

## SCOPE

Vigeo Eiris was commissioned to provide an independent review on the sustainability credentials of the Transactional Products Framework linked to Sustainable Development Goals (SDGs) (the "Framework") created by BBVA (the "Bank") to govern the finance or coverage, including refinance and renewal of transactional products consisting in financial solutions to BBVA's customers, i.e. financial instruments where the finance or coverage will be exclusively applied in part or in full to new and/or existing twelve categories of green and/or social projects. Of note, Vigeo Eiris has reviewed the full version of the Framework.

Our review is established according to our Sustainable Goods & Services (SGS) methodology which consists in assessing the contribution of products and services to the achievement of the UN Sustainable Development Goals (SDGs).

Our review is built on the assessment of the following three components:

- The coherence between the Framework and the Bank's sustainability commitments.
- The use of proceeds alignment with sustainability themes<sup>2</sup> and their potential contribution to SDGs.
- The Bank's reporting commitments, including the relevance of the selected indicators to the targeted environmental and/or social objectives and impacts.

This review exclusively covers the analysis of these three components. It does not cover neither the Bank's ESG performance, nor the consistency and relevance of the use of proceeds, the governance and internal processes in place for the project evaluation, selection, monitoring, reporting and control, the management and tracking of proceeds, and the sustainable management of the projects and associated risks & impacts.

Our sources of information are multichannel, combining data from our general rating database, information provided by the Bank, press content providers and stakeholders, and complemented by interviews with Bank's employees held *via* a telecommunications system. We carried out our due diligence assessment from November 29 to December 14, 2018.

We could access the appropriate documents and people we solicited. We consider that the provided information enables us to establish our opinion with a reasonable assurance on its relevance, precision and reliability.

## VIGEO EIRIS' CONCLUSIONS

**Vigeo Eiris confirms that transactional products that meet the requirements of the Framework would have a potential contribution to environmental, social or sustainable objectives, in line with the SDG addressed by the underlying projects.**

**In addition, these transactional products are likely to generally contribute to twelve United Nations' Sustainable Development Goals, namely Goal 3. Good Health and Well-being, Goal 4. Quality Education, Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 8. Decent Work and Economic Growth, Goal 9. Industry, Innovation and Infrastructure, Goal 10. Reduced Inequalities, Goal 11. Sustainable Cities and Communities, Goal 12. Responsible Consumption and Production, Goal 13. Climate Action, Goal 14. Life Below Water and Goal 15. Life on Land.**

BBVA has described the main characteristics of the Eligible Transactional Products within the full version of the Transactional Products Framework linked to SDGs, which the reduced version will be publicly accessible on the Bank's website<sup>3</sup>, in line with good market practices.

<sup>1</sup> Full version of the BBVA's SDGs Transactional Framework as provided to Vigeo Eiris on December 14, 2018.

<sup>2</sup> The nine sustainability themes screened under our methodology are: Capacity Building, Energy & Climate Change, Food & Nutrition, Health, Infrastructure, Responsible Finance and Water & Sanitation.

<sup>3</sup> [www.bbva.es](http://www.bbva.es)

**Vigeo Eiris review:**

- ▶ We are of the opinion that the Framework is coherent with BBVA's main strategic sustainability priorities and contributes to achieving its sustainability commitments.
- ▶ BBVA's SDGs Transactional Products will exclusively finance or coverage, in whole or in part, of new or existing projects corresponding to twelve generally defined Green and/or Social Eligible Categories. All Eligible Categories are in line with at least one of nine sustainability themes under review.
- ▶ The reporting commitments at transaction (clients towards BBVA) and at BBVA aggregated level appear to be good, covering both the allocation of funds and the environmental and social impact achieved by the projects that underlies the transactional products.

The Framework is supported by external reviews:

- A pre-issuance consultant review in the form of a publicly accessible Second Party Opinion delivered by Vigeo Eiris on the sustainability credentials of the Framework. This Opinion will be annually updated.
- A limited assurance verification: annually performed by a third-party auditor, on the allocation of transactional products to Green, Social or Sustainable Eligible Categories.

