

Sustainable finance

Sustainable financing

Management of environmental and social impacts

Engagement with global initiatives



Sustainable finance

Banks play a crucial role in the **fight against climate change** and in achieving the United Nations Sustainable Development Goals thanks to their unique position in mobilizing capital through investments, loans, issuance and advisory functions. They have effective measures in place to help tackle these challenges: firstly, providing innovative solutions to help customers transition to a low-carbon economy and driving sustainable finance; and, secondly, systematically incorporating **social and environmental risk** into their decision-making processes.

BBVA's commitment to sustainable development is reflected in its global-reach [environmental Commitment](#). In 2018, BBVA announced its [strategy on climate change and sustainable development](#) to help the Bank meet the United Nations Sustainable Development Goals and achieve the objectives of the Paris Agreement on climate change. **2025 Pledge** will help the Bank progressively align its activity with

the Paris Agreement on climate change and achieve a balance between sustainable energy and investments in fossil fuels. The strategy is based on a threefold commitment:

1. To finance: BBVA is pledging to mobilize € 100 billion in green finance, sustainable infrastructure and agribusiness, entrepreneurship and financial inclusion.
2. To manage the environmental and social risk associated with the Bank's activity, to minimize potentially negative direct and indirect impacts.
3. To engage all stakeholders to increase the financial sector's collective contribution to sustainable development.

BBVA's environmental Commitment and strategy on climate change and sustainable development are both approved by the Chief Executive Officer and backed by senior management.

Sustainable financing

Sustainable finance products are instruments that channel funds to finance customer transactions in sectors such as renewable energy, energy efficiency, waste management and water treatment, as well as access to social goods and services, including housing, education, health and employment.

BBVA strives to mobilize the necessary capital to curb climate change and achieve the Sustainable Development Goals. To this end, it has pledged to mobilize € 100 billion in **sustainable financing** between 2018 and 2025.

Pending publication of the European Commission's taxonomy proposal on sustainable finance, the Bank has used leading frameworks such as the Green Bond Principles and Social Bond Principles, as well as the Sustainable Development Goals, to determine the Bank's level of sustainable financing. In addition, it has created a platform for identifying this sustainable balance sheet and following up on the commitments made, all the while ensuring a robust and traceable process.

In accordance with these standards, three **types** of sustainable financing have been defined:

- Green financing for the transition to a low-carbon economy:
 - Certified green loans.
 - Corporate financing to customers that undertake more

than 80% of their activities in green sectors, according to the Green Bond Principles: renewable energy; sustainable water and wastewater management; clean transportation; and energy efficiency.

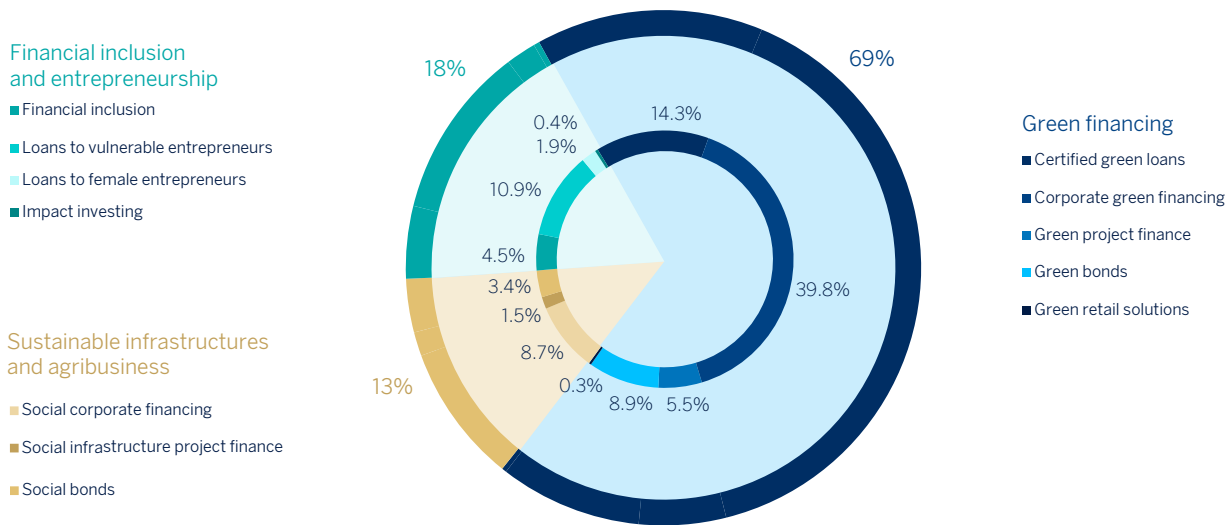
- Green project finance related to some of the aforementioned categories.
- Green bonds intermediated as a book runner.
- Green solutions for retail customers.
- Green infrastructure and agribusiness:
 - Corporate financing to customers that undertake more than 80% of their activities in social sectors, according to the Social Bond Principles: health, education, community support and affordable housing.
 - Social infrastructures project finance.
 - Social bonds intermediated as a book runner.
 - Sustainable agribusiness.
- Financial inclusion and entrepreneurship: loans to low-income communities, vulnerable micro-entrepreneurs and female entrepreneurs; new digital models and impact investments.

In 2018, the first year of its commitment, BBVA mobilized € 11,815 million in sustainable financing, distributed as follows:

Sustainable financing (BBVA. Millions of euros)

	2018 production	2025 Pledge
Green financing	8,126	70,000
Certified green loans	1,684	
Corporate green financing	4,708	
Green project finance	645	
Green bonds	1,055	
Green retail solutions	35	
Sustainable infrastructures and agribusiness	1,601	18,000
Social corporate financing	1,028	
Social infrastructure project finance	177	
Social bonds	397	
Financial inclusion and entrepreneurship	2,087	12,000
Financial inclusion	537	
Loans to vulnerable entrepreneurs	1,283	
Loans to female entrepreneurs	224	
Impact investing	43	
Total	11,815	100,000

Note: This table includes the activity undertaken by CIB, Enterprises and Institutions Banking and Consumer Finance in Spain, the BBVA Microfinance Foundation and the financial inclusion business areas in Mexico and the United States. BBVA will continue working in 2019 to grow its sustainable activity across the Group.



BBVA has the means, knowledge and experience to provide its customers with superior advice on sustainable finance **solutions**, and has once again led the way in this market in 2018.

Garanti Bank issued the first social bond in Turkey for female entrepreneurs, in collaboration with the International Finance Corporation, for a total of USD 75 million.

Sustainable bonds

BBVA is one of the Spanish entities with most experience in providing **advice** on bonds to its customers, an activity that it launched in 2007 when it participated in the issuance of the first green bond by the European Investment Bank. Since then, BBVA has led, structured, advised and placed **green and social bonds** in Europe, the United States and Latin America for companies, financial institutions and public sector entities that have assumed a nominal amount issued of more than € 25 billion.

In 2018, BBVA maintained its good position in this market, acting as the book runner in 13 deals representing the placement of € 7.1 billion, with BBVA's share in such deals totaling € 1.5 billion. Most notable among these deals are the inaugural green bonds issued by ACS SCE, EnBW, the Basque Government, Aguas Andinas and Commerzbank, the second green bond issued by ADIF AV, and the second sustainable bond issued by the Autonomous Community of Madrid.

The Bank also emerged as a lead issuer of bonds of this kind after it unveiled its **framework for the issue of SDG-linked sustainable bonds**, as an intrinsic part of its commitment to **sustainable issues**, allowing it to mobilize funds for projects in sectors aligned with its 2025 Pledge. This **framework** was recognized in the 2018 Global Capital Sustainable and Responsible Capital Markets Awards as the Best Designed Green/SRI Debt Framework. BBVA also became the issuer of the largest ever green bond (€ 1 billion) by a eurozone financial institution to that date. BBVA Bancomer also became the first private bank to successfully issue a green bond in Mexico, for a total of MXN 7 billion. In addition,

Sustainable corporate loans

BBVA is a leader in the corporate green loans business. In 2018, the Bank released a comprehensive portfolio of innovative sustainable finance solutions in the form of **certified loans**, which established it as a reference point for the rest of the world. In fact, BBVA contributed € 14.3 billion to 23 operations in countries including the United States, Mexico, Peru, Spain, Italy and Turkey, in the form of corporate syndicated, bilateral and project finance loans, linking price to sustainability indicators in many cases. Of these operations, 17 were led by BBVA, which directly provided € 1.85 billion. All of them were independently certified. Of particular note were:

- The world's largest syndicated green financing project in the form of revolving credit facilities in favor of Iberdrola, for a total of € 5.3 billion, with BBVA acting as book runner and the sole sustainable agent. The particularity of this deal is that it included an adjustment mechanism linking the interest rate to the company's CO₂ emissions.
- The first syndicated green loan for an insurer, MAPFRE, amounting to € 1 billion. This operation has the unique feature that the interest rate is linked not only to MAPFRE's credit rating, but to its progress in terms of sustainability criteria.
- The first syndicated loan provided to an airport operator, Aena, for € 800 million as a revolving credit facility. In this operation, the interest rate is linked both to the company's credit rating and to its performance in terms of sustainability, as assessed by an independent third party.

