

# 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.

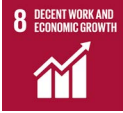







**Companies** play a key role in achieving these goals. They are expected to act on those where they have the greatest capacity to influence. They must therefore choose where their contribution can have the biggest impact and implement mechanisms to help comply with these goals.

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><b>1 NO POVERTY</b></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"> <li>- Number of customers</li> <li>- People impacted by the BBVAMF</li> <li>- % of customers of the BBVAMF at risk of exclusion</li> <li>- % of customers who have emerged from the situation of poverty through the BBVAMF</li> </ul>
	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"> <li>- Number of customers in the segment</li> <li>- Points of attention of financial inclusion</li> </ul>
	Collaboration with social institutions	Collaboration with institutions through donations or by boosting local actions	<ul style="list-style-type: none"> <li>- Amount donated to entities</li> <li>- Beneficiaries</li> </ul>
 <p><b>3 GOOD HEALTH AND WELL-BEING</b></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"> <li>- BBVA Foundation budget</li> </ul>
	Educational programs	<ul style="list-style-type: none"> <li>- "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</li> <li>- Other educational programs developed at local level in the different countries in which BBVA operates</li> <li>- Financial education. Programs that promote the development of the financial skills and allow society to make informed decisions that improve its financial well-being</li> </ul>	<ul style="list-style-type: none"> <li>- Investment in the different programs</li> <li>- Beneficiaries</li> </ul>
 <p><b>4 QUALITY EDUCATION</b></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"> <li>- Women benefiting</li> </ul>
	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"> <li>- % of female customers of the BBVAMF</li> </ul>
 <p><b>5 GENDER EQUALITY</b></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"> <li>- % reduction in water consumption per employee</li> <li>- % of employees in buildings with alternative water supply sources</li> </ul>
	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"> <li>- Financing of water treatment projects</li> <li>- Projects to which financing has been refused because they do not comply with required standards</li> <li>- Financing for projects or companies whose aim is to guarantee access to water in developing companies (also through Momentum)</li> <li>- Bond issuance to finance companies, etc.</li> <li>- Financing of renewable energy projects:</li> <li>- Installed power of financed projects</li> <li>- Loans for increasing energy efficiency in homes</li> <li>- Mortgages granted for the purchase of energy-efficient homes</li> <li>- Volume of bonds issued associated with energy efficiency projects</li> <li>- Volume of business with green customers</li> <li>- Volume of loans granted</li> </ul>
 <p><b>6 CLEAN WATER AND SANITATION</b></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"> <li>- Financing of renewable energy projects:</li> <li>- Installed power of financed projects</li> <li>- Loans for increasing energy efficiency in homes</li> <li>- Mortgages granted for the purchase of energy-efficient homes</li> <li>- Volume of bonds issued associated with energy efficiency projects</li> <li>- Volume of business with green customers</li> <li>- Volume of loans granted</li> </ul>
	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"> <li>- Entrepreneurs benefiting from the creation of the BBVAMF</li> <li>- Jobs generated by the BBVAMF</li> </ul>
 <p><b>7 AFFORDABLE AND CLEAN ENERGY</b></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"> <li>- SMEs benefiting from the program</li> <li>- Investment in the program</li> </ul>
	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"> <li>- Number of businesses benefiting</li> </ul>
	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><b>8 DECENT WORK AND ECONOMIC GROWTH</b></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"> <li>- Number of customers in the segment</li> <li>- Points of attention of financial inclusion</li> </ul>
	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"> <li>- Volume of loans to the agribusiness sector under sustainable criteria</li> </ul>

