

Sustainable finance

Banks play a crucial role in the **fight against climate change**, thanks to their unique position in mobilizing capital through investment, loans and advisory functions. Although most banks have worked in recent years to mitigate the direct impacts of their activity, there are other very important ways they can contribute to this challenge: first, by providing innovative solutions to their customers to help them move to a low-carbon economy and by promoting sustainable finance; and second, by systematically integrating social and environmental risks into decision-making.

BBVA's commitment to sustainable development is reflected in its [Environmental policy](#), which is global in scope.

During **2017**, BBVA has worked on its strategy on climate change and sustainable development. The strategy covers comprehensive management of the risks and opportunities

deriving from the fight against climate change and the resolve to achieve the Sustainable Development Goals (SDGs).

This strategy is based on a threefold **pledge** to 2025:

- First, a pledge to finance, which contributes to the mobilization of the capital needed to halt climate change and achieve the SDGs.
- Second, a pledge to mitigate the social and environmental risks derived from the Bank's activity, to minimize their potential direct and indirect negative impacts.
- And finally, a pledge to engage with all the stakeholders involved in the collective promotion of the role of the financial industry in sustainable development.

Sustainable financing

Sustainable bonds and loans

Sustainable bonds and loans are instruments used for channeling funds to finance our customers' projects in sectors such as renewable energies, energy efficiency, waste management, water treatment and access to essential goods and services such as homes or inclusive finance.

BBVA has the knowledge and experience to provide its customers with comprehensive advice on sustainable financing solutions through both bonds and loans, and it is also playing a relevant role in the development of this market. Since 2014, BBVA is signatory of the **Green Bond Principles**, a series of voluntary guidelines that establish the issuance transparency requirements and promote integrity in the development of the green bond market. In addition, since 2017, it has also formed part of the working group that is developing the Green Lending Principles, an initiative of the Loan Market Association adapted to the needs in the case of loans.

In **bonds**, the Bank has been very active in the green bond market in the Iberian Peninsula in 2017. It is a globally recognized institution, having advised, placed and structured green bonds for customers in a variety of sectors in Mexico, the United States and Europe not only in local currency, but also in euros and U.S. dollars.

In this way, in 2017, BBVA consolidated its leadership in the **green and social bond** market and participated as a bookrunner in a total of 11 green, social and sustainable bond issues, which involved the placement of 10,646 million euros (BBVA's share was 1,897 million euros). The most outstanding operations were the following:

- First emission of green hybrid bonds of Iberdrola, worth €1,000 million.
- Inaugural green bond of SSE PLC (Scottish and Southern Energy), worth 600 million euros. It is the largest green bond of an UK energy company and aims to refinance its portfolio of onshore wind farms. BBVA also acted as a green structuring bank.
- Inaugural green issue of Avangrid Inc., worth \$600 million. Significant issuance in the US market that not only followed the guidelines of the Green Bond Principles, but also had the second opinion of the environmental agency Vigeo Eiris, this being a milestone in a market that usually does not solicit opinions from third parties for the issuance of this type of assets. BBVA also acted as a green structuring bank.
- Acciona green bond in the form of private placement, worth €65 million and maturity in 2030.
- Adif AV inaugural green bond, worth €600 million. It is the first green bond of a Spanish public company and the transport sector in Spain, aimed at investments related to railway lines and the maintenance, updating and improvement of the railway system's energy efficiency. BBVA also acted as a green structuring bank.
- Repsol inaugural green bond of €500 million. It is the first green public bond of a company in the oil and gas sector worldwide and aims to finance projects to reduce emissions and efficiency in refineries in Spain and Portugal, which will reduce 1.2 million tons of CO₂ per year. BBVA also acted as a green structuring bank.
- Second issue of the Engie green bond, worth €700 million, for renewable energy projects, energy efficiency and conservation of natural resources.
- Inaugural social bond of the Community of Madrid of €700 million. It is the first public issue of a social bond carried out by an administration in Spain, whose objective is to finance social sectors, health, employment, education, social inclusion, SMEs, climate change and the environment. BBVA also acted as a sustainable structuring bank.

Additionally, **green loans** are beginning to take off in the market and BBVA expects them to grow at a pace comparable to that of green bonds. In 2017, the Bank has led this sector globally, being the most active bank, with a total of ten operations, and expects to continue leading this market in its different modalities. In 2017, BBVA has granted green loans for a volume of more than €1,000 million. The main operations include:

- First green loan in the energy sector worldwide in favor of Iberdrola, for an amount of €500 million. The purpose of this green loan is to finance several projects related, mainly, to energy efficiency and renewable energies.
- Green loan in favor of Acciona, worth €100 million.
- First green loan with project finance structure worldwide with the Italian energy company Terna. The financing will be used for the construction of a transmission line between two cities in Uruguay that will connect renewable energy generation projects to the country's electric distribution system.

- First green syndicated financing in a global loan format with the Tradebe Environment Group, for an amount of €265 million. The loan finances the company's recycling and toxic waste management activities.
- First sustainable financing for a public administration in Spain, in favor of the Community of Madrid, for an amount of €240 million.
- First revolving sustainable credit line for an amount of €800 million, in favor of Red Eléctrica España. It is the first syndicated operation whose price is linked to the company's ESG (environmental, social and government) score.
- First green loan with project finance structure in Spain, in which BBVA acted as green coordinator. This is a green financing of just over €176 million to Sociedade Concessionaria Novo Hospital of Vigo S.A., the concessionaire that exploits the non-hospital services of the Álvaro Cunqueiro de Vigo Hospital. Novo Hospital de Vigo is part of several sustainable sectors, such as renewable energy, energy efficiency, sustainable management of waste and water, clean transport and green buildings.
- Green loan for the project Installation 3, a waste treatment and recycling plant in Spain.