- Green financing in the form of a € 196 million loan provided to Forestalia, Mirova, GE and Engie, for the construction of a complex of nine wind farms in Spain (project Goya).
- The first syndicated green loan in favor of a gas utilities company, SNAM, in the amount of € 3.2 billion. In this case the interest rate is linked to the company's fulfillment of environmental indicators.
- The syndicated sustainable revolving credit facility in favor of A2A, worth € 400 million. The syndicated loan uses a groundbreaking ESG performance-based mechanism, and is also linked to two environmental indicators: the company's waste management capacity, and the volume of renewable energy it sells in the wholesale market.
- The first sustainable revolving credit facility in Italy with Hera, worth € 200 million. This is the first sustainable operation of its kind in the country.
- The first syndicated green loan in the United States with a revolving credit facility structure in favor of AVANGRID, valued at USD 2.5 billion. The operation includes an innovative price-adjustment mechanism based on the continuous reduction of AVANGRID's emission intensity.
- The first syndicated green loan in Latin America, signed with Iberdrola Mexico for a total of USD 400 million, for the re-financing and construction of three wind farms.
- The first corporate green loan in Peru and in South America as a whole to Ferreycorp, for USD 70 million.
- The first green loan provided to a company in the real estate sector, GMP, for € 68 million.
- The first green loan to a company in Spain's distribution sector, the cooperative Consum, worth € 5 million. This loan is intended to finance energy efficiency measures in the company's new and existing supermarkets.
- The world's first green buyer's credit with CESCE coverage, for € 16.5 million, in favor of Hidralpor. The loan is intended to support implementation of the "Hydroelectric Mine School Project" in Colombia.

Sustainable corporate financing

BBVA also promotes sustainable financing, by providing corporate financing to customers in specific sectors:

- Corporate **green** financing provided to customers that undertake more than 80% of their activities in green sectors — according to the Green Loan Principles: renewable energy; sustainable water and wastewater management; clean transportation; and energy efficiency.

In 2018, the Group provided € 4.7 billion in corporate green financing.

- **Social** corporate financing, provided to customers that undertake more than 80% of their activities in social sectors — according to the Social Bond Principles: health, education, community support, social housing and sustainable agribusiness. In 2018, the Group provided € 1 billion in sustainable infrastructure financing.

Advice and Sustainable Transactional Banking

BBVA is the only bank in Spain with a Corporate Finance team (its M&A unit) dedicated to **renewable energy** transactions, and is also one of the world's most active banks in this sector. It is for this reason that BBVA is a leader in providing advice to energy companies, for their disinvestment in coal plants and the capital increase to finance and develop renewable energy projects.

In 2018, BBVA worked on a [sustainable transactional product framework linked to the United Nations Sustainable Development Goals](#), based on which the transactional banking operations of its customers may be classified as either green, social or sustainable.

Sustainable project financing

BBVA has been committed to the renewable energy sector for years. In 2018, the Group provided € 645 million in funding for renewable energy projects, including the financing of a 950-MW offshore wind farm in the United Kingdom, a portfolio of 130 photovoltaic plants in Italy, and 7 wind farms in Spain. The Bank also provided € 177 million in funding for sustainable infrastructure projects in 2018.

Sustainable solutions for retail customers

BBVA offers sustainable solutions for retail customers in various countries.

In Spain, it offers lines of credit to small businesses and individuals to purchase hybrid and electric vehicles, install **renewable energy** solutions and improve energy efficiency in buildings. In 2018, it also launched a line of consumer credit for the purchase of electric or hybrid cars in collaboration with the European Investment Bank, and continues to explore green solutions and products for retail customers, mainly in the consumer, mortgages, advice, consumer finance and BBVA de Compras sectors. The goal is for customers to have a green offer for all of the major products. The plan for 2019 is to continue working on the development and implementation of this type of solution.

For its part, Garanti in Turkey continues to support the green mortgage market, under the agreement with the International Finance Corporation (IFC) for the purchase of energy-efficient homes. In addition, since 2016, it has offered a green loan for the purchase of hybrid and electric cars.

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 with its medium- and long-term business objectives. For this purpose, the Group has developed a financial inclusion 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 2018, BBVA had 8.4 million customers in this segment.

The main **initiatives** implemented over the course of the year have been:

- In Mexico, short-term microcredit, known as salary advances, reached a monthly average of 10,000 loans placed. The number of life insurance contracts taken out at ATMs reached 250,000.
- In Colombia, the Bank launched an online account, simplifying the registration process for customers in the financial inclusion segment. In addition, it extended its physical customer support network, culminating in 8000 new service points to meet the transactional needs of customers in this segment.
- In Peru, the functionality of the digital wallet app, BIM, has been expanded so that users are now able to withdraw cash from participating agents and ATMs.

As part of its Community Reinvestment Act (CRA) program, BBVA Compass offers a wide range of financial products and services specially designed for the low-income communities

in which it operates. In 2018, it provided € 391 million in mortgages under this program.

Entrepreneurship

In 2018, the **BBVA Microfinance Foundation** continued its work to promote the economic, social, sustainable and inclusive development of disadvantaged people through productive loans. This model seeks to foster the development of its customers and offers participating entrepreneurs a customized service by offering not only financial products and services, but also advice and training related to the financial planning and management of their small businesses.

Since the Foundation was set up, it has disbursed an aggregate volume of USD 11.775 billion to low-income entrepreneurs in Latin America to upscale their production operations. It is now one of the largest private philanthropic initiatives in the region. The Foundation works with six microfinance institutions across five Latin American countries: Colombia, Peru, Dominican Republic, Chile and Panama.

During 2018, the BBVA Microfinance Foundation and its more than 8,000 employees, served more than two million customers, 57% of whom were women, which directly contributes to reducing gender inequality, and it now continues its work on reaching the geographic areas with the greatest needs. The total value of microcredit extended in 2018 was € 1.283 billion, averaging EU € R 1.134 per loan.

The BBVA Microfinance Foundation activity is published annually in its social performance report, "Measuring what really matters," available on its [website](#).

For its part, Garanti continues to support the inclusion of women in the Turkish labor market as part of its Women Entrepreneur program. Under this program, the Bank provided € 224 million in loans to female entrepreneurs in 2018.

Socially Responsible Investment

BBVA assumed its **commitment** to Socially Responsible Investment (SRI) in 2008 when it joined the UN 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** then was to start building BBVA's own SRI model from the ground up, with the initial implementation focused on employment pension funds. Ten years later, the Bank continues to work on improving its model, making it more comprehensive and robust every day.

In **2018**, BBVA Asset Management (BBVA AM) continued to adapt to the market and the changes within it, working to extend and improve the SRI solutions offered. In this vein, it

maintains various training programs, for example, holding events that are streamed and available on its [website](#), preparing regular newsletters on SRI issues, also available on the [BBVA AM website](#); and, most notably, through personalized meetings with its customers to respond to the different concerns that may arise in this area.

The **strategies** implemented by the BBVA AM SRI model are:

1. Integration of ESG criteria in the investment process, by developing its own model that incorporates non-financial criteria into a model portfolio, based on a fundamental analysis.
2. Exclusion: Rules of conduct in defense: applicable to all BBVA Group units and subsidiaries, including asset managers and employment pension funds. In their application, BBVA uses company and country exclusion lists.
3. ESG analysis of third-party funds, including questions about their actions in terms of SRI and their status as signatories to the UN PRI.
4. Engagement and exercise of political rights.

BBVA offers a range of **SRI solutions** in response to growing demand from responsible investors:

- **BBVA Futuro Sostenible ISR** (former BBVA Solidaridad) is a mixed fund that has experienced a strong change in

its investment process in order to have full integration of socially responsible investment criteria in all its asset classes. It has an investment mainly in fixed income. During 2018 there have been additional donations from BBVA Solidaridad, due to the change in the donation scheme with the change to BBVA Futuro Sostenible ISR.

- **BBVA Bolsa Desarrollo Sostenible ISR** is an equity fund that combines fundamental analysis criteria through investing according to SRI criteria. The fund also makes an annual donation of EUR 15,000 to FIMA (*Fundación para la Investigación Médica Aplicada* — Foundation for Applied Medical Research), to finance 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 grant program.
- **BBVA Leer es estar Adelante** (Reading Means Keeping Ahead) was the first mutual fund in Peru to support a social cause. This 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* (Reading Means Keeping Ahead). For its part, BBVA Asset Management Continental is committed to contributing the equivalent in dollars for each tenth of the share value, in addition to the investor's donation.

Assets managed under SRI criteria, per investment vehicle (BBVA Asset Management. 31-12-2018)

	Mutual funds	Individual pension plans and EPSVs (Entidades de Previsión Social Voluntaria - voluntary social benefit entities)	Employee pension plans and EPSVs
Total assets managed (millions of euros)	39,183	16,443	8,044
SRI Strategy			
Integration (%)	0.18% ⁽¹⁾	5.41%	21.88%
Exclusion (%)	100%	100%	100%
Vote (%)	100%	100%	100% ⁽²⁾

Note: EPSVs refer to Voluntary Social Welfare Entities.

⁽¹⁾ It refers to BBVA Desarrollo Sostenible ISR fund and BBVA Futuro Sostenible, which are totally managed under the integration strategy.

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

Amount donated, volume and solidarity fund investors (BBVA Asset Management. 31-12-2018)

	Donation generated by solidarity funds (euros)	Volume (millions of euros)	Investors
BBVA Solidaridad/ Futuro Sostenible ISR	60,246	21	636
BBVA Bolsa Desarrollo sostenible ISR	15,000	50	5,196
B+Educa	13,876,293	728	37,735
Leer es estar adelante (Reading Means Keeping Ahead)	2,590	10	103
Total	13,954,129	808	43,670

Social and environmental impact management

As a financial institution, BBVA directly impacts the environment and society through the use of natural resources in its operations; and indirectly, through its lending activity and the projects it finances.

In its 2025 Pledge, BBVA has committed to managing **environmental and social risk** in order to mitigate any potential direct and indirect negative impacts linked to its activity, in line with its commitment to human rights updated in 2018 (see chapter on Responsible Practices).

BBVA's strategy in terms of environmental and social risks aims to gradually integrate their management into the Group's Risk Management Framework, in order to mitigate these risks based on the principle of **prudence**. Accordingly, the Bank has developed a series of tools and methodologies to strengthen its ability to identify, assess and manage these types of risks.

New Sector Norms

In 2018, BBVA published its new **sector norms** setting out the due diligence to be performed on four sectors with a **high environmental and social impact**: mining, energy, infrastructure and agribusiness. These standards provide clear guidance on the procedures to follow when managing customers and transactions in these sectors. Steps were taken this year to assess the alignment of all customers in the four sectors mentioned above with these standards, which will allow us to better understand their sustainability strategies.

