ e) location-based method	277,604	260,269	7 %
Impact of emissions (Scope 1&2) (€) ^{vii}	2,434,718	4,096,258	n.a.



CONSUMPTION



CARBON FOOTPRINT

Given the business activities in which the BBVA Group engages, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its equity, financial position and earnings. As such, as of December 31, 2022, the accompanying consolidated Annual Accounts do not include any item that warrants inclusion in the environmental information document provided for in Order JUS/616/2022, of June 30, approving a new template for filing the Consolidated Annual Accounts at the Companies Register for those entities obligated to disclose such information.

n.a.: not available

I. The data reflected here includes the countries Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey and Uruguay. Certain geographical areas are not included in the perimeter (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) or certain BBVA Group companies in Spain and Turkey, which represent 8.2% of the total employees of the BBVA Group. Some of the data for 2022 is estimated since at the end of the report the complete information for the year was not yet available.

II. Includes the consumption of electricity and fossil fuels (diesel, natural gas and LP gas), except fuels consumed in fleets.

III. Emissions derived from direct energy consumption (fossil fuels) and calculated based on the emission factors of 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For its conversion to CO₂e, the IPCC Fifth Assessment Report and the IEA have been used as sources. As of 2021, the emissions derived from the use of the vehicle fleet and from refrigerant gas leaks in our facilities were included in this scope, applying the DEFRA emission factors to calculate CO₂e emissions in all geographical areas, including Turkey.

IV. Emissions derived from electricity consumption and calculated based on the contractual data and, failing that, the latest emission factors available from the IEA for each country.

V. Emissions derived from electricity consumption and calculated based on the energy mix of each geographical area. The emission factors are the latest available according to IEA for each country.

VI. Indirect emissions derived from business trips (plane and train), waste management and employee travel, using the emission factors published by DEFRA in 2022. Substantial increase in 2022 compared to 2021 due to the elimination of travel restrictions of business after the pandemic and the return of employees to the workplace in a hybrid model. For the commuting emissions of our employees, only Commuting commutes by Central Services employees have been taken into account, incorporating in 2022 the data from Turkey (2,320 tons CO₂e), which in 2021 were not included for this category.

VII. The impact of greenhouse gas emissions for 2022 is calculated using only Scope 1 and 2 emissions and using the CO₂ social cost factor based on a proportional estimate of the 2020 EPA social cost of carbon (\$51/tCO₂) and for 2025 (\$56/tCO₂), (3% discount rate, with an exchange rate of €1,153/\$).

VIII. The data for 2021 differs from that published in the previous Non-Financial Information Report because the estimates included at the end of the 2021 financial year have been replaced by the actual consumption available after the publication of said report and certain values have been modified according to the corrected data.

Management of indirect environmental social impacts

BBVA addresses environmental, natural capital and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as its Environmental and Social Framework or the Equator Principles, which have an environmental and social focus.

Environmental and social framework

In 2020, the Environmental and Social Framework for the mining, agribusiness, energy, infrastructure and defense sectors (hereinafter the Framework) was approved.

The Framework, which is reviewed annually, provides a series of rules and exclusions in relation to transactions and clients operating in these five sectors, as they are considered to have a greater social and environmental impact. The Framework is public and available on the BBVA shareholders and investors website.

To carry out its effective implementation, BBVA receives advice from an independent external expert who performs due diligence on the clients covered by the Framework in order to mitigate the risks associated with these sectors.

For the annual Framework review, new market trends, the expectations of stakeholders and the strengthening of the implementation procedures are considered.

In the last review, dated October 2022²⁸, the main new features were as follows:

- Elimination of exceptions to coal bans for countries with high energy dependence and no viable alternatives.
- New restriction in the energy sector, with a prohibition to finance “new projects or expansion of existing oil & gas exploration, drilling and extraction projects (conventional and non-conventional).”
- New restriction in the agribusiness sector, with the prohibition to finance “projects in key biodiversity areas of the International Union for Conservation of Nature (IUCN), the Brazilian Amazon and the Cerrado.”
- Inclusion of new biodiversity and anti-deforestation best practices for clients, such as benchmark standards.

28. Please note that simultaneously to the publication of this report, an updated Environmental and Social Framework dated March 2023 has been published, in order to give a greater specificity to the coal phase-out target.