## Sustainable Development Goals

Goals	BBVA Initiatives	Description	Associated metrics	
 <b>8</b> DECENT WORK AND ECONOMIC GROWTH	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"> <li>- Number of audits of suppliers to assess their employment quality</li> <li>- Number of approved suppliers</li> </ul>	
	Diversity policy	Promotion and hiring of people with disabilities in both BBVA and its suppliers	<ul style="list-style-type: none"> <li>- Volume of hires from special employment centers</li> <li>- % of approved suppliers</li> <li>- BBVA's wage gap</li> </ul>	
	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"> <li>- Beneficiaries of educational programs</li> <li>- Contribution to educational programs</li> </ul>	
	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, we well as training, information and awareness-raising activities	<ul style="list-style-type: none"> <li>- Technical and preventive procedures</li> <li>- Preventive actions to improve working conditions</li> <li>- Appointments for health check-ups</li> <li>- % of employees represented on health and safety committees</li> <li>- Absenteeism rate</li> </ul>	
 <b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE	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"> <li>- % of the workforce subject to a collective agreement</li> </ul>	
	Goal 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation	Strategy on climate change and sustainable development BBVA Transformation Plan	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"> <li>- Investment in sustainable infrastructures</li> <li>- Investment in innovation and technology</li> </ul>
 <b>10</b> REDUCED INEQUALITIES	BBVA's tax Policy	Be transparent in our tax contribution, paying taxes where business is generated	<ul style="list-style-type: none"> <li>- <a href="#">Total tax contribution report.</a></li> </ul>	
	 <b>11</b> SUSTAINABLE CITIES AND COMMUNITIES	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"> <li>- Volume of mortgage loans</li> <li>- Number of loans for home improvements</li> <li>- Number of evictions (negative trend)</li> </ul>
		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"> <li>- Number of social homes made available directly for public entities or customers</li> </ul>
		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"> <li>- Volume of loans for infrastructure construction</li> <li>- Volume of loans to transportation companies</li> </ul>
		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"> <li>- Investment in the BBVA Foundation</li> </ul>
 <b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION	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"> <li>- Tons of waste generated</li> <li>- Tons of paper recycled</li> </ul>	
	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"> <li>- % of local suppliers</li> </ul>
 <b>13</b> CLIMATE ACTION	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"> <li>- Number of transactions under the Equator Principles</li> <li>- BBVA policies in controversial sectors</li> </ul>
		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"> <li>- Investment in renewable energies</li> <li>- Volume of green and social bonds</li> </ul>
		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"> <li>- Reduction in CO2 emissions</li> </ul>
		Task Force on Climate-related Financial Disclosures (TCFD)	Participation in the TCFD as one of the 16 banks in the pilot group	
 <b>16</b> PEACE, JUSTICE AND STRONG INSTITUTIONS	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"> <li>- % of products with TCR leaflets</li> <li>- % of TCR contracts</li> <li>- No. of TCR sales scripts</li> </ul>
		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"> <li>- Claims filed related to corruption or bribery</li> <li>- Number of internal audits carried out to prevent corruption and bribery</li> </ul>
		Avoid controversial financing weapons	Avoid financing weapons considered controversial	<ul style="list-style-type: none"> <li>- Rules conduct in defense</li> </ul>
		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"> <li>- Total tax contribution report</li> </ul>
 <b>17</b> PARTNERSHIPS FOR THE GOALS	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	<ul style="list-style-type: none"> <li>- TCFD, Global Compact Network, Thun Group of Banks</li> </ul>

## 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 <b>board's oversight</b> 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 <b>management's role</b> 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 <b>climate-related risks and opportunities</b> the organization has <b>identified</b> 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 <b>impact</b> 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 <b>resilience</b> of the organization's strategy, taking into consideration <b>different scenarios</b> , 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 <b>processes for identifying</b> and assessing climate-related risks		Formalize process
	Describe the organization's <b>processes for managing</b> 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 <b>integrated</b> into the organization's <b>overall risk management</b>		Integration as emerging risk
Metrics and Targets	Disclose the <b>metrics</b> 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 <b>greenhouse gas (GHG) emissions</b>	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 <b>performance against targets</b>	Mobilize €100 Billion 2018-2025. Renewable energy 70% and 68% reduction in direct GHG emissions. 100% renewable energy <sup>7</sup> in 2030 Current exposure in sustainable finance	Annual report verified by third party about Pledge 2025 performance