BBVA maintains an ongoing dialog with its various stakeholders to bring the standards into line with their expectations. As such, the standards will be reviewed on an annual basis.

Climate Risk Management

In addition to setting industry standards and limits in key sectors as a way of managing climate risk, in 2018, BBVA made progress in the analysis of **climate change** risks as part of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) that differentiate between two types of risk: transition and physical.

Transition Risks

These are risks that may result from the **transition** to a low-carbon economy and any ensuing policy changes and technological, market or reputational developments. They can affect the income, cash flows and balance sheets of companies, and therefore their profits, assets and financing

capacity. This then has an impact on their risk profile with regard to their relationship with the Bank.

BBVA's goal is to develop a methodology that will help to build the necessary tools within the Bank to be able to incorporate these climate-related risks within its business decisions and within the Group's risk model.

For this, 3 lines of work have been established:

- First, a scenario and pathways analysis to a low-carbon economy, calibrating the model using Oliver Wyman tools and processes. The objective is to assess BBVA's financial impact resulting from the transition risk.
- Second, development of a methodology to assess the degree of alignment of loan portfolios in leading sectors with the Paris Agreement. This line of action will be carried out jointly with the 2° Investing Initiative using the PACTA tool within the framework of the Katowice Commitment.
- Third, a new line that will start in 2019, incorporating qualitative and quantitative information into the main industry frameworks regarding transition risk.

Scenario Analysis and Stress-Testing

The Oliver Wyman tool created as part of the UNEP FI framework initiative, together with a working group of 15 other banks, proposes scenario analysis for use in sectors that are of particular relevance to BBVA's portfolio and that are associated with possible climate-related transition risks. This **methodology** (from the TCFD pilot) aims to narrow down the almost infinite number of variables that can arise around climate change using an analysis based on predictions from different models and provides different changes in the markets used for each scenario. As a reference, BBVA used the outcomes given in the International Energy Agency's Sustainable Development Scenario (SDS), which is the closest to the 1.5°C target.

The difficulty lies in objectively converting those changes to financial indicators. The use of **risk pathways** is therefore recommended as a way to study how these changes would affect specific indicators that are relatable to businesses. The four pathways used are:

- Increase in the cost of direct emissions
- Increase in the cost of indirect emissions
- Increase in capital costs associated with a transition to a low-carbon economy

- Variations in revenues.

For the stress-testing, BBVA chose to further define which events might cause changes to the stress situations and to analyze the different possibilities offered by the scenarios. A matrix was created for this to separately analyze different events. It analyzes their impact on the different stressors, and this is weighted by the probability of these events occurring in the medium term. The result of this analysis is the average **impact** in each stress situation that has been transferred to the model used within the framework of the UNEP FI pilot.

The events analyzed are the following:

- Fall in demand for fossil fuels and rise in the price of fuel.
- Increased cost of CO₂ emissions.
- Increase in diesel tax.
- Change in market preferences.
- Replacement of obsolete technology.

To simulate this outcome, the model is calibrated by studying a range of customers. Calibration can be performed by estimating how the customer's rating will vary depending on its environmental performance or, alternatively, by evaluating how the probability of default (PD) will be modified. BBVA opted to use rating variations basing its predictions on those provided by the Carbon Disclosure Project (CDP).

The customers selected for this calibration are those with the highest turnover in each sector. Customer groups were selected and companies belonging to those groups were included in the analysis.

The Oliver Wyman model analyzes the changes in PDs for each sub-sector based on environmental models for the coming years. The result of this analysis will be used to determine how customer financing and investment decisions should be redirected, if necessary.

The selected sectors in this first phase were oil & gas, utilities and transportation, as they are considered the most relevant both for BBVA and for climate change.

The results obtained from this study will be published in a special report in 2019.

PACTA Methodology Used to Evaluate Loan Portfolios and Their Alignment with the Paris Agreement

One of the objectives of BBVA's climate change strategy is to gradually align the bank's activity with the Paris Agreement. To achieve this objective, it has joined forces with ING, BNP Paribas, Société Générale and Standard Chartered in a joint initiative to develop methodologies to **evaluate portfolios** in sectors with the highest impact and gradually align them with the goals set in the Paris Agreement on climate change. The initial methodology that is going to be used is PACTA, developed by the 2° Investing Initiative think tank.

This methodology consists of gaining a better understanding of the climate change strategy used by customers in these sectors, the technological changes required and the plans to reduce their carbon dioxide emissions. These simulations can be used to make a five-year projection of the customer's technological transition in a given industry and provide a comparison, in line with the scenarios offered by the International Energy Agency.

This methodology is due to be piloted in 2019 in the oil & gas, utilities and vehicle manufacturing sectors.

As a preliminary step and following the recommendations of the TCFD, BBVA is one of the first banks to have published its exposure to sectors associated with fossil fuels (table attached).

The PACTA methodology offers a more in-depth analysis: firstly, by offering a more rounded assessment of BBVA's exposure to key sectors and their alignment with the Paris Agreement; and secondly, as a basis for subsequently establishing a target path for each of those sectors which may be consistent with Science Based Targets.

The relevant metrics in all three of the chosen sectors to monitor customers' performance are:

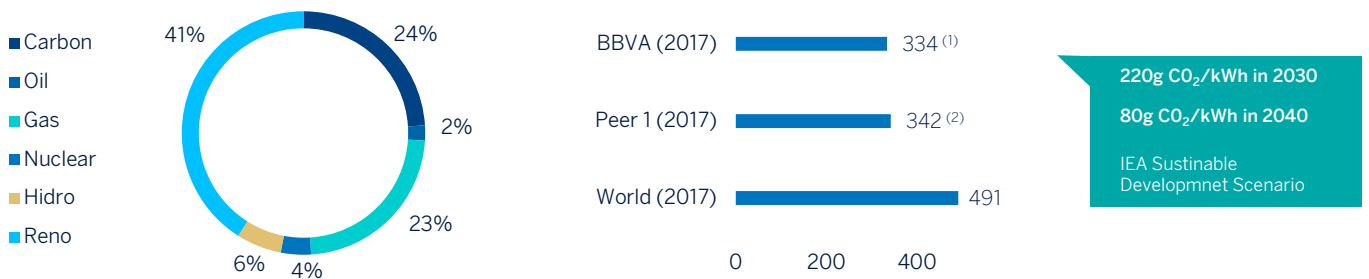
- Oil & Gas: product mix
- Utilities: product mix and intensity of CO₂ emissions/kWh
- Transport: CO₂ emissions of the fleet per km (standardized by the NEDC standard)

BBVA reports on the product mix and intensity of CO₂ emissions/kWh in the utilities sector.

Total exposure to fossil fuels (Millions of euros)

	Utilities	Oil&Gas	Carbon Mining	Total
Corporate financing	7,074	14,343	243	21,660
Project financing	269	1,393	0	1,662
Structured trade finance	336	1,157	0	1,493
Equity	0	6,5	0	6.5
Total exposure to fossil fuels	7,679	16,894	243	24,815
% of total assets				3.67%

Mix of energy generation of utilities customers and emissions 2017 CO₂ /kwh (weighted average) (December 2017)



Last data available.

⁽¹⁾ Calculated as a weighted average of customer financing in 2018 and its energy mix. Scope of 88% on power generation companies, based on information available.

Emissions and mix data as of December 2017 pending the publication of new data in annual reports.

⁽²⁾ Data obtained from peer 1 sustainability report.

Physical Risks

Physical risks are those resulting from the **direct impact** of climate change which may affect both the solvency of bank customers and assets in the banks' possession or those used as security on assets loaned to customers.

The analysis is based on clearly demarcated risks such as floods, long-term droughts, storms and typhoons, and large fires.

The effect of these risks depends on the sector analyzed. The most risk-sensitive sectors analyzed within the UNEP FI pilot are agribusiness and real estate. The pilot analysis focused on analyzing the effect of potential concurrent **climate events** on the PD (Probability of Default).

BBVA conducted an analysis of its mortgage portfolio in Mexico to assess the possible impact of these risks in the long term. The analysis was performed using the SwisRe CatNET tool, which yielded the various probabilities of climate events. Based on the model provided by Acclimatise (an advisory company collaborating on the project), these probabilities were transferred to BBVA's portfolio and the financial impact of these events was assessed. Due to the geographical diversification of BBVA mortgages in Mexico, no significant risks were identified in the medium term.

Equator Principles

Energy, transport and social services infrastructures, which promote economic development and create employment, can have an impact on the environment and on society. BBVA's **commitment** is to manage the financing of these projects to reduce and avoid negative impacts and enhance their economic, social and environmental value. All decisions to finance projects are based on the criterion of ethical **principle-based profitability**. Placing people at the center of the business means meeting stakeholder expectations and dealing with social demands to fight against climate change and respect human rights.

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

Corporate & Investment Banking (CIB)'s Sustainable Finance and Reputational Risk team is responsible for **analyzing projects**, representing the Bank before its stakeholders, reporting to senior management, and designing and implementing the management system, by proposing the adoption of best practices, and being involved in training and communication on matters related to the Equator Principles.

In its risk analysis and decision-making processes, BBVA evaluates and takes into consideration not only financial, but also environmental, social and reputational aspects. During a project analysis, environmental and social **due diligence** must be performed on each transaction, starting with the allocation of a category (A, B or C), which reflects the project's level of risk. 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. Financing agreements include the customer's **environmental and social obligations**, which are monitored by a specialized team in CIB.