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA, evaluates the financing of projects to reduce and avoid negative impacts and, in this way, enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-aligned returns. This implies meeting stakeholder expectations, considering the social demand for the fight against climate change and respect for human rights.

Since 2004 BBVA has adhered to the Equator Principles (EP), which include a range of standards for managing environmental and social risk in project finance, which were developed on the basis of the International Finance Corporation’s (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank’s General Guidelines on Environment, Health and Safety.

The EPs apply globally to all industrial sectors and to five financial products under the terms set forth in the principles:

- Project finance advisory;
- Project finance;
- Project-related corporate loans;
- Project-related bridge loans; and
- Project-related refinancing and project-related acquisition.

Project assessment consists of subjecting each transaction to an environmental and social due diligence process, including potential human rights impacts. The first step is the allocation of a category (A, B or C), which reflects the project's level of risk.

- **CATEGORY A:** projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented.
- **CATEGORY B:** projects with potentially limited adverse social and environmental impacts that are few in number, site-specific, reversible and readily addressed through mitigation measures.
- **CATEGORY C:** projects with minimal or no social or environmental impacts.

Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category.

Finance agreements include the client's environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of transactions.

BBVA has due diligence procedures associated with the financing of projects whose execution affects indigenous peoples. When this circumstance occurs, the prior free and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which ensures the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

The data of the financed transactions that were analyzed under the EP criteria during 2022 and 2021 are shown below:

Out of a total of 40 transactions considered, in 2022, (100% of the operations under the scope of the Equator Principles), 25 transactions were signed, and 15 transactions were rejected for reasons related to business and risk (credit risk and environmental and social risk) of the operations.

Of the transactions signed in 2022, 40% corresponded to the infrastructure sector and 24% to the electric sector. By geographical area, 52% were located in Europe, Middle East and Africa (EMEA) and 44% in the Americas.

TABLE 15. **Data of financed transactions analyzed according to the Equator Principles criteria**

	CATEGORY A		CATEGORY B		CATEGORY C	
	2022	2021	2022	2021	2022	2021
Number of transactions	4	2	12	23	9	17
Total amount (<i>millions of euros</i>)	15,776.0	2,227.6	14,280.8	10,954.5	15,937.7	5,466.1
Amount financed by BBVA (<i>millions of euros</i>)	604.1	109.4	1,219.0	1,714.1	993.7	756.3

Note: In 2021, the number of financed operations analysed reached 42, including 20 analysed under the scope of the Equator Principles, and the remaining 22 were voluntarily analysed by BBVA under the same criteria. In 2022, only operations under the scope of application of the Equator Principles are analysed.

Appendix

APPENDIX 1

Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

BBVA's objective is to disclose in a consistent, reliable and standardized manner the essential aspects of ESG (environmental, social and governance matters) related to its business. Among the different existing standards, BBVA includes its non-financial information in the Non-Financial Information Report for the year 2022, in accordance with the Global Reporting Initiative (GRI) guide.

Additionally and voluntarily, in the last two year, BBVA has reported the WEF-IBC metrics as well as the SASB - Commercial Banks standards, SASB - Consumer Finance standards and SASB - Mortgage Finance standards:

■ WEF-IBC CORE METRICS

BBVA was one of the first entities worldwide to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF).

■ WEF-IBC METRICS EXPANDED

Together with the core metrics, the expanded metrics allow for a broader and more detailed scope in the value chain; and convey the impact in a more tangible way.

■ SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

Commercial Banks standards, Consumer Finance standards and Mortgage Finance standards

The Sustainability Accounting Standards Board establishes standards to guide companies on the disclosure of relevant and consistent financial information in terms of sustainability. With the complete report of these metrics, the Group's management is more clearly reflected and identified for more accurate decision-making by customers.

More and more companies are reporting their performance according to these two metrics and BBVA will continue to work on its objective of satisfying the demands of investors, regulators, customers and other interest groups; to maintain or improve its ESG performance.