Financing sustainable projects

BBVA has been supporting the **renewable energy** sector for years. Thus, in 2017, the Group financed projects of this type with an installed capacity of more than 700 MW, for a total volume of €218m.

Among the highlighted operations of **2017** are the financing of seven wind farms in Portugal, two in Italy and Spain and one photovoltaic plant in Mexico. Moreover, in 2017 the Bank also financed social infrastructure projects for an amount of €333m.

Activities with multilateral institutions

BBVA maintains extensive institutional and business **relations** with multilateral institutions worldwide, such as the European Investment Bank (EIB), the Spanish Instituto de Crédito Oficial (ICO), the World Bank Group, the Inter-American Development Bank (IDB), Corporación Andina de Fomento (CAF) and other agencies including the German Investment and Development Corporation (DEG), the Netherlands Development Finance Company (FMO) and Société de Promotion et de Participation pour le Développement (Proparco).

This activity covers a broad **range** of products and geographical areas, including international trade financing, project co-financing, financial brokerage transactions, debt issuance on local capital markets, and transactional and treasury operations.

A significant part of the activity is focused on support for **sustainable development** in these regions, through a number of core areas of activity:

- Financial **intermediation** operations for multilateral institutions in Europe and Latin America to channel financing to sustainable sectors (e.g., green energy, urban development, SMEs, export sector, etc.) for transactions that meet the required eligibility criteria. There was a particularly high level of financial intermediation in Spain, where lines granted by the EIB and ICO were intermediated. Specifically, 8,448 operations were arranged through ICO for a total of €180.8m. The figures for the EIB were 659 operations arranged for a total of €88.3m. Elsewhere, IFC, IDB, DEG, FMO and Proparco are key financial intermediation institutions for the Group's subsidiaries in Latin America.
- Project **co-financing**. A key product offered by multilateral institutions is the financing of the private sector projects that contribute to sustainable development. In these cases the Group always has the support of multilateral organizations to co-finance or guarantee projects in which BBVA has an interest.
- **Foreign trade** financing. They are programs developed by supranational organizations to promote foreign trade activities in the countries where they operate. These programs offer partial or full guarantees to confirming banks to cover political and commercial risks in operations with local financial institutions. Their aim is to promote inter-regional "South to South" trade for local SMEs in Latin America. With eight subsidiary banks in the zone, BBVA's role is crucial.
- Development of local **capital markets**, with the support provided for multilateral institutions, giving them access to local currency and allowing them to participate in projects in the region.
- **Internationalization** of SMEs. BBVA participates in the IDB's Connect Americas platform, the first social network for internationalizing SMEs, which is based on three basic pillars: (i) education, (ii) connectivity and (iii) financing. They are currently incorporated within the financing modules of all BBVA banks in the region.

Socially responsible investment

BBVA assumed its **commitment** to socially responsible investment (SRI) in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones.

The **goal** at the time was to start building BBVA's own SRI model from the ground, with the initial implementation focused on employment pension funds. Nine years later, the Group continues to work on improving its model, making it more complete and sound every day.

In **2017**, BBVA Asset Management (BBVA AM) has continued to adapt to the market and changes in it, working to extend and improve the SRI solutions offered. Among them are the training solutions in place, such as events streamed and, the regular newsletters addressing SRI matters, which are posted on the **BBVA AM** website; and in particular through personal meetings with our customers to address their specific concerns in this field.

BBVA AM's SRI model has implemented the following **strategies**:

- Integration of ESG criteria in the investment process

The inclusion of **ESG criteria** was carried out by developing a proprietary model that incorporates extra-financial criteria into a model portfolio, constructed according to fundamental analysis. The model was initially implemented in equity and later in fixed income.

Likewise, an internal **ESG rating** has also been developed that directly affects the specific management decision-making process, which is communicated periodically to customers in the fund management reports.

The analysis and inclusion of these criteria within the management models enhances the information that BBVA managers compile about the pool of investable companies and countries, enabling them to evaluate more accurately any possible risks for portfolios.

Lastly, and with a view to having more reliable and specialized information to hand, the Bank commissions the services of an independent external agent that regularly provides BBVA with information on each company and the country in its investible pool.

- Exclusion: Rules of Conduct in Defense

The **Rules of Conduct in Defense** apply to all BBVA Group units and subsidiaries, including the asset managers of employment pension funds.

To apply them, BBVA uses **exclusion lists** of companies and countries, which are drawn up and updated on a regular basis with the help of an independent expert adviser. These lists include companies and countries related to defense materiel, military, police and security armaments, ammunition, explosives, etc., which are automatically excluded from the list of companies in which BBVA can invest. This exclusion also applies to all vehicles managed by BBVA AM.

- ESG analysis of third-party funds

Gradually, and by extending the model, third-party investment funds in the portfolio for certain assets and geographical areas and their respective asset managers are subject to an in-depth **due diligence** conducted by the team of analysts on the Quality Funds internal platform. This analysis includes questions regarding their SRI engagements and status as signatories to the United Nations PRI.

As the proportion of these vehicles has been growing in employment pension fund portfolios, a highly relevant change was made in 2015 regarding the selection of vehicles to incorporate into these portfolios to ensure BBVA's SRI policy is consistent with the one implemented by the funds.

Thus, after verifying compliance by the asset managers with the United Nations PRI, the study has focused on the exclusions applied by the managers and the voting policies in place, both of which are mandatory elements to be eligible for incorporation in the managed employment pension fund portfolios. We have thus extended SRI-related coverage for portfolios by including the percentage managed by third parties.

In addition to the foregoing, since 2016, 100% of the vehicle managing entities incorporated in pension funds were signatories to the United Nations PRI initiative.