The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of operations, and is subject to regular checks by the Internal Audit Department. In 2017, BBVA took the decision to strengthen its due diligence processes associated with the financing of projects whose development affects indigenous communities. Under these circumstances, free, prior and informed **consent** (FPIC) is required from these communities, regardless of the geographic location of the project. This means extending the current demand of the EPs, which limits this requirement to countries classified as non-designated, leaving out the countries that are designated (those that are considered to have a robust legal system and an institutional capacity that provides sufficient guarantees of environmental protection and their inhabitants' social rights). In 2017, BBVA was one of ten banks to call on the rest of the Equator Principles financial institutions to support the adoption of amendments in this respect. For BBVA, the EPs act as a basis for applying best practices and a framework for dialog with customers and stakeholders involved in the projects it finances.

The fourth version of the Equator Principles was initiated in 2017, and in 2018, BBVA actively contributed to its **development** by participating in two working groups. With this new version, the Equator Principles Association recognizes the need to update the PEs in line with the changing landscape of sustainable finance, and establishes four key issues to be addressed: social impacts and human rights, climate change, international standards applicable to projects and the scope of applicability of the Principles.

Operational Data Analyzed According to the Equator Principles Criteria

	2018	2017	2016
Number of transactions	29	22	32
Total amount (millions of euros)	13,613	7,069	6,863
Amount financed by BBVA (millions of euros)	1,289	1,054	1,451

Note: Of the 29 transactions analyzed, 14 fall under the Equator Principles, and the remaining 15 were analyzed voluntarily by BBVA using the same criteria.

Eco-rating

The Eco-rating tool is used to rate the risk portfolio of BBVA business customers in Spain from an environmental perspective. To this end, each customer is assigned a level of environmental risk based on a combination of several factors, such as their location, polluting emissions, consumption of resources, potential to impact their environment or applicable legislation.

In 2018, the **environmental risk** of 264,869 customers in Spain was rated, with a total exposure volume of 75.444 billion euro.

Science Based Targets

BBVA was the first Spanish bank to join the Science Based Targets initiative. The purpose of this initiative is for companies to establish greenhouse gas emission **reduction** targets that are aligned with the level of decarbonization needed to maintain the global temperature rise below 2°C above pre-industrial levels, as established in the Paris Agreement.






During the first phase, the Bank established a reduction target of 68% for its scope 1 and 2 emissions, along with a target of 70% consumption of renewable energy, within the framework of its 2025 Pledge.

In 2019, it hopes to set targets regarding the impact on climate change through **science-based** lending activity, focusing on the sectors with the greatest impact, and once the above-mentioned PACTA evaluation methodology has been applied.

Eco-efficiency

As part of its commitment to reduce the direct environmental impacts of its activity, in 2018 BBVA continued to work within the framework of the Global Eco-efficiency Plan (GEP), whose vision is to position the Bank among the leading eco-efficiency entities worldwide. The GEP establishes the following strategic vectors and global objectives for the 2016-2020 period.

Global Eco-efficiency Plan

Vectors	Strategic guidelines	Global target
 Environmental management and sustainable construction	% occupants in certified buildings	46%*
	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	

* updated objective after the incorporation of the data from Turkey. Objectives per person

In 2018, changes in the GEP indicators compared to the previous year were very positive, showing reductions of 4% in CO₂ emissions (according to market based methodology), 13% in water consumption and 18% in paper use (all per person). Furthermore, renewable energy consumption has increased to 37%, and the number of people working in buildings with environmental certification has already reached 43%.

In addition to the objectives set out in the GEP, the **climate change and sustainable development strategy** approved in 2018 establishes new pledges by 2025, for the reduction of BBVA's carbon footprint. Firstly, the Bank has set a reduction target of 68% of its scope 1 and 2 emissions by that date; and is also committed to ensuring that 70% of the energy it uses is renewable by 2025, and 100% by 2030. To achieve this last target, BBVA has joined the RE100 initiative this year, through which the most influential companies around the world undertake to have 100% renewable energy before 2050. It was also the first Spanish bank to join the Science Based Targets initiative, as explained above.

The evolution of the eco-efficiency targets over the last year is shown in the table below:

GEP indicators evolution (BBVA Group)

	2018	2017	2016
People working in certified buildings (%) ⁽¹⁾	43	42	40
Electricity consumption per person (MWh)	6	6	5.9
Energy from renewable sources (%)	35	28	26
CO ₂ emissions per person (T) (market based)	2.2	2.3	2.1
Water consumption per person (m ³)	18.9	21.7 ⁽²⁾	21.1
People working in buildings with alternative sources of water supply (%)	13	12	11
Paper consumption per person (T)	0.05	0.06	0.06
People working in buildings with selective waste collection (%)	43	41	39

⁽¹⁾ Includes ISO 14001 and LEED certifications.

⁽²⁾ Data recalculated with respect to the information published in 2017.

Note: For comparability purposes, the data for 2017 and 2016 have been recalculated excluding Chile, due to the cessation of activity in this country in 2018.

To achieve these targets, BBVA continued its efforts to minimize its environmental footprint through initiatives in all of the countries in which the Group operates, most notably:

- Energy supply agreement between BBVA and Endesa in Spain, through a Power Purchase Agreement (PPA) for the purchase and sale of green energy. The agreement includes the construction of a wind farm that guarantees a generating capacity of 80 GW from 2020. In Mexico, BBVA Bancomer has a PPA that covers 80% of the energy consumed by the Bank.
- Establishment and monitoring of the implementation of energy saving measures in buildings in Spain. These measures have led to a saving of 10,330 MWh in 2018, which equates to 4.3% less than the energy consumption in buildings the previous year.
- Completion of various projects to increase the efficiency of air conditioning systems, systems monitoring, adjustments to air conditioning and lighting settings in buildings and branches in Mexico, Venezuela, Paraguay, Uruguay, the United States and Peru. These measures will mean savings of approximately 2,926 MWh over the next three years.
- Installation of remote management across several branches in the United States to control the air conditioning, lighting and building management system (BMS).
- Operational improvements and remodeling of water consumption facilities in Spain, Colombia, Venezuela, the United States and Mexico, that will provide savings of 237,264 m³ over the next three years. These measures include the installation of weather-based irrigation controllers and faucet aerators to reduce water flow in the United States.
- Renewal of the environmental management system certifications under ISO 14001:2015 in Argentina, Colombia, Spain, Mexico, Peru, Uruguay, Mexico and Turkey. In 2018, the number of certified buildings increased to 1,067 branches and 84 buildings across the entire Group. Certifications for energy

management under ISO 50001 in the buildings in Spain were also retained, and the Birmingham building in the United States was awarded the Energy Star certification for energy efficiency.

- Measures to reduce paper consumption through digitization of documents used in offices in Paraguay, Colombia and Venezuela, among others.
- Development of blue branches in Spain. These offices are planned and built according to sustainable construction criteria and include energy-efficient facilities, designed to reduce the environmental and energy impact of the branches on their environment.
- Waste management campaigns in several countries, such as like the recycling rally in Venezuela, thanks to which a total of 17.2 tons of unused paper and files were collected.
- Celebration of sustainability week in the BBVA City in Madrid, during which employees took part in initiatives, workshops and visits aimed at promoting energy saving, sustainable mobility and environmental awareness.
- Participation in international campaigns and initiatives to support the fight against climate change, such as Earth Hour, in which 121 buildings and 330 offices from the entire Group around the world participated. BBVA also joined environment day, during which it lit up some of its most emblematic buildings in green, including the Madrid, Lima and Buenos Aires headquarters.
- Sustainable mobility campaign and purchase of renewable energy by BBVA Switzerland.

Environmental Footprint (BBVA Group)

	2018	2017	2016
Consumption			
Public water supply (cubic meters)	2,809,426	3,242,273	3,149,802
Paper (tons)	7,535	9,281	9,219
Energy (Megawatt hour) ⁽¹⁾	987,443	966,091	950,789
CO₂ emissions			
Scope 1 emissions (tons CO ₂ e) ⁽²⁾	17,631	12,936	13,046
Scope 2 emissions (tons CO ₂ e) market-based method ⁽³⁾	244,070	271,325	264,102
Scope 2 emissions (tons CO ₂ e) location-based method ⁽⁴⁾	338,503	349,808	332,401
Scope 3 emissions (tons CO ₂ e) ⁽⁵⁾	67,104	59,557	45,108
Waste			
Hazardous waste (tons)	650	164	391
Non-hazardous waste (tons)	6,700	4,879	847

⁽¹⁾ Includes the consumption of electricity and fossil fuels (diesel oil, natural gas and LP gas), except fuels consumed in fleets.

⁽²⁾ Emissions from direct energy consumption (fossil fuels), calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The IPCC Fifth Assessment Report and the IEA were used as sources to convert these to CO₂e.

⁽³⁾ Emissions from electricity consumption, calculated based on the latest emission factors available from the IEA for each country.

⁽⁴⁾ Emissions from electricity consumption, calculated based on contractual and data or, failing this, on the latest emission factors available from the IEA for each country.

⁽⁵⁾ Emissions from business trips by plane and from journeys made by employees in central services to the work place, using DEFRA 2017 factors. Emissions from journeys made by employees to the work place were calculated for the first time in 2017 based on surveys conducted on a sample of employees and extrapolating the data to the total number of employees in central services. These emissions are not taken into account for the Global Eco-efficiency Plan.

Note: For comparability purposes, the data for 2017 and 2016 have been recalculated excluding Chile, due to the cessation of activity in this country in 2018.

Reputational Risk Management

In 2016, BBVA implemented a methodology to identify, assess and manage **reputational risk**. Using this methodology, the Bank regularly defines and revises a map on which it prioritizes the reputational risks it faces, as well as a set of action plans to mitigate them. The prioritization is based on two variables: the **impact** on stakeholders' perceptions and BBVA's **strength** against risk.

This exercise is carried out annually in all countries in which the Group operates, as well as in the CIB EMEA Area. Following the outcome of the exercise, 32 mitigation action plans were carried out in 2018.