APPENDIX 2

Additional information on the BBVA Group's sustainability standards and frameworks

Channeling sustainable business and Taxonomy of the European Union (EU)

BBVA's approach to the channeling of sustainable business includes the channeling of financial flows towards activities or customers considered sustainable under certain criteria, basically following the following formats:

■ GENERAL PURPOSE LENDING

The use of the funds is allocated to a sustainable activity or purpose in accordance with:

- The EU taxonomy developed so far (climate change mitigation and adaptation objectives);

- Internal standards inspired by said taxonomy (or by the reports available on the objectives and categories not yet developed - environmental objectives other than adaptation or mitigation, social objectives or certain transition activities-) that may, additionally, present a certain degree of flexibility when applied in non-European geographic areas in order to reflect their different national circumstances and avoid excluding emerging markets. If a local taxonomy is developed locally, the latter will be applied;
- Other market standards such as the SDGs or the LMA and ICMA principles for green and social loans and bonds.

■ GENERALIST FINANCING

In general, linked to a series of indicators or KPIs related to ESG aspects, thus trying to encourage positive behavior in terms of sustainability, in accordance with market standards such as the principles for loans and bonds linked to sustainability of LMA and ICMA.

Sustainable activity standard

The term "transition," which is widely used when discussing the economy, specific sectors, financial portfolios or companies, is used to describe the changes in economies needed to meet the European Union's environmental goals.

BBVA's standard of sustainable activities includes, among others, activities considered transition activities by the European Taxonomy, such as nuclear energy, the manufacture of plastics in their primary form, building renovation and gas-related activities, where other transition activities contemplated in the Taxonomy will be incorporated. Beyond the European Taxonomy, other activities such as the extraction of strategic minerals and activities related to energy efficiency are considered under strict criteria, which can be reviewed over a certain time horizon.

Declining greenhouse gas emissions pathways of activities that do not yet meet the technical selection criteria of the European Taxonomy, but adhere to internationally recognized frameworks such as the Science Based Target Initiative, where the success of the transition is assessed by the average emissions change over time.

The same philosophy is applied to geographical areas where the maturity of the market is not comparable to more developed countries, therefore the same metrics are used, but with a time pathway to reach the same environmental goal.

Framework for sustainable bond issuance

BBVA has extensive experience in the green bond issuance market, an activity that began in 2007 when it took part in the issuance of the first green bond by the EIB. Since then, the Group has led, structured, advised and placed green and social bonds for its customers in Europe, Turkey, the United States, Mexico and South America.

In April 2018, BBVA published its framework for issuing own sustainable bonds, linked to the United Nations Sustainable Development Goals (SDGs). Under this framework, BBVA can issue three types of bonds:

Green bonds

Debt instruments whose funds will be used to finance new and/or existing green projects;

Social bonds

Debt instruments whose funds will be used to finance new and/or existing social projects;

Sustainable bonds

Debt instruments whose funds will be used to finance new and/or existing green and social projects.

It is a framework aligned with the International Capital Market Association (ICMA) Green and Social Bond Principles and the 2018 Sustainable Bond Guide, backed by strong governance and strict management and monitoring. of net funds earned and has an independent verification assessment by an independent third party. The framework is public and is available on the BBVA shareholders and investors website.

In 2022, the new Framework for the issuance of sustainable debt instruments was published (which replaces -except for current issuances- the 2018 Bond Framework). The new Framework has been updated to align it with the eligibility criteria for the environmental and of social growth provided for in the internal standards of the Bank inspired by the EU Taxonomy and extend it to other debt instruments in addition to bonds. Like the previous framework, it takes into account the best practices of the bond market, being aligned with the Green Bond Principles, Social Bond Principles and the ICMA Sustainability Bond Guidelines, and the possibility of adapting it to the future EU Green Bond Standard when it comes into force opens up. It also has the independent verification of the company DNV. The new Framework is public and it is also available on the BBVA shareholders and investors website.

The issuance of green and social bonds is part of BBVA's climate change and sustainable development strategy. In the sustainable bonds market, the Group has carried out, since its inaugural issue in 2018, eight public issues divided between green bonds for an amount of €4,680m and social bonds for an amount of €2,000m. BBVA publishes an annual monitoring report on its own green and social bonds issued. In 2022, BBVA published its fourth report, which includes the impacts of

the bonds issued from 2018 to 2021 and is available on the BBVA shareholders and investors website. In relation to the environmental loans and projects financed with the green bonds issued by BBVA, from 2018 to December 31, 2021 a total of 3,666,415 tons of CO₂ emissions have been avoided into the atmosphere, which is equivalent to the annual emissions of 1,451,471 cars. Additionally, the volume of treated water has been equivalent to the annual consumption of 412,965 citizens in Spain. 906,864 tons of waste have been treated, equivalent to the waste generated by 2,051,729 people in one year.