- Engagement and exercise of voting rights

BBVA AM's responsibility as a management entity is not limited to the management function itself. It also exercises the **right to vote** in all the annual general meetings of shareholders of European and Spanish companies, when the portfolio positions make it possible.

This engagement is not restricted to employment pension funds that have delegated this responsibility to the asset manager; it applies equally to all individual pension funds, mutual funds and SICAVs managed by BBVA AM. The services of an independent external supplier are used for this purpose, whose opinion completes that of BBVA AM's own analysts.

During the year **2017**, professionals from the management company attended a total of 175 annual general meetings (of Spanish and European companies) whose securities are in the portfolios of various investment vehicles managed by BBVA AM, and voted against some items on the agendas.

Lastly, it is worth noting that **Garanti Asset Management** is also a signatory to the United Nations PRI since 2011, and since then has been working within the framework of this initiative, in line with BBVA Group's commitment.

Thus, BBVA AM continues to make progress in developing its **SRI model**, strengthening standards and studying additional methods applicable to the new asset classes that allow their customers to be offered a robust and responsible management.

Assets managed under SRI criteria, per investment vehicle
(BBVA Asset Management. 31-12-2017)

	Mutual funds	Individual pension plans and EPSVs	Employment pension plans and EPSVs
Total assets under management (million euros)	37,639	14,930	8,011
SRI strategy			
Integration (%)	0.14 ⁽¹⁾	6.41	28
Exclusion (%)	100	100	100
Exclusion (%)	100	100	100 ⁽²⁾

Note: EPSVs refer to Voluntary Social Welfare Entities.

⁽¹⁾ It refers to BBVA Desarrollo Sostenible fund, which is totally managed under the integration strategy.

⁽²⁾ It refers to the 100% of the funds that have delegated the vote to the asset manager.

Solidarity and SRI funds

BBVA currently manages the following solidarity and SRI funds:

- **BBVA Solidaridad** is a mixed fixed-income solidarity fund that invests at least 30% of the portfolio in equity assets. At the time of subscription, the investor can choose one or more NGOs to which the asset manager will donate a percentage of 0.55% of the fund's total assets under management every six months, from the fund's income.
- **BBVA Bolsa Desarrollo Sostenible** is an equity SRI fund that invests in the shares of companies considered a sustainable investment. The fund also makes an annual donation of €15,000 to the Foundation for Applied Medical Research (FIMA), which is intended to fund research projects.
- **B+EDUCA** is a fixed-income fund that allocates 25% of the monthly returns directly to the "Por los que se quedan" (For those left behind) integration grant program in Mexico. BBVA Bancomer also charges a lower fee for funds of this kind, and makes direct contributions to this scholarship program.

- **BBVA Leer es Estar Adelante (Reading Means Keeping Ahead)** was the first mutual fund in Peru to support a social cause. It is a fixed-income fund through which investors donate one tenth of the share value (fund price) to the BBVA Continental Foundation program "Leer es Estar Adelante". BBVA Asset Management Continental undertakes to contribute the equivalent in dollars for each tenth of the share value, in addition to the participants' donation.

Amount donated, volume and participants of solidarity funds
(BBVA Asset Management. 31-12-2017)

	Amount donated from solidarity funds (euros)	Volume (million euros)	Participants
BBVA Solidaridad	20,080	17	553
BBVA Desarrollo sostenible	15,000	52	4,990
B+Educa	10,436,350	638	36,679
Leer es Estar Adelante	3,044	12	132
Total	10,474,474	719	42,354

Financial inclusion

BBVA is aware that greater financial inclusion has a favorable impact on the welfare and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as its medium-term and long-term business objectives. For this purpose, the Group has developed a financial inclusion (FI) business **model** to cover the low-income population in emerging countries within its global footprint. This model is based on the development of a responsible business model that is sustainable in the long term, shifting from a model that is intensive in human capital and of limited scalability to a scalable strategy that is intensive in alternative and digital channels with a multi-product focus. In short, this model is based on:

- the use of new digital technologies,
- an increase in products and services offered through non-branch platforms,
- innovative low-cost financial solutions designed for this segment.

At the close of **2017**, BBVA had more than eight million active customers in this segment.

Customers of the financial inclusion segment (Number)

	2017	2016	2015
Mexico	5,577,083	5,546,218	6,682,025
Argentina	525,572	534,640	556,345
Chile	58,663	66,209	24,847
Colombia	378,052	397,544	292,875
Peru	909,251	880,477	1,394,243
Venezuela	648,618	884,634	872,871
Paraguay	26,433	24,096	23,752
Uruguay	42,159	64,310	61,733
Total	8,165,831	8,398,128	9,908,691

During 2017, the main **initiatives** launched were:

Mexico

- Advances on wages, short-term micro-loans, arranged through ATMs and text messages. An average of 22,000 loans per month have been granted in this way.
- Micro-life insurance arranged through ATMs. In 2017 an average of 7,000 policies were signed per month.
- Tandapp, an application for administering saving pools.
- SMS Banking, basic banking services such as balances, transfers between individuals and the purchase of air time

through text messages. In 2017, 5.6 million users registered with the service.

- BBVA Plan, an application that makes goal-oriented saving easier. In 2017 this app was downloaded 140,000 times.

Colombia

- Launch of the salary advance scheme via mobile app and the web in May 2017.
- Improved usability of the simplified savings account.

Peru

- BIM Electronic wallet (professional platform).
- Membership of correspondent agents (own correspondent network).

Other initiatives worth highlighting are the Tuyyo (app for sending remittances between Mexico and the United States) and Bancomer apartados (a functionality of the mobile Bancomer application to create and administer savings plans within the deposit account itself).

Management of environmental and social impacts

Environmental, social and reputational risks

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, through its credit activity and the projects it finances. These impacts result in direct, indirect and reputational risks.