New measures aimed at strengthening the most outstanding reputational risk management model of 2018 are:

- Review of the risk factors undergoing analysis with the incorporation of feedback on areas of improvement carried out by the Global Risk Management and Compliance areas, as well as the Responsible Business area itself.
- Coordination of the annual review of the risk map by the reputational risk specialist at local level.
- Review of the catalog of reputational risk indicators in order to improve the handling of any potential events that may occur in any given location.
- Incorporation of local reputational risk specialists in the New Product Committees in Spain, Mexico, the United States, Colombia, Peru, Venezuela and Turkey.

Engagement with global initiatives

BBVA is involved with major international sustainable development initiatives such as the United Nations Global Compact, Equator Principles, Principles for Responsible Investment, United Nations Environment Program Finance Initiative (UNEP FI), CDP, Thun Group of Banks and Human Rights, Green Bond Principles, Social Bonds Principles, Green Loan Principles, RE100 initiative and Science Based Targets. It is also firmly committed to the United Nations Sustainable Development Goals and the Paris Agreement on climate change and, since 2017, has been part of the pilot group of banks that have committed to implementing the finance and climate change recommendations that were published by the Financial Stability Board as part of the G20 summit.

In 2018, BBVA was part of a joint initiative comprising 28 banks from around the world to develop a set of Principles for Responsible Banking, launched this year in Paris. It was also one of the signatories to an open letter addressed to the global leaders and heads of government who attended the UN Convention on Climate Change in Katowice (Poland), committing to finance and design the financial services needed to support customers as they transition to a low-carbon economy.

The Bank is also an **active promoter** of sustainable finance in a large number of international forums, as a European bank representative on the Global Steering Committee of the UNEP FI Sustainable Finance Forum, and chair of the Sustainable Finance Working Group of the European Banking Federation. Furthermore, in 2018 the Bank held the first edition of the BBVA Sustainable Finance Forum at its headquarters in Madrid. This meeting brought together investors, businesspeople, representatives from public and private institutions, and experts on sustainable finance to promote the role of the finance industry in sustainable development and in climate action.





Sustainable Development Goals (SDG)





On September 25, 2015, world leaders adopted **17 SDGs** to protect the planet, fight against poverty and work to eradicate it, and achieve a prosperous world for generations to come. These goals are at the heart of the 2030 Agenda for Sustainable Development. Involvement was therefore sought from all parties: governments, companies, civil society and individuals. Each goal has a specific purpose and different targets to achieve it. Each target also has its own indicators to determine the degree of achievement of each goal.





As such, in 2018 BBVA announced its **strategy around climate change and sustainable** development to help the Bank meet the SDGs, and assumes a particular commitment with regard to SDG 17 (Revitalize the Global Partnership for Sustainable Development), which seeks to strengthen alliances to achieve the targets. BBVA has therefore pledged to engage all stakeholders to increase the financial sector's collective contribution to sustainable development. Due to the magnitude of this, the challenges arising from the SDGs and global warming can only be overcome with firm commitment from all. This requires awareness, shared knowledge, call to action, dialog and alliances with all stakeholders, as well as participation in international and sectoral initiatives that join forces.




As a whole, BBVA contributes to all SDGs, given the Group's wide range of businesses, including the activity of the Microfinance Foundation, and its global presence. With that in mind, it aims to meet the commitments from the 2030 Agenda, while at the same time seizing any business opportunities that may arise from its compliance.



Sustainable Development Goals

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
 <p>1 NO POVERTY</p>	<p>Goal 1: End poverty in all its forms everywhere</p> <p>Bringing financial services to the most remote corners of Latin America</p>	BBVA Microfinance Foundation (BBVAMF)	<p>The BBVA Microfinance Foundation is a non-profit organization formed in 2007 by BBVA within the framework of its corporate social responsibility. With a budget of USD 300 million and more than 150 years' experience, it supports disadvantaged people engaged in productive activities. Every year it publishes its social performance report, "Measuring what really matters."</p> <p>Social performance report</p>	<ul style="list-style-type: none"> • Over 8,000 employees • Over 2 M customers, 57% women • €1.283 billion in microcredit granted in 2018 	2030: to provide more than \$ 25 billion in production loans to reduce poverty
		Financial inclusion	<p>Development of a financial inclusion business model to help the low-income population in emerging countries within the Group's global footprint. This model is based on:</p> <ul style="list-style-type: none"> • Use of new digital technology • More products and services thanks to mobile, branch-less platforms • Innovative, low-cost financial solutions designed for this segment 	<p>At the close of 2018, BBVA had 8.4 million customers in this segment. Major initiatives implemented during the year:</p> <ul style="list-style-type: none"> • Mexico: "salary advance" microcredit. Monthly average: 10,000 loans placed; life insurance through ATMs: 250,000 policies • Colombia: online accounts facilitate sign-ups for customers in the segment. 8,000 new service points to meet customers' transactional needs • Peru: extension of the BIM mobile wallet functionalities 	2019: local program drives
		Collaborations with social institutions	<p>Main areas of action in the 2016–2018 Community Investment Plan:</p> <ul style="list-style-type: none"> • Financial education • Social entrepreneurship • Knowledge, education and culture <p>The Support to Social Organizations program backs educational, cultural and community development projects by non-governmental organizations, social entities and other non-profit associations</p>	<p>€104.5 M allocated to social initiatives and more than 8 million beneficiaries (2% of the Group's net attributable profit). The Community Investment Plan has benefited more than 24 million people</p>	2019: new donation management platform and standards
 <p>2 HAMBRE CERO</p>	<p>Goal 2: End hunger, achieve food security and improved nutrition, and promote sustainable agriculture</p> <p>Support for farmers through rural microcredit</p>	BBVA Microfinance Foundation (BBVAMF)	Development of a value proposition and a specific service model for farmers who represent a significant portion of the BBVAMF's rural customers.	20% annual growth in the assets of agricultural sector entrepreneurs serviced by BBVAMF (2015–2017)	2030: to reduce poverty by bringing financial resources to the most remote populations
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<p>Goal 3: Ensure healthy life and promote wellbeing for everyone of all ages</p> <p>Financing of biomedicine and health research projects</p>	Occupational health and safety	<p>A 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.</p>	<ul style="list-style-type: none"> • 3,078 preventive actions • 15,590 health screening referrals • 100% of employees represented on health and safety committees • 2.8% absence rate 	
		BBVA Foundation	Promotion of research in fields such as biomedicine and health.	<p>2018 research promotion initiatives:</p> <ul style="list-style-type: none"> • Leonardo Grants for scientific researchers • Grants to scientific research teams working in biomedicine, ecology and conservation biology, big data, economics and the digital society, and the digital humanities 	To promote knowledge, culture, science-generation and art through project development and financing
 <p>4 QUALITY EDUCATION</p>	<p>Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all</p> <p>Putting the opportunities of this new era within the reach of the most disadvantaged people</p>	Financial education	<p>Global Financial Education Plan based on three lines of action:</p> <ul style="list-style-type: none"> • Financial education for society in all countries in which BBVA operates, through our own programs and in collaboration with third parties • Promotion of financial education • Financial education in customer solutions 	<p>More than € 80 M invested and 13.4 million beneficiaries since 2008</p> <p>In 2018, investment in the running of the Global Financial Education Plan reached € 7.5 M. This year, 1,995,259 people have benefited from financial education programs</p>	2019: to promote collaboration among relevant financial education stakeholders through the Center for Financial Education and Capability
		Education programs	<p>Support from the BBVA Foundation for various education programs related to:</p> <ul style="list-style-type: none"> • Access to education: financial aid to facilitate access to education for children, young people and/or adults • Quality of education: promotion of educational social innovation and talent among teachers by providing access to training, knowledge, visibility and networks • Development of essential 21st Century skills: using audiovisual content and universal, free-of-charge learning methodologies for families and teachers 	<p>In 2018, 279,909 people benefited from the following initiatives:</p> <ul style="list-style-type: none"> • Access to education: "Niños Adelante" scholarships (Colombia, Mexico, Paraguay, Peru, Uruguay and Venezuela) • Quality of education: Acción Magistral program to support teachers (Spain) • 21st Century skills: BBVA Aprendemos Juntos (We Learn Together) (Spain) 	
		Knowledge, education and culture	<ul style="list-style-type: none"> • BBVA Research: studies the evolution of the economy and provides economic studies, reports and analyses to shareholders, investors and the general public • BBVA Foundation: drives and promotes knowledge. Its work to promote excellence includes: Leonardo Grants, Biodiversity Conservation and Climate Change program and the Frontier Awards • OpenMind initiative: contributes to the generation and dissemination of knowledge on the key issues of our time-open to all and free-of-charge-using an online community' 	<p>In 2018, it invested € 75.5 M, benefiting 3.8 people.</p> <ul style="list-style-type: none"> • BBVA Research: in 2018, it produced 1,334 economic publications • BBVA Foundation: 1,646,705 beneficiaries in 2018, through initiatives supporting science 	To continue promoting scientific knowledge and research