In relation to the social bonus issued in 2021, within the health subcategory, the bonus has enabled 1,044 beds in hospitals and clinics and 184 places in nursing homes, with up to 2,159,014 potential beneficiaries. In the area of education, 53,815 students have been helped. In the affordable basic infrastructure section, the social bond has contributed to extending broadband telecommunications services to more than 200,206 facilities, 303,275 homes and 4,975 companies. Altogether, 814,580 people have potentially benefited.

Likewise, more than 762,000 people have benefited from the funds that have been allocated to socioeconomic advances and empowerment, through financing for vulnerable or low-income groups. Finally, 31 families have benefited in the category of affordable housing. In total, almost four million people have potentially benefited from the social destination of the funds raised by the BBVA bond issued in 2021.

Impacts of the **green and social bonds** issued by BBVA

GREEN BONDS IMPACT

Since 2018, the projects financed with the green bonds issued by BBVA have:



Avoided a total of
3,666,415
tons in CO₂



equivalent to what
1,451,471 cars emit in
one year⁽¹⁾

(1) Impact calculated based on a reference travel distance of 15,000 km per year by a typical diesel car.



Treated
20,047,371
m³ of water



equivalent to the anual water
consumption of **412,965**
spanish **citizens**⁽²⁾

(2) Impacto calculated taking as a reference the per capita water consumption in Spain in 2018.













Treated
906,864
tons of waste



equivalent to the waste
2,051,729 people in a year⁽³⁾

(3) Impact calculated taking into account per capita waste generation in Spain in 2021.

Social impact of assets allocated to issued second social bond

Social Bond Principles Category	Sub-category	Use of proceeds (Million Euros)	Indicator	Amount	ODS
 Access to essential services	Healthcare	358	Number of beds in hospitals and clinics	1,044	
			Number of beds in elder residences	184	
			Potential beneficiaries covered by the infrastructure or service	2,159,014	
	Education	16	Number of students served	53,815	
Financial services	137				
 Affordable housing		6	Families with social housing	31	
 Socioeconomic advancement and empowerment	Financing for vulnerable or low income populations	368	Potential beneficiarios covered by the social benefit	762,787	
 Affordable basic infrastructure	Broadband communications	115	Number of premises connected to broadband	200,206	
			Potential beneficiarios covered by the infrastructure	814,580	
			Number of households connected to broadband	303,275	
			Number of enterprises connected to broadband	4,975	
Total drawn amount		1,000			

Likewise, the cumulative impacts between 2020 and 2021 of the COVID-19 bond issued in 2020 are detailed below:


COVID-19 SOCIAL BOND ISSUED IN 202: SOCIAL IMPACTS

The funds received have mainly been channelled to SMEs and MSMEs:

 **€1bn**

 **13,275** enterprises

 **214,497** employees

 **83%**
To enterprises that have suffered a strong or significant impact due to COVID19

 **47%**
To companies located in areas with a greater social impact

CIB framework for sustainable products

BBVA considers that sustainable financing is an important strategy to help its customers on their path towards sustainability and to increase corporate responsibility. In this way, BBVA is committed to developing innovative financial solutions. The Sustainable Products Framework, applicable to the products of BBVA's Corporate & Investment Banking (CIB) activity, is aligned with this strategy, with the SDGs and with the Paris Agreement.

The framework is divided into two types of products:

■ SDG-LINKED

SDG-linked products consist of customer project finance solutions that directly contribute to one or more SDGs. These projects can be considered as green, social or sustainable depending on the use of the funds.

■ LINKED TO SUSTAINABILITY

Products linked to sustainability consist of financial solutions that are not based on the use of funds and that will be eligible based on sustainability criteria defined in the Framework itself.

The framework is public and is available on the BBVA shareholders and investors website. It is certified by an independent third party.