These **non-financial risks** may affect the credit profile of borrowers or the projects financed by the Bank. To manage such risks, BBVA takes into account environmental, social and reputational aspects in its risk management, alongside traditional financial variables.

BBVA's strategy regarding environmental and social risks aims to gradually integrate its management into the Group's Risk Management Framework, in order to achieve mitigation based on the principle of prudence. For this, BBVA is developing different initiatives that reinforce its capacity to identify and evaluate this type of risk.

In **2017**, BBVA worked with a number of areas involved in the development of new standards for the mining, energy, infrastructure and agricultural business sectors, and a new improved process of due diligence that can assess new operations, customers or products with criteria that are aligned with BBVA's strategy of climate change and sustainable development.

1. Equator Principles

The energy, transport and social services infrastructures that boost economic development and create jobs can have an impact on the environment and society. BBVA is **committed** to managing the financing of these projects in order to avoid and reduce their negative impacts and boost their economic, social and environmental value.

All the decisions on project financing are based on the criterion of **return adjusted to ethical principles**. Placing people at the core of the business implies dealing with stakeholder expectations and the social demand to fight against climate change and respect human rights.

In line with this commitment, BBVA adhered to the **Equator Principles** (EPs) in 2004. Based on the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's Environmental, Health and Safety Guidelines, the Equator Principles are a set of standards for managing environmental and social risks in project financing. These principles have set the benchmark for responsible financing.

During **2017**, the Group contributed to their development and dissemination as a member of the working groups in which it participates and has been one of the eleven signatories to the letter sent to the Equator Principles Association, in which it urged measures to be taken to tighten the environmental and social due diligence requirements for project financing. Thus, during the annual meeting of the EPs, the decision has been taken to start preparing the fourth version of the Principles to align them with the Paris Agreement, face the complications in implementing informed consultation and participation processes and remedy the inconsistencies in the standards used to assess environmental and social risks in projects.

The Sustainable Finance and Reputational Risk team from Corporate & Investment Banking is responsible for analysis of the projects, representation of the Bank before its stakeholders, accountability to senior management, and the design and implementation of the management system, proposing the adoption of best practices and contributing toward training and communication on matters related to the EPs.

In the processes of risk analysis and decision making, BBVA evaluates and takes into consideration not only financial aspects but also social, environmental and reputational ones. The analysis of the projects consists of submitting each transaction to an environmental and social due diligence process, which begins with the assignment of a category (A, B or C) that reflects the level of risk of the project.

The review of the documentation provided by the customer and the independent advisors allows assessing compliance with the requirements established in the EPs according to the category of the project. The financing contracts incorporate the customer's environmental and social obligations that a specialized team of CIB is responsible for monitoring.

Review of the documentation provided by the customer

01 Initial review

- Selection of independent advisor
- Project classification

02 Due diligence

- Review of the Environmental and Social Impact Assessment
- Environmental and Social Due Diligence Report

03 Approval

- Sanction by the CIB Reputational Risk Department
- Inclusion of conditions in the approval of the Risks Committee

04 Financial close

- Preparation of an Action Plan
- Environmental and social clauses in the financing contract

05 Monitoring

- Monitoring reports by the independent advisor
- Report on the environmental and social impact of the project

The application of the EPs in BBVA is integrated into the internal processes for structuring, admission and monitoring of transactions, and is subject to regular controls by the Internal Audit Department.

In 2017, BBVA took the decision to enhance its **due diligence procedures** associated with the projects financing whose development affects indigenous communities. When this occurs, the free, prior and informed consent (FPIC) by these communities must be taken into consideration, regardless of the geographic location of the project. This means extending the current demands of the EPs, which limits this requirement to countries classified as “non-designated”, leaving out the “designated” countries (those that are considered to have a robust legal system and an institutional capacity that provides sufficient guarantees of environmental protection and their people’s social rights). BBVA is one of the ten banks that in 2017 called on the rest of the banks adhering to the Equator Principles to support the adoption of amendments in this respect.

For BBVA, the EPs are the starting point to apply the best practices and the framework of dialogue with customers and groups interested in the projects it finances.

The Group offers public information on the environmental and social project management financed and advised by BBVA.

Operations data analyzed under Equator Principles' criteria (BBVA Group)

	2017	2016	2015
Number of operations ⁽¹⁾	22	32	26
Total amount (million euros)	7,069	6,863	24,557
Amount financed by BBVA (million euros)	1,054	1,451	1,933

⁽¹⁾ 9 out of 22 of the operations are under Equator Principles scope, while the remaining 13 are voluntarily analyzed by BBVA under the same criteria.

2. Eco-rating

The Eco-rating tool is used to rate the risk portfolio of SMEs from an environmental point of view. This is done by assigning a level of credit risk to each customer in accordance with a combination of several factors such as location, polluting emissions, consumption of resources, potential to affect the environment and applicable legislation. During 2017 the environmental risk of 236,273 customers in Spain was rated, with a total exposure volume of €87,875m.

Eco-rating data (Spain, 2017)

Environmental risk level	Volume (million euros)	Customers
Low	75,677	196,338
Medium	11,953	39,417
High	245	518
Total	87,875	236,273

3. Reputational risk management

Since 2006, BBVA has had a **methodology** in place for identifying, evaluating and managing reputational risk. Through this methodology, the Bank regularly defines and reviews a map in which it prioritizes the reputational risks it faces, together with a set of action plans to mitigate them.

This prioritization is carried out according to two **variables**: the impact on stakeholder perceptions and the strength of BBVA's resilience to risk.

This reputational exercise is carried out in each country, and the integration of all of them provides a consolidated view of the Group. In addition, since 2017, a specific exercise has been carried out for the CIB EMEA area.

This exercise has been performed since 2015 using a computer **tool** that allows risks to be assessed by the competent areas.