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
 <p>5 GENDER EQUALITY</p>	<p>Goal 5: Achieve gender equality and empower all women and girls</p> <p>Fostering a work environment that supports gender equality, both with regard to its employees and its support for initiatives and product offerings</p>	Diversity and inclusion	<ul style="list-style-type: none"> Global Diversity and Inclusion Plan Signatory to the United Nations' Women's Empowerment Principles Implementation of the Rooney Rule, which stipulates that 50% of candidates for management positions must be women Unconscious bias training Improving the way in which offers are written Coaching program for women 	<ul style="list-style-type: none"> 53.9% of the Group's workforce are women 48% of management positions held by women 2018 Bloomberg Gender-Equality Index BBVA Compass included in the 2018 Corporate Equality Index on LGBT equality Protocols for the prevention of sexual harassment at all of the Group's banks 	To continue the commitment to diversity in the workforce as one of the key elements to attract and retain the best talent
		BBVA Microfinance Foundation (BBVAMF)	<ul style="list-style-type: none"> Contributing directly to reducing gender inequality (61% of entrepreneurs are women) Collaboration with UN Women: The United Nations Entity for Gender Equality and the Empowerment of Women, to promote the entrepreneurial potential of women and their capacity to help reduce poverty 	<ul style="list-style-type: none"> 61% of entrepreneurs are women BBVAMF identified as a case study by the UN Secretary-General's High-Level Panel on Women's Economic Empowerment 	To empower women through specialized financial and non-financial services
 <p>6 CLEAN WATER AND SANITATION</p>	<p>Goal 6: Ensure availability and sustainable management of water and sanitation for all</p> <p>Developing water management projects within the Group's infrastructure and due diligence for the operations in question Financing for projects that have jeopardized the protection of water and indigenous populations (Dakota pipeline)</p>	Global Eco-efficiency Plan (GEP)	Responsible use of water, through water savings and use of recycled water	<ul style="list-style-type: none"> 13% reduction in water consumption 13 % of employees in buildings with alternative sources of water supply 	2016–2020: water-related targets: 5% reduction in consumption per occupant (kWh/ocup.); 9% of occupants in buildings with alternative water sources
		BBVA strategy on climate change and sustainable development (Pledge 2025)	Mobilization of capital required to curb climate change and achieve the Sustainable Development Goals (SDGs) (€ 100 billion) between 2018 and 2025 for green financing, including funding for sustainable water management infrastructure)	<ul style="list-style-type: none"> € 4.7 billion of Corporate financing to customers that undertake more than 80% of their activities in green sectors, according to the Green Bond Principles (including sustainable water and waste management) 	2018–2025: € 70 billion for a transition to a low-carbon economy: solutions for energy efficiency, water, waste management for individuals and SMEs
 <p>7 AFFORDABLE AND CLEAN ENERGY</p>	<p>Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all</p> <p>Implementing energy efficiency and emission reduction projects</p>	Global Eco-efficiency Plan (GEP)	Energy efficiency improvements and use of renewable energies	<ul style="list-style-type: none"> 4% saving in CO₂ emissions 43% of people working in certified buildings" 	2016–2020: Energy-related targets: 5% reduction in consumption per occupant (kWh/ocup.); 48% of energy from renewable sources and 8% reduction in CO ₂ emissions per occupant (tCO ₂ /ocup.)
		BBVA strategy on climate change and sustainable development (Pledge 2025)	Mobilization of capital required to curb climate change and achieve the SDGs (€ 100 billion between 2018 and 2025 for green financing, including renewable energy projects, energy efficiency, issuing green bonds etc.)	<ul style="list-style-type: none"> € 7.1 billion green and social bonds placed (€1.45 billion as book runner) € 1.85 billion in green loans 	2025: 70% renewable energy a 68% reduction in CO ₂ emissions 2030: 100% renewable energy
 <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> <p>Nurturing vulnerable entrepreneurs, community support by promoting corporate responsibility</p>	Entrepreneurship	<ul style="list-style-type: none"> BBVAMF: support for disadvantaged people in Latin America through entrepreneurship BBVA Momentum: comprehensive program providing support to growing social enterprises Blue BBVA Challenge: training in entrepreneurship techniques for young graduates to help them develop projects that can change the world BBVA Open Talent: The world's biggest FinTech competition to identify and recognize startups with the greatest potential to transform financial services 	<ul style="list-style-type: none"> In 2018, BBVA allocated almost € 9 M that benefited 2.2 M people BBVAMF: 2 M customers (77% vulnerable) BBVA Momentum: 492 entrepreneurs benefited since 2011 BBVA Blue Challenge: 3.000 young beneficiaries since 2016 Open Talent: 6.000 startups from 8 countries have benefited from more than € 1.65 M in awards (since 2016)* 	2019: Momentum in Mexico, the United States, Colombia and Turkey
		Financial inclusion	A financial inclusion business model to cover the low-income population in emerging countries within its global footprint. More information in SDG 1	8.4 M customers in this segment. More information on the main initiatives implemented in 2018 in SDG 1.	2018–2025: to provide access to credit according to sustainability criteria, particularly in emerging economies through sustainable financing. € 18 billion for financial inclusion and entrepreneurship: loans to the underserved; loans to vulnerable microentrepreneurs; loans to female entrepreneurs; new digital models and impact investments
		Diversity policy	"Plan Integra in collaboration with major Spanish organizations in the disability sector. It seeks to encourage accessibility and integration into the labor market, and to promote a greater understanding and awareness of the needs and potential of people with disabilities. - Promotion and hiring of people with disabilities, at both BBVA and its suppliers - Relationships with Special Employment Centers (SEC) for recruitment "	<ul style="list-style-type: none"> 727 differently abled people in the Group's workforce: 215 in Spain, 192 in the United States, 28 in Mexico, 279 in Turkey and 33 in South America More than € 3.2 M turnover at SECs 	To improve accessibility in the branches of the various banks that make up the Group. The Madrid, Mexico and Argentina head offices are already accessible.
		Freedom of association	The rights and working conditions of Group employees are included in the rules, conventions and agreements concluded in each entity with the corresponding workers' representatives, in accordance with local legislation in each country.	Staff under a collective agreement: <ul style="list-style-type: none"> 100% in Spain, Argentina, Colombia, Venezuela and Paraguay 35% in Mexico 6% in Peru The United States, and Turkey do not require the same application 	

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation Mobilizing capital to finance sustainable and inclusive infrastructure	BBVA strategy on climate change and sustainable development (2025 Pledge)	Contribution to the mobilization of capital required to curb climate change and achieve the SDGs (€ 100 billion between 2018 and 2025 for green financing, including mitigation of its impact by financing sustainable infrastructure and agribusiness).	- € 1.6 billion for sustainable infrastructure and agribusiness	2018–2025: € 12 billion in funding for education infrastructure, health, social housing and clean transportation; social bonds intermediated as a book runner; investment funds and investments in associates; and agribusiness financing under sustainability criteria
		BBVA Transformation Plan	The transformation process that is required to adapt to the new financial industry environment, and is characterized by the following trends: - Digital sales: impetus to digitization - New business models: FinTech	<ul style="list-style-type: none"> • 51.43% digital customers • 43.45% customers accessing through mobile devices 	
 10 REDUCED INEQUALITIES	Goal 10: Reduce inequality within and among countries Promoting construction of sustainable infrastructure	Fiscal transparency	Corporate Principles in BBVA's Tax and Fiscal Strategy, a strategy that sets the policies, principles and values that should guide the Group's behavior on tax matters. BBVA is committed to providing transparency in tax payments, and since 2011 has voluntarily disclosed a breakdown of its total tax contribution in the countries where it has a significant presence Corporate Principles in BBVA's Tax and Fiscal Strategy	<ul style="list-style-type: none"> • Annual Report on Fiscal Transparency for Companies adhering to the CBPT (Code of Good Tax Practices), along with its corporate tax return for the previous year • € 9.752 billion taxes paid globally in 2018 	Plan to reduce the number of offshore financial centers 2018–2025: € 12 billion in funding for education infrastructure, health, social housing and clean transportation; social bonds intermediated as a book runner; investment funds and investments in associates; and agribusiness financing under sustainability criteria 2020–2025: Green Power Purchase Agreement with Endesa. Construction of a new wind farm
		Social housing policy in Spain	<ul style="list-style-type: none"> • Access to housing: access to housing loans, particularly in developing countries, supporting access to decent housing • Social housing: providing social housing in areas where it is needed, preventing evictions of people at risk of exclusion 	29,000 debts discharged with customers (including for products such as residential mortgages and consumer loans) <ul style="list-style-type: none"> • More than 2,500 homes provided to public entities • € 111.527 billion in homes financed by BBVA • More than 750,000 families live in homes financed by BBVA in Spain 	
 11 SUSTAINABLE CITIES AND COMMUNITIES	Goal 11: Make cities and human settlements inclusive, safe, resilient and sustainable Promoting construction of sustainable infrastructure	BBVA strategy on climate change and sustainable development (2025 Pledge)	Mobilization of capital required to curb climate change and achieve the SDGs (EUR 100 billion between 2018 and 2025 for green financing). Part of this funding is aimed at sustainable infrastructure and agribusiness	€ 1.6 billion for sustainable infrastructure and agribusiness	2016–2020: waste management targets: 46% of occupants in certified buildings: -5% paper consumption per occupant (kg/ocup.); 30% of occupants in buildings with selective waste collection
		Global Eco-efficiency Plan (GEP)	Recycling and waste management	<ul style="list-style-type: none"> • 43% of people working in certified buildings • 43% are in buildings with selective waste collection 	
 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	Goal 12: Ensure sustainable consumption and production patterns Adapting the bank's practices to the needs of this new era	Sector Norms for environmental and social due diligence	Integration of sustainability issues specific to four sectors with special environmental and social impact: mining, energy, infrastructure and agribusiness. These standards norms provide clear guidance on the procedures to follow when managing customers and transactions in these sectors	Evaluation of the alignment of these standards norms with customers in these sectors in order to better understand their sustainability strategies.	2019: update of sector-specific standards To improve the model, year-on-year, to make it more comprehensive and robust
		Socially responsible investment (SRI)	BBVA committed to provide to SRI products to our customer and clients. In 2008 when it, BBVA signed up to the United Nations Principles for Responsible Investment (PRI) through its employee pension plan and one of the Group's major asset managers, Gestión de Previsión y Pensiones Range of SRI solutions: <ul style="list-style-type: none"> • BBVA Futuro Sostenible • BBVA Bolsa Desarrollo Sostenible • B+EDUCA • BBVA Leer es estar adelante (Reading means keeping ahead) 	In 2018, improving the SRI solutions offered: <ul style="list-style-type: none"> • Training pathways: events streamed and on the website • SRI newsletter • Tailored briefings with customers website	
		Responsible Procurement Policy	Supply chain control to prevent abusive conditions at supplier businesses, using principles applied to those involved in supply processes and the Code of Conduct for Suppliers of the BBVA Group	Consolidation of the Code of Conduct for Suppliers by establishing minimum standards of behavior for ethical, social and environmental matters <ul style="list-style-type: none"> • 29% of suppliers approved: 29% (85% of the total procurement volume awarded) • 97% local suppliers: 97% (94% of total turnover) 	