APPENDIX 3

TCFD Recommendations fulfillment table

	TCFD Recommendations	BBVA's TCFD Report
Governance	<ol style="list-style-type: none"> 1. Board of Directors' oversight 2. Management's role 	<p>Section 01:</p> <ul style="list-style-type: none"> • Corporate bodies • Transversal integration of sustainability into the executive sphere • Alignment governance • Remuneration systems
Strategy	<ol style="list-style-type: none"> 3. Description of risk and opportunities 4. Impact of risk and opportunities 5. Resilience 	<p>Section 02: Definition of risks and opportunities associated with climate change</p> <p>Section 02: Main advances in the execution of the strategy</p> <p>Section 02: Resilience of the strategy against climate change risks</p>
Risk management	<ol style="list-style-type: none"> 6. Organization for identifying and assessing risks 7. Organization for managing risks 8. Integration into overall risk management 	<p>Section 03:</p> <ul style="list-style-type: none"> • Integrating climate change into risk planning • Identification, Measurement and Integration of climate change into risk management <p>Section 04:</p> <ul style="list-style-type: none"> • Management of indirect environmental and social impacts
Metrics and goals	<ol style="list-style-type: none"> 9. Disclose metrics & targets used 10. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG 11. Disclose targets and performance against tar-gets 	<p>Section 04:</p> <ul style="list-style-type: none"> • Alignment of metrics and goals • Channeling sustainable business • Management of direct environmental impacts • Management of indirect environmental and social impacts

APPENDIX 4

Transition plan - TCFD Table of equivalence

BBVA has incorporated for the first time in this TCFD elements of a **Transition Plan following the guidelines and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.**

Below there is a table of equivalences between both:

TABLE 16. Transition Plan – TCFD table of equivalence			
Transition Plan		TCFD	P.
Foundations	Objectives and priorities	STRATEGY Main advances in the execution of the strategy	25
	Products and services	METRICS AND GOALS Channeling sustainable business	72
Implementation Strategy	Activities and decision making	GOVERNANCE MODEL Transversal integration of sustainability into the executive sphere	19
		GOVERNANCE MODEL Alignment Governance	19
		STRATEGY Main advances in the execution of the strategy	25
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	51
	Policies and conditions	MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Integrating climate change into risk planning	51
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	51
		METRICS AND GOALS Management of indirect environmental and social impacts	72
		APPENDIX Appendix 2: Additional information on the BBVA Group’s sustainability standards and frameworks	105
Engagement strategy	Engagement with clients and portfolio companies	STRATEGY Engagement strategy	25
	Engagement with to the industry Engagement with to the government and the public sector	STRATEGY Main advances in the execution of the strategy Participation in international initiatives	25
Metrics and Targets	Metrics and Targets	MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Integrating climate change into risk planning	51
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	51
		METRICS AND GOALS Alignment of metrics and goals	72
		STRATEGY Main advances in the execution of the strategy	25
Governance	Roles, responsibilities and remuneration	GOVERNANCE MODEL Corporate bodies	19
		GOVERNANCE MODEL Transversal integration of sustainability into the executive sphere	19
		GOVERNANCE MODEL Alignment Governance	19
		GOVERNANCE MODEL Remuneration systems	19
	Skills and culture	APPENDIX Appendix 5: Training	112

This English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

APPENDIX 5

Training

BBVA has developed a complete training program to ensure that its employees can acquire the basic knowledge to be able to address the strategic challenge that sustainability entails. Using the Campus BBVA training platform, and the gamification experience “The Camp”, two training itineraries are provided, basic and advanced, available to all employees, regardless of their geography and/or role. Currently, more than 102,000 employees have already been trained with these courses.

The basic training itinerary is designed to acquire basic knowledge about the 2030 Agenda of the SDGs, the role of the financial industry and the BBVA strategy, among other contents. The advanced level includes specific content on sustainable finance.

For its part, BBVA has developed and delivered an ad-hoc training program aimed at senior management, with the aim of obtaining a vision of the sustainability ecosystem in the corporate world, new trends and stakeholder expectations.