The main milestones related to reputational risk management in **2017** were:






- Strengthening of the reputational risk model with the establishment of the position of corporate reputation specialist, integrated into BBVA's model of three lines of defense.
- Participation of the Reputational Risk Department in the 2017 corporate Risk Assessment processes and in estimating the impacts of the scenarios in the recovery plan.
- Global Risk Management calculated reputational risk capital for the first time.
- Integration of key risk indicators into the reputational risk management tool with the aim of improving risk monitoring.
- Integration of CIB into the reputational risk management model.

Eco-efficiency

BBVA also assumes its commitment to mitigate the direct impacts of its activity. These impacts are fundamentally those derived from the use of its buildings and offices around the world.

In 2017, BBVA continued to work on its third **Global Eco-efficiency Plan** (GEP), focused on positioning the Group among the leading entities at global level in terms of eco-efficiency. The GEP establishes the following strategic areas and global targets for the period 2016-2020, continuing on from the two previous plans that were begun in 2008 and 2012, respectively, and setting the following targets:

Global Eco-efficiency Plan

Vectors	Strategic guidelines	Global target
 Environmental management and sustainable construction	% occupants in certified buildings	42%
	Consumption per occupant (kWh/occup)	-5%
 Energy and climate change	% of clean energy	48%
	CO ₂ eq emissions per occupant (tCO ₂ eq/occup)	-8%
 Water	Consumption per occupant (m ³ /occup)	-5%
	% occupants in buildings with alternative water sources	9%
 Paper and waste	Paper consumption per occupant (kg/occup)	-5%
	% occupants in occupants in buildings with separate waste collection	30%
 Extension of the commitment	Awareness campaigns for employees and supplier	

Goals per person.

During 2017 a number of the **goals** set have been achieved, such as the percentage of people in certified buildings, in buildings with alternative water sources and with selective waste collection, which increased in 42%, 11% and 41% , respectively.

In addition, during the PGE period (base year 2015), electricity consumption per person was reduced by 6.9% and CO2 emissions per person in the Group by 2.5%.

The evolution of the PGE indicators is reflected in the table below:

Evolution of the GEP indicators (BBVA Group)

	2017	2016	2015
People working in certified buildings (%) ⁽¹⁾	42	40	43
Electricity usage per person (MWh)	5.9	5.8	6.3
Energy coming from renewable sources (%)	27	25	30
CO2 emissions per person (T)	2.2	2.1 ⁽²⁾	2.2
Water consumption per person (m ³)	23.0	21.1	20.7
People working in buildings with alternative sources of water supply (%)	11	10	14
Paper consumption per person (T)	0.1	0.1	0.1
People working in buildings with separate waste collection certificate (%)	41	32	33

⁽¹⁾ Including ISO 14001 and LEED certifications.

⁽²⁾ This figure has been adjusted according to update of the emissions factor applied.

Note: indicators calculated based on employees and external staff.

To achieve these targets, BBVA continued its efforts to minimize its **environmental footprint** through initiatives in all the countries where the Group is present, most notably:

- Projects carried out to improve efficiency in the air conditioning and lighting systems of buildings and branches in countries such as Mexico, the United States, Chile, Paraguay and Peru, which will lead to significant savings with respect to current consumption.
- Remodeling of some headquarters, such as Argentina and Peru.
- Establishment and monitoring of the implementation of energy-saving measures in buildings in Spain, which has led to savings of 6,618.33 MWh in the first eight months of 2017, 2.9% less than in 2016.
- Adaptation to ISO 14001:2015 of the Environmental Management System certifications under ISO 14001 in Argentina, Colombia, Spain, Mexico, Peru, Uruguay, Mexico and Turkey. In total, 1,034 branches and 79 of the Group's buildings around the world possess this certification. Likewise, Environmental Management System certifications under ISO 50001 Standard have been renewed for buildings on the La Moraleja Campus and Ciudad BBVA in Madrid, as well as the services building La Isla in Spain and twelve branches in Lima, Peru.
- Achievement of LEED Platinum certification for sustainable design and construction in the Kizilay Office Building of Turkey and the LEED Gold for the Operational Center in Mexico City. The Torre Reforma building in Mexico is also in the process of achieving this certification. These certifications are in addition to the 19 BBVA buildings that have already received this prestigious environmental certification.
- Participation in the Earth Hour campaign, during which 117 buildings and 330 branches in 177 cities throughout Spain, Portugal, Mexico, Colombia, Argentina, Turkey Peru, Paraguay, Uruguay, Chile and the United States turned off their lights.
- Adhesion to numerous international initiatives such as Environment Day, when some of the most important buildings were illuminated in green, such as the Ciudad BBVA headquarters in Madrid, the BBVA headquarters in Lima, Peru, and the most recent headquarters in Buenos Aires, Argentina. A number of initiatives have also been organized to raise awareness among employees on the occasion of the International Earth Day and International Recycling Day.

[Annex 11 - Environmental footprint](#)

Engagement

BBVA is participating in major international sustainable development initiatives (the United Nations Global Compact, Equator Principles, Principles for Responsible Investment, United Nations Environment Programme Finance Initiative, Thun Group of Banks and Human Rights, Green Bond Principles and Social Bond Principles), and has been committed, since 2017, to achieve the United Nations Sustainable Development Goals (SDGs). BBVA is also part of the pilot group of banks that have committed to implement financing and climate change recommendations that were published in July by the Financial Stability Board in the framework of the G20.








Sustainable Development Goals

On 25 September 2015, the world leaders adopted 17 **SDGs** to protect the planet, fight poverty and try to eradicate it and to achieve a prosperous world for future generations. These goals are part of the 2030 Sustainable Development Agenda. The aim is to involve everyone: governments, companies, civil society and individuals. Each goal, set out with a specific purpose, has in turn a number of targets to be achieved; and each target has its own indicators that serve to determine the level of achievement of each goal.