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
 <p>13 CLIMATE ACTION</p>	<p>Goal 13: Take urgent action to combat climate change and its impacts</p> <p>Mobilizing capital for sustainable development and the fight against climate change Direct negative environmental impact from the bank's activities</p>	<p>BBVA strategy on climate change and sustainable development (2025 Pledge)</p>	<p>A strategy to help the Bank achieve the United Nations Sustainable Development Goals and meet the challenges of the Paris Agreement on climate change by aligning the Group's activities with a scenario where global warming is limited to 2°C and striking a balance between sustainable energy and investments in fossil fuels.</p>	<p>In the first year of this commitment, BBVA has mobilized € 8,126 M in green financing</p> <ul style="list-style-type: none"> • 29 Number of operations under the Equator Principles • € 645 M investment in renewable energy • € 7,116 billion in green and social bonds placed (1,452 as book runners) 	<p>2018-2025: € 70 billion for green financing to companies and institutions; intermediation of green bonds; energy efficiency, water and waste management solutions; and investment funds and investments in associates.</p>
		<p>Sector Norms for environmental and social due diligence</p>	<p>Integration of sustainability issues specific to four sectors with special environmental and social impact: mining, energy, infrastructure and agribusiness. These norms take as a reference the Paris Agreement of the United Nations Framework Convention on Climate Change (UNFCCC), among other</p>	<p>Evaluation of the alignment of these standards norms with customers in these sectors in order to better understand their sustainability strategies.</p>	
		<p>Global Eco-efficiency Plan (GEP)</p>	<p>Improvements to waste management, responsible use of water, energy efficiency and use of renewable energy.</p>	<p>Plan follow-up results:</p> <ul style="list-style-type: none"> • 43% of people working in certified buildings • 4% savings in CO2 emissions • 35% renewable energy consumption • 13% saving in water consumption • 13% of people throughout the Group work in buildings with modern water recycling systems 	<p>2016-2020: strategic vectors and global objectives:</p> <ul style="list-style-type: none"> • 46% of occupants in certified buildings • 8% reduction in CO2 emissions per occupant (tCO2/ocup.) • 5% electricity consumption reduction per occupant (kWh/ocup.) • 48% energy from renewable sources • 9% occupants in buildings with alternative sources of water • 5% reduction in water consumption per occupant (m3/ocup.) • 5% paper consumption reduction per occupant (kg/ocup.) • 30% of occupants in buildings with selective waste collection
		<p>Major sustainability indices</p>	<p>Belonging to the major global sustainability indices. Being selected for and remaining within these indices depends on companies demonstrating steady progress on sustainability issues and influences their eligibility for investment portfolios, which attaches growing importance to factors beyond a company's financial credentials</p>	<ul style="list-style-type: none"> • Dow Jones Sustainability Indices • FTSE4Good • MSCI • CDP • EURONEXT (Vigeo Eiris) • Member of the "Ethibel Excellence investment register" 	<p>To maintain a presence in these indices</p>
		<p>Compliance with International environmental standards</p>	<ul style="list-style-type: none"> • The United Nations Global Compact (since 2002) • UNEP FI (since 1998) • Equator Principles (since 2004) • CDP (since 2004) • Green Bond Principles (since 2004) • Task force on Climate-related Financial Disclosure – TCFD (since 2017) • Science-Based Targets (since 2018) • RE100 (since 2018) 	<p>TCFD: progress in the analysis of risks associated with climate change Bonds: a market leader with participation in the issuance of 13 operations as a book runner, with a placement of EUR 7.889 billion The framework for the issue of SDG-linked sustainable bonds was published this year. Framework for the issue of SDG-linked sustainable bonds</p>	<p>2020: implementation of the TCFD recommendations</p>
 <p>14 LIFE BELOW WATER</p>	<p>Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development</p> <p>Momentum for the protection of marine ecosystems by funding ecology and conservation biology research teams</p>	<p>BBVA Foundation</p>	<p>Financial aid to ecology and conservation biology research teams with a clear focus on actions to conserve habitats and/or threatened species in Spain.</p>	<p>During 2018, Project: "Effect of Global Warming on Coastal Trophic Interactions with the Mediterranean Sea" (InterBioClima) Investment in this project</p>	<p>2019: Upcoming calls for aid to research</p>
 <p>15 LIFE ON LAND</p>	<p>Goal 15: Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss</p> <p>Momentum for the protection of forests by funding ecology and conservation biology research teams</p>	<p>BBVA Foundation</p>	<p>Financial aid to ecology and conservation biology research teams with a clear focus on actions to conserve habitats and/or threatened species in Spain.</p>	<p>During 2018, Project: Invisible Extinctions: diversity loss in arid zones of the Iberian Peninsula due to the spread of plant species linked to human activity (ExIn)</p>	<p>2019: Upcoming calls for aid to research</p>

Goals	Positive and Negative Impacts	BBVA Initiatives	Description	Current Situation (2018)	Future Plans
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<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</p> <p>Controversies over corruption and weapons funding</p>	Creation of a model for responsible banking (Desarrollo de un modelo de banca responsable)	Creation of a model founded on principle-based profitability; integrity, prudence and transparency. A drive for clear and responsible communication and financial education to help our customers make informed decisions	In 2018, BBVA was recognized as a global leader for its corporate responsibility and social investment programs by The CEO Force for Good. BBVA is in the top 25% most socially committed companies. <ul style="list-style-type: none"> No. of TCR sales guides 	
		Fight corruption and bribery at all levels	Ensure that neither BBVA employees nor customers encourage corruption or participate in bribery or illicit activities	The BBVA Group's anti-corruption policy operates under the principles and guidelines primarily contained in Section 4.3 of the Code of Conduct and is in keeping with the spirit of relevant national and international standards	To launch an anti-corruption policy with global reach
		To abstain from financing controversial weapons	Abstaining from the financing of weapons considered controversial	Updated Defense Policy	2019: Entry into force of the Defense Policy
		Commitment to human rights (Compromiso con los derechos humanos)	-Commitment to human rights and due diligence process (2017-2018)	<ul style="list-style-type: none"> Launch of the United Nations Principles for Responsible Banking, which promote practices that respect the Guiding Principles on Business and Human Rights Updated Action Plan on Human Rights 2018-2020 	2018-2020: Action Plan on Human Rights
		Corporate volunteering	Corporate Volunteering Policy. A commitment to provide employees with conditions for engaging in corporate volunteer actions that generate a positive social impact. Activities aimed at strengthening BBVA's own initiatives or those it coordinates in relation to education, primarily financial education	<ul style="list-style-type: none"> 14,000 volunteers First Global Week of Volunteering: more than 8000 employees, 325 charitable activities conducted in over 15 countries 	2019: second Global Week of Volunteering
 <p>17 PARTNERSHIPS FOR THE GOALS</p>	<p>Goal 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development</p> <p>Increase in partnerships and commitment to initiatives to achieve the Sustainable Development Goals</p>	Strategic alliances	Long-standing relationships with multilateral financial institutions that can provide finance to sectors and projects contributing to the development of societies	<ul style="list-style-type: none"> United Nations Sustainable Development Goals 2030 Paris Agreement Principles for Responsible Banking (UNEP FI) G20 United Nations Guiding Principles on Human Rights 	
		Principles for Responsible Banking (UNEP FI)	10 principles to redefine banking in line with social needs. 28 banks joined forces against climate change, channeling funds to finance sustainable activities	Active promotion of the Principles for Responsible Banking	2025: to engage all stakeholders to increase the financial sector's collective contribution to sustainable development. Supervisors and regulators, customers, corporate clients, investors, employees, suppliers, observers and competitors
		Participation in working groups and associations	Taking part in those associations and groups that promote engagement and the forging of alliances	<ul style="list-style-type: none"> United Nations Global Compact Equator Principles Principles for Responsible Investment (PRI) Thun Group on Banks and Human Rights Social Bonds Principles CSR Europe GISR Integrated Reporting (IR) Spainsif UNEP FI Regional banking associations (EBF) and local ones (for example AEB, Asobancaria etc) 	

Task Force on Climate-related Financial Disclosures (TCFD)

Following the ratification of the Paris Agreement, the importance of climate change has come into focus on the international agenda. Governments and institutions committed themselves to the demands of this pact, and we are gradually seeing an increase in regulation (soft and hard) in this regard, with companies being pushed to reduce their emissions to be in line with the 1.5 and 2 degree scenarios.

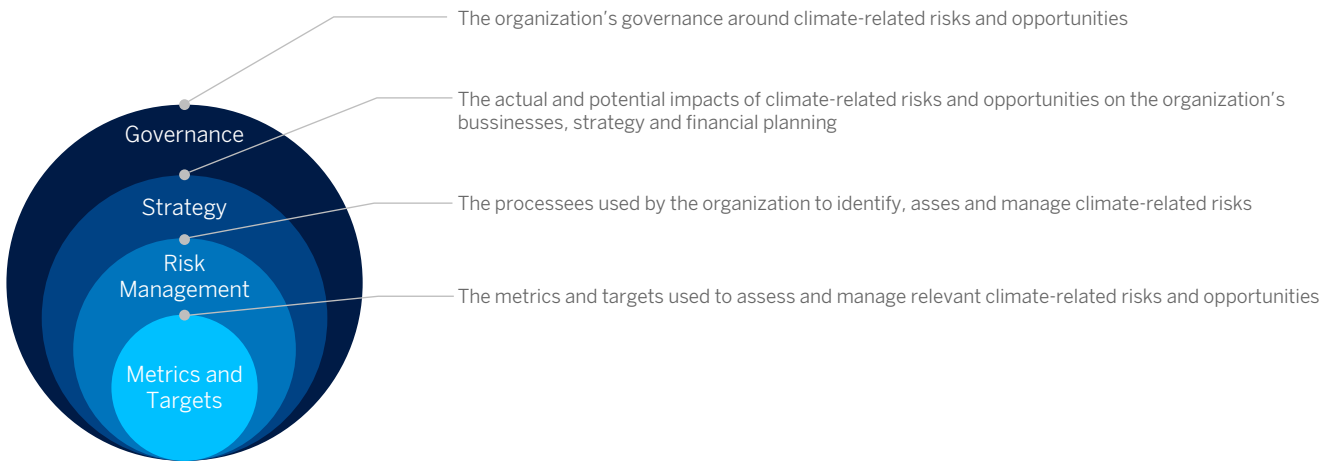
Many sectors are being affected by this trend, which limits their access to the use of certain commodities, taxes emissions, and requires the establishment of an ad-hoc strategy and the dissemination of information on this matter. There is also an **opportunity** resulting from the new business that will be generated around sustainable initiatives.