Likewise, in order to provide the necessary skills so that the Group’s professionals can address sustainability from their different areas of activity, specialized training programs have been developed for bank managers of companies, individuals and SMEs; certifications in finance and risks; specialized courses on issues of special relevance (such as green hydrogen, water management, decarbonization and circular economy); as well as specialized training programs in collaboration with renowned international institutions.

Specifically, in terms of decarbonization, several training programs have been developed for bankers and risk analysts on portfolio alignment and in relation to the use of the different internal tools developed for the management of the Group’s objectives (alignment dashboard with PACTA methodology and Transition Risk Indicator).

Glossary

2DII 2	Degree Investing Initiative	ESG	Environmental, Social & Governance
AEB	Spanish Banking Association	ESM	Energy saving measure
AFME	Association of Financial Markets in Europe	EU ETS	The European Union's Emissions Trading Scheme
ARC	American Carbon Registry	FBE	European Banking Federation
CBB	Corporate and Business Banking	FTP	Fund Transfer Pricing
CCPI	Climate Change Performance Index	GFANZ	Glasgow Finance Alliance for Net Zero
CFLI	Climate Finance Leadership Initiative	GRI	Global Reporting Initiative
CIB	Corporate & Investment Banking	H2-DRI	Direct Reduction of Iron with Hydrogen
CSA	Corporate Sustainability Assessment	HLEG	High-Level Expert Group
DJSI	Dow Jones Sustainability Index	ICAAP	Internal Capital Adequacy Assessment Process
EAD	Exposure at Default	IEA	International Energy Agency
EAFF	Electric Arc Furnaces	IFRS	International Financial Reporting Standard
EBG	European Banking Group	IIF	International Institute of Finance
EBRD	European Bank for Reconstruction and Development	IUNC	International Union for Conservation of Nature
ECB	European Central Bank	IPCC	Intergovernmental Panel on Climate Change
EEC	Energy Efficiency Certificates	ISSB	International Sustainability Standards Board
EFR	European Financial Services Roundtable	ITS	Implementing Technical Standards
EFRA	European Financial Reporting Advisory Group	KPI	Key Performance Indicator
EMEA	Europe, the Middle East and Africa	MAS	Monetary Authority of Singapore
EP	Equator Principles	MCSC MIIT	Climate and Sustainability Consortium

MIT	Massachusetts Institute of Technology	TAG	Thematic Advisory Group
NACE	Nomenclature of Economic Activities in the European Community	TCFD	Task force on Climate-related Financial Disclosures
NGFS	Network for Greening the Financial System	TNFD	Taskforce on Nature-related Financial Disclosures
NZBA	Net Zero Banking Alliance	UNEP-FI	United Nations Environment Program for Finance Institutions
PACTA	Paris Agreement Capital Transition Assessment	UNEP-WCMC	UN Environment Programme World Conservation Monitoring Centre
PCAF	Partnership for Carbon Accounting Financials	UNESCO	United Nations Educational Scientific and Cultural Organization
RSP0	Roundtable on Sustainable Palm Oil	VCS	Verified Carbon Standard
SASB	Sustainability Accounting Standards Board	WBCSD	World Business Council for Sustainable Development
SASG	Sustainability Alignment Steering Group	WEF	World Economic Forum
SDG	Sustainable Development Goals	WEF-IBC	World Economic Forum - International Business Council
SEC	Securities and Exchange Commission	WRI	World Resources Institute
SRI	Socially Responsible Investment		

Forward-Looking Statements

This report contains forward-looking statements that constitute forward-forward projections within the meaning of article 27A of the Securities Act 1933, as amended (the "Securities Act"), article 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and the safeguard provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements may include words such as "believe", "expect", "estimate", "project", "anticipate", "duty", "intend", "likelihood", "risk", "VaR", "purpose", "goal", "target", and similar expressions or variations of those expressions, and include statements regarding future growth rates. Forward-looking statements are not guarantees of future results and involve risks and uncertainties, and actual results may differ materially from those of forward-looking statements due to various factors.

Readers are cautioned not to place undue reliance on such statements, which speak only as of the date of this document. No obligation is assumed to make public the outcome of any revision of these forward-looking statements that may be made to reflect events or circumstances after the date of this document, including but not limited to changes in the business, procurement strategy, expected capital expenditures, or to reflect the occurrence of unforeseen events.

Report on

TCFD

2022