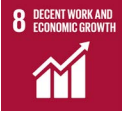







Companies play a key role in achieving these goals. They are expected to act on those where they have the greatest capacity to influence. They must therefore choose where their contribution can have the biggest impact and implement mechanisms to help comply with these goals.

Given its broad spectrum of business, **BBVA** contributes to a number of SDGs, together with the BBVA Microfinance Foundation and the different geographic areas in which it operates. To respond to the obligations it has imposed on itself as a bank, BBVA has defined its strategy for climate change and sustainable development that orders its different commitments and relates them directly to the SDGs. In this way, BBVA aims to respond to the commitments of the 2030 Agenda, but at the same time to take advantage of the business opportunities derived from compliance.

The table below shows details of the different initiatives carried out by BBVA and its foundations.

Sustainable Development Goals			
Goals	BBVA Initiatives	Description	Associated metrics
 <p>1 NO POVERTY</p> <p>Goal 1: End poverty in all its forms everywhere</p>	BBVA Microfinance Foundation (BBVAMF)	Promote the sustainable and inclusive economic and social development of disadvantaged people in Latin America, supporting their growth through empowerment	<ul style="list-style-type: none"> - Number of customers - People impacted by the BBVAMF - % of customers of the BBVAMF at risk of exclusion - % of customers who have emerged from the situation of poverty through the BBVAMF
	Financial inclusion (FI)	In this segment the aim is to meet the needs of the population with low incomes in the emerging countries where BBVA operates. It is an initiative to provide customers with access to financial services through solutions rich in human capital that offer an alternative to the traditional model by developing channels and digital products that are low-cost, easy to open and simple to work with. These solutions allow customers consult balances and make transactions and transfers quickly and securely, while also extending availability and proximity	<ul style="list-style-type: none"> - Number of customers in the segment - Points of attention of financial inclusion
	Collaboration with social institutions	Collaboration with institutions through donations or by boosting local actions	<ul style="list-style-type: none"> - Amount donated to entities - Beneficiaries
 <p>3 GOOD HEALTH AND WELL-BEING</p> <p>Goal 3: Guarantee a healthy life and promote well-being for everyone of all ages</p>	BBVA Foundation	Promote research in fields such as biomedicine and health	<ul style="list-style-type: none"> - BBVA Foundation budget
	Educational programs	<ul style="list-style-type: none"> - "Niños Adelante" (Forward, Children). Program that aims to promote access to and quality of primary and secondary education of children and young people in the most disadvantaged areas of South America and Mexico - Other educational programs developed at local level in the different countries in which BBVA operates - Financial education. Programs that promote the development of the financial skills and allow society to make informed decisions that improve its financial well-being 	<ul style="list-style-type: none"> - Investment in the different programs - Beneficiaries
 <p>4 QUALITY EDUCATION</p> <p>Goal 4: Ensure inclusive and equitable quality education for all and promote lifelong learning opportunities for all</p>	Signatory to the UN Women's Empowerment Principles BBVA Diversity Plan Garanti Bank Women Entrepreneur Executive School Program	Program that builds the skills of women entrepreneurs through training on subjects such as business creation, innovation and sustainable management	<ul style="list-style-type: none"> - Women benefiting
	BBVA Microfinance Foundation	Of the entrepreneurs covered by the Microfinance Foundation, 61% who access the financial system are women, thus directly helping to reduce gender inequality. The Foundation has also formalized a partnership agreement with UN Women, the United Nations entity for gender equality and the empowerment of women, with the aim of promoting the huge entrepreneurship potential of women and their ability to have an impact on reducing poverty and become a driving force for prosperity and welfare for their families and communities	<ul style="list-style-type: none"> - % of female customers of the BBVAMF
 <p>5 GENDER EQUALITY</p> <p>Goal 5: Achieve gender equality and empower all women and girls</p>	Eco-efficiency Plan	BBVA has an Eco-efficiency Plan in place that aims to improve the energy efficiency and use of renewable energy within the Organization. The use of recycled water and water saving are key parts of this Plan	<ul style="list-style-type: none"> - % reduction in water consumption per employee - % of employees in buildings with alternative water supply sources
	Strategy on climate change and sustainable development	Strategy that includes the Group's various initiatives addressing social and environmental challenges. This strategy addresses the risks that may arise by the creation of specific policies and management of crisis situations. It also takes advantage of the business opportunities arising from the commitments acquired, such as the SDGs. Specifically, in the case of SDG 6 there is the opportunity to finance the infrastructures needed to guarantee access to water and the companies involved in this task	<ul style="list-style-type: none"> - Financing of water treatment projects - Projects to which financing has been refused because they do not comply with required standards - Financing for projects or companies whose aim is to guarantee access to water in developing companies (also through Momentum) - Bond issuance to finance companies, etc. - Financing of renewable energy projects: - Installed power of financed projects - Loans for increasing energy efficiency in homes - Mortgages granted for the purchase of energy-efficient homes - Volume of bonds issued associated with energy efficiency projects - Volume of business with green customers - Volume of loans granted
 <p>6 CLEAN WATER AND SANITATION</p> <p>Goal 6: Ensure access to and sustainable management of water and sanitation for all</p>	Strategy on climate change and sustainable development	Strategy that includes the Group's various initiatives addressing social and environmental challenges. This strategy addresses the risks that may arise by the creation of specific policies and management of crisis situations. It also takes advantage of the business opportunities arising from the commitments acquired, such as the SDGs. The opportunities associated with SDG 7 are those related to financing renewable energies, energy efficiency, issuance of green bonds, etc.	<ul style="list-style-type: none"> - Financing of renewable energy projects: - Installed power of financed projects - Loans for increasing energy efficiency in homes - Mortgages granted for the purchase of energy-efficient homes - Volume of bonds issued associated with energy efficiency projects - Volume of business with green customers - Volume of loans granted
	BBVA Microfinance Foundation	The BBVAMF promotes the sustainable and inclusive economic and social development of disadvantaged people in Latin America, supporting their growth through empowerment	<ul style="list-style-type: none"> - Entrepreneurs benefiting from the creation of the BBVAMF - Jobs generated by the BBVAMF
 <p>7 AFFORDABLE AND CLEAN ENERGY</p> <p>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p>	Financial education and business training programs	Our overall objective is to boost a concept of financial education based on the acquisition of knowledge, skills and attitudes, with the goal of changing the way customers make financial decisions and thus improving their experience	<ul style="list-style-type: none"> - SMEs benefiting from the program - Investment in the program
	Momentum	Social entrepreneurship support program aimed at promoting the growth and consolidation of innovative social enterprises. The program is carried out in coordination with top business schools and with the participation of BBVA executives, who provide a strategic mentoring service. Created in 2011 and developed in three countries (Spain, Mexico and Peru), it was reorganized in 2016 and became BBVA Momentum. This updated version of the Program was launched simultaneously in five countries in February 2017	<ul style="list-style-type: none"> - Number of businesses benefiting
	Remittances	Tuuyo. The most convenient way of sending remittances between The United States and Mexico	
	Women Entrepreneur executive School		Beneficiaries
	Met Colombia Entrepreneurship		Beneficiaries
	BBVA Open talent		Beneficiaries
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p> <p>Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all</p>	Financial inclusion (FI)	In this segment the aim is to meet the needs of the population with low incomes in the emerging countries where it operates. It is an initiative to provide customers with access to financial services through solutions rich in human capital that offer an alternative to the traditional model by developing channels and digital products that are low-cost, easy to open and simple to work with. These solutions allow customers consult balances and make transactions and transfers quickly and securely, while also extending availability and proximity	<ul style="list-style-type: none"> - Number of customers in the segment - Points of attention of financial inclusion
	Strategy on climate change and sustainable development	BBVA's commitment to facilitate access to credit under sustainability criteria, particularly in emerging economies	<ul style="list-style-type: none"> - Volume of loans to the agribusiness sector under sustainable criteria