Banking plays a fundamental role in this matter as a **source of funding** for all sectors involved in this change. Such exposure requires the level of risk to which it is exposed to be taken into account. The climate change performance of its customers and their ability to adapt to environmental challenges can affect the banking business, increasing default and solvency risks.

Against this backdrop, the FSB charged the TCFD with setting up a reporting framework that could help the market to evaluate companies' performance with respect to climate change. The aim was to create a common reporting framework that was consistent, comparable, reliable, clear and efficient to be used in the decision-making processes of all stakeholders.

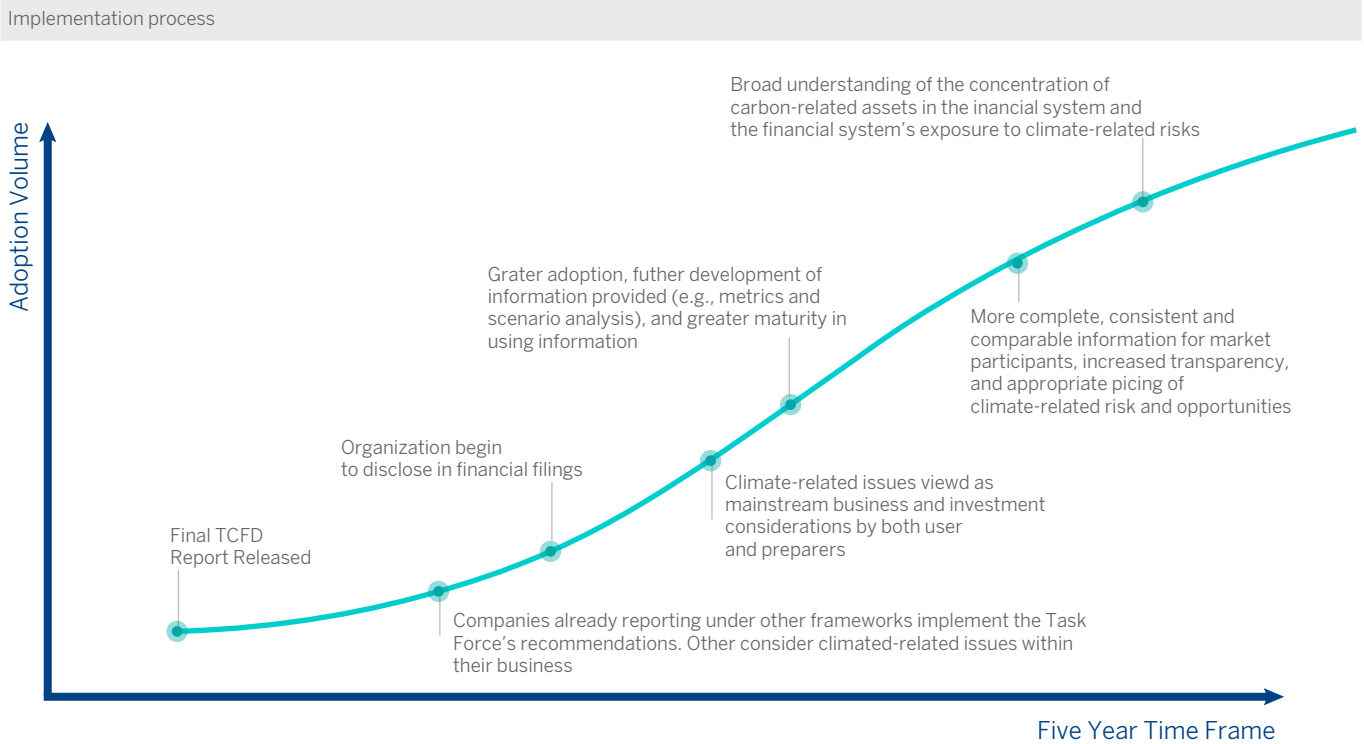
The initiative recommends that climate-related **financial disclosures** address four main areas:

Core elements of Recommended Climate-related Financial Disclosures



Source: TCFD Final Report June 2017

The timeline for implementation of these recommendations is shown below, and is structured so as not to have to tackle the entire project from the start:



Source: TCFD Final Report June 2017

As part of its commitment to mitigating the impacts of climate change and integrating these risks into its risk management model, BBVA has committed to observing the indications set out in the TCFD. In 2017 it joined the pilot group of banks that, guided by UNEP FI (United Nations Environment Programme - Finance Initiative), are striving to implement the recommendations of the Task Force on Climate-related Disclosures, created by the Financial Stability Board (FSB).

During the first half of 2018, this working group employed a methodology to incorporate environmental risks, both physical (directly derived from climate change) and transitional (regulatory risks to achieve the Paris Agreement goals), into the entity's overall risk management strategy.

The result of this work were two documents, one focused on [physical risks](#) and the other on [transitional risks](#), which were published in 2018.

The section relating to environmental and social risk reflects the work carried out on this matter by BBVA in 2018.

The following table summarizes the progress of the initiative as of December 31, 2018. A specific report on the implementation of its recommendations is due to be published in the first half of 2019. The TCFD defines carbon-related assets as those assets that rely on the energy and utilities sectors, according to the Global Industry Classification Standard, excluding water management and independent power and renewable electricity producers.

Área	Recommendations	Done	Plan 2019
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 2018)	Reporting to the Board of Directors and to the Board Executive Committee Progressive inclusion in Board Risk Committee agenda
	Describe management's role assessing and managing climate-related risks and opportunities	Plans & norms approved and oversights 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 Sustainability KPI to be included in variable compensation scheme for executive board members
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 First climate risks (transition & physical) defined	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 Dashboard for climate finance in 2018	Climate issues in strategic planning Retail business opportunities
	Describe the resilience of the organization's strategy, taking into consideration different scenarios , including a 2°C or lower scenario	Climate scenarios: participation in pilot group with UNEP FI Joint the initiative to develop methodologies to assess the alignment of lending portfolios to the Paris Ag	Second climate scenario exercise Pilot PACTA methodology in most intensive sectors
Risk management	Describe the organization's processes for identifying and assessing climate-related risks	Sustainable Finance Working Group oversights climate-related risks identification Research unit & Public Affairs unit update regulation trends	Process formalization
	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 implementation	Update sector norms & conclude implementation Inclusion in key industry frameworks
	Describe how processes for identifying, assessing & managing these risks are integrated into the organization's overall risk management		Integration as emerging risk Road map definition to fully integration
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 Dashboard for climate finance in 2018	Definition of key sector metrics to assess Paris alignment
	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	
	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets	Performance reporting in 2018 against targets set: mobilize €100 Billion 2018-2025. Renewable energy 70% and 68% reduction in direct GHG emissions. 100% renewable energy in 2030	Enhance granularity of climate finance targets at country & product level Define targets on climate pathways at the most relevant sectors

Principles for Responsible Banking

In 2018, BBVA joined forces with 27 other banks to develop a set of Principles for Responsible Banking. Under the auspices of the United Nations Environment Programme Finance Initiative (UNEP FI), these Principles for Responsible Banking are a collective response for aligning the banking industry with long-term objectives in order to better integrate social and environmental challenges. By committing to the

new framework, banks will adapt their businesses to the UN's Sustainable Development Goals (SDGs) and the Paris Agreement on climate change.

The Principles for Responsible Banking are articulated around six lines of action: alignment; impact; clients & customers; stakeholders; governance and target setting; and transparency and accountability.

Which are the principles?

1 

ALIGNMENT

We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement and relevant national and regional frameworks. We will focus our efforts where we have the most significant impact

2 

IMPACT

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services

3 

CLIENTS AND CUSTOMERS

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations

4 

STAKEHOLDERS

We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals

5 

GOVERNANCE AND TARGET SETTING

We will implement our commitment to these Principles through effective governance and a culture of responsible banking, demonstrating ambition and accountability by setting public targets relating to our most significant impacts

6 

TRANSPARENCY AND ACCOUNTABILITY

We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals

The signatories commit to being publicly accountable for their significant positive and negative social, environmental and economic impacts. They also agree to set public targets on addressing their most significant negative impacts and scaling up their **positive impacts**. Banks that fail to meet transparency requirements, set adequate targets and demonstrate progress will face removal from the list of signatories to these Principles.

The Principles entered a public **consultation** period with various stakeholders, before they will be signed by banks from around the world at the United Nations General Assembly in September 2019.

The Katowice Commitment

BBVA joined ING, BNP Paribas, Société Générale and Standard Chartered in backing the Katowice Commitment, an initiative that aims to develop an **impact assessment** methodology to adapt our loan portfolio to the Paris Agreement on climate change.

In an open letter addressed to the world leaders and heads of government gathered at the 24th UN Climate Change Conference in Katowice (Poland), these banks committed to finance and design the financial services needed to support customers as they **transition** to a low-carbon economy.