Sustainable Development Goals

Goals	BBVA Initiatives	Description	Associated metrics		
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	Responsible Procurement	Control of the supply chain to prevent abusive conditions in suppliers. This control is levered on the Responsible Procurement Policy, the principles applicable to those involved in the procurement processes (IPAs) and BBVA's own Code of Conduct. These documents aim to ensure that BBVA's suppliers are governed by the same principles as the Group, guaranteeing their employees and subcontractors are treated well	<ul style="list-style-type: none"> - Number of audits of suppliers to assess their employment quality - Number of approved suppliers 		
	Diversity policy	Promotion and hiring of people with disabilities in both BBVA and its suppliers	<ul style="list-style-type: none"> - Volume of hires from special employment centers - % of approved suppliers - BBVA's wage gap 		
	BBVA Foundation	The BBVA Foundation has strengthened its commitment to drive and disseminate knowledge by supporting the community of researchers and creators in Spain, recognizing and raising the profile of the best representatives of these communities and providing objective information in relation to some of the main topics of public debate. In addition to maintaining its close collaboration with leading institutions in all areas, the BBVA Foundation has reinforced its own activities and has become a benchmark in sectors such as the environment and contemporary music, as well as the publication of socioeconomic research	<ul style="list-style-type: none"> - Beneficiaries of educational programs - Contribution to educational programs 		
	Occupational safety	With respect to occupational health and safety, BBVA honors its commitment to guarantee healthy working environments and improve the quality of life of people through health promotion and prevention campaigns, as well as training, information and awareness-raising activities	<ul style="list-style-type: none"> - Technical and preventive procedures - Preventive actions to improve working conditions - Appointments for health check-ups - % of employees represented on health and safety committees - Absenteeism rate 		
	Freedom of association	The rights and working conditions of Group personnel are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives, in accordance with local legislation	<ul style="list-style-type: none"> - % of the workforce subject to a collective agreement 		
 <p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>	Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation	Strategy on climate change and sustainable development	Through this pledge, BBVA is developing a series of initiatives to address this SDG, specifically by its commitment to mitigate impacts. The aim is to detect non-financial risks and include them within the Bank's risk model through the construction of a variety of scenarios. Sector policies in sensitive sectors will also be developed to reduce polluting emissions	<ul style="list-style-type: none"> - Investment in sustainable infrastructures 	
	BBVA Transformation Plan			<ul style="list-style-type: none"> - Investment in innovation and technology 	
 <p>10 REDUCED INEQUALITIES</p>	Goal 10: Reduce inequality within and among countries	BBVA's tax Policy	Be transparent in our tax contribution, paying taxes where business is generated	<ul style="list-style-type: none"> - Total tax contribution report. 	
	 <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>	Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable	Access to housing	Giving access to credit for the acquisition of homes, above all in developing countries, helps guarantee access to decent housing	<ul style="list-style-type: none"> - Volume of mortgage loans - Number of loans for home improvements - Number of evictions (negative trend)
			Social housing	Provide social housing in the geographic areas where it is needed, avoiding evictions and ejections of people at risk of exclusion	<ul style="list-style-type: none"> - Number of social homes made available directly for public entities or customers
			Strategy on climate change and sustainable development	The financing of infrastructure projects and transportation companies that helps the development of these sectors with environmental and social criteria	<ul style="list-style-type: none"> - Volume of loans for infrastructure construction - Volume of loans to transportation companies
			BBVA Foundation	The activity of the BBVA Foundation guarantees the maintenance of culture and art in a number of geographic areas, as well as guaranteeing access to it by part of the population	<ul style="list-style-type: none"> - Investment in the BBVA Foundation
Eco-efficiency	BBVA's Eco-efficiency Plan includes the Group's recycling targets and other targets set by the Organization	<ul style="list-style-type: none"> - Tons of waste generated - Tons of paper recycled 			
 <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>	Goal 12: Ensure sustainable consumption and production patterns	Responsible Procurement	As a purchasing entity, BBVA can favor contracts with local suppliers in the geographic areas where it operates	<ul style="list-style-type: none"> - % of local suppliers 	
	 <p>13 CLIMATE ACTION</p>	Goal 13: Take urgent action to combat climate change and its impacts	Strategy on climate change and sustainable development	Manage environmental risks by applying rules and policies governing financing for projects and customers that can affect climate change	<ul style="list-style-type: none"> - Number of transactions under the Equator Principles - BBVA policies in controversial sectors
Strategy on climate change and sustainable development			Promotion of green financing through the marketing and issue of products with a "sustainable" rating	<ul style="list-style-type: none"> - Investment in renewable energies - Volume of green and social bonds 	
Eco-efficiency			BBVA's Eco-efficiency Plan includes the Group's recycling targets and the targets set by the Organization	<ul style="list-style-type: none"> - Reduction in CO2 emissions 	
Task Force on Climate-related Financial Disclosures (TCFD)			Participation in the TCFD as one of the 16 banks in the pilot group		
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable and inclusive institutions at all levels	Development of a responsible banking model	Create a model based on the search for return adjusted to principles: integrity, prudence and transparency Foster clear and responsible communication and financial education to help our customers make informed decisions	<ul style="list-style-type: none"> - % of products with TCR leaflets - % of TCR contracts - No. of TCR sales scripts 	
		Fight against corruption and bribery at all levels	Guarantee that neither BBVA employees or customers encourage corruption or are participants in any bribery or illicit activity	<ul style="list-style-type: none"> - Claims filed related to corruption or bribery - Number of internal audits carried out to prevent corruption and bribery 	
		Avoid controversial financing weapons	Avoid financing weapons considered controversial	<ul style="list-style-type: none"> - Rules conduct in defense 	
		Commitment to human rights	BBVA is committed to human rights policy and has carried out a due diligence process in this respect		
		Fiscal transparency	Be transparent in our tax contribution, paying taxes where business is generated	<ul style="list-style-type: none"> - Total tax contribution report 	
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	Goal 17: Revitalize the global partnership for sustainable development and mobilize resources for its implementation	Extensive relation with multilateral financial institutions that can provide financing to sectors and projects contributing to the development of societies			
		Participation in working groups and associations	Take part in associations and groups that promote engagement and forge alliances	TCFD, Global Compact Network, Thun Group of Banks	

Task Force on Climate-related Financial Disclosures (TCFD)

As part of its **commitment** to mitigate the impacts derived from climate change and to integrate these risks into its risk management model, BBVA has joined the pilot group of banks that, supervised by UNEP FI (United Nations Environment Program - Finance Initiative), works for the implementation of the recommendations of the Task Force on Climate-related Disclosures, created by the Financial Stability Board.

This pilot group of 16 banks aims to analyze how **climate change** affects the banking industry in its governance model, strategy and risk model.

Over the next two years, a number of possible climate change scenarios will be used to determine how global warming will affect the banking business. The basic aim of the working group will be focused on analyzing **risks**, whether physical (associated mainly with the direct effects of climate change) or transitional (regulatory, technological or social changes), and how these form part of each entity's risk model.

Currently, the group is working to determine the **sectors** on which the analysis will focus, together with the geographic areas of analysis on which the pilot program will be run.

BBVA's **action plan** and the commitments acquired to align both risk management and the rest of the requirements of the recommendations, are as follows:

Area	Recommendations	Done	Plan 2018
Governance	Describe the board's oversight of climate-related risks and opportunities	Included in the CSR Policy approved by the Board of Directors Board of Directors' oversight (3 times in last 12 months)	Reporting to the Board of Directors and to the Board Executive Committee
	Describe management's role assessing and managing climate-related risks and opportunities	Plans & norms approved and oversighted by the CEO Global Leadership Team & Sustainable Finance Working Group as forums to help decision-making Responsible Business as specialist function coordinating implementation & monitoring	Reporting to the Global Leadership Team meeting
Strategy	Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term	Quantify credit exposure to carbon-related assets & mix energy generation in utilities	Update risks and opportunities definition that are material for BBVA
	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning	Pledge 2025. Strategy on climate change and sustainable development Product portfolio defined at CIB	Strategy implications assessment Retail business opportunities
	Describe the resilience of the organization's strategy, taking into consideration different scenarios , including a 2°C or lower scenario		Participation in pilot group with UNEP FI First impact assessment on credit portfolios
Risk Management	Describe the organization's processes for identifying and assessing climate-related risks		Formalize process
	Describe the organization's processes for managing climate-related risks	New sector norms approved by the CEO Equator Principles implemented Due diligence processes in clients, transactions & products defined	Sector norms & due diligence processes implementation
	Describe how processes for identifying, assessing & managing these risks are integrated into the organization's overall risk management		Integration as emerging risk
Metrics and Targets	Disclose the metrics used to assess climate-related risks and opportunities in line with its strategy and risk management process	Quantify credit exposure to carbon-related assets & mix energy generation in utilities Renewable energy	
	Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions	Emissions reported Scope 1, Scope 2 Committed with Science Based Targets Initiative	Wider disclosure on Scope 3 for carbon-related clients
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Mobilize €100 Billion 2018-2025. Renewable energy 70% and 68% reduction in direct GHG emissions. 100% renewable energy ⁷ in 2030 Current exposure in sustainable finance	Annual report verified by third party about Pledge 2025 performance