*This Opinion is valid for one year (until December 31, 2019), as long as BBVA does not modify in any aspect of the Framework presented to Vigeo on December 14, 2018.*

Paris, December 14, 2018



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## DETAILED RESULTS

### Coherence of the issuance

**We are of the opinion that the Framework is coherent with BBVA's main sustainability priorities and contributes to achieving its sustainability commitments.**

The banking sector has a great potential to support the transition of society to a low carbon and sustainable economy. Their action is key in the promotion of effective solutions for the development of sustainable finance products and services, and the minimization of the impact of their investments and activities on environment, people and society. The banking sector can effectively contribute to these challenges by mobilizing the resources needed to achieve the SDGs targets by 2030, which require between 5 to 7 trillion USD per year according to the United Nations Conference on Trade and Development.

BBVA seems to acknowledge its role and has developed different responsible finance products and services to support the transition to a sustainable economy. The Bank is a signatory of the United Nations Global Compact Principles and has formalized a climate change and sustainable development strategy, Pledge 2025. The objective of this strategy is to align the activity of the Bank to the SDGs and the 2°C scenario of the Paris Agreement based on three lines of action:

- Financing: BBVA has pledged to mobilize 100 billion euros in green finance, sustainable infrastructures, social entrepreneurship and financial inclusion through 2025.
- Management: The Bank is also committing to working to mitigate its own environmental and social risks and minimizing its potentially, both direct and indirect impacts. Specific commitments in this regard include 70% of its energy consumption will come from renewable energy and a 68% reduction of its direct greenhouse gas emissions by 2025.
- Engagement: BBVA will engage with all its stakeholders to collectively promote the contribution of the financial industry to sustainable development.

In addition, BBVA has published a *SDGs Bond Framework* in April 2018 based on the International Capital Market Association's Green and Social Bond Principles to finance and refinance projects and entities that support the Global Goals and the 2030 Agenda. BBVA is the first Spanish bank to commit to the Science Based Targets Initiative to certify that its emission goals are consistent with the decarbonization level required to meet the 2°C scenario set for 2050.

By creating a Framework to govern the finance or coverage of transactional products related to water, energy efficiency, sustainable transport, sustainable cities and communities, waste management, renewable energy, aquatic and terrestrial biodiversity conservation, healthcare, education, small and medium enterprises (SMEs) financing and microfinancing and affordable housing; BBVA coherently responds to its main sustainability priorities as well as contributes to achieving its sustainability commitments on the financing line of action.

### Use of proceeds

**BBVA's SDGs Transactional Products will exclusively finance or coverage, in whole or in part, of new or existing projects corresponding to twelve generally defined Green and/or Social Eligible Categories. All Eligible Categories are in line with at least one of the nine sustainability themes under review.**

**In addition, the Eligible Categories are likely to contribute to twelve United Nations' Sustainable Development Goals, namely Goal 3. Good Health and Well-being, Goal 4. Quality Education, Goal 6. Clean Water and Sanitation, Goal 7. Affordable and Clean energy, Goal 8. Decent Work and Economic Growth, Goal 9. Industry, Innovation and Infrastructure, Goal 10. Reduced Inequalities, Goal 11. Sustainable Cities and Communities, Goal 12. Responsible Consumption and Production, Goal 13. Climate Action, Goal 14. Life Below Water and Goal 15. Life on Land.**

BBVA has defined eight Green and four Social Eligible Categories in its Framework:

#### Green Eligible Categories

- Water
- Energy efficiency
- Sustainable transport
- Sustainable cities and communities
- Waste management
- Renewable energy
- Aquatic biodiversity conservation
- Terrestrial biodiversity conservation

#### Social Eligible Categories

- Healthcare
- Education
- SME financing and microfinancing
- Affordable housing

“Existing” projects refer to ongoing or renewal of transactional products contracts with clients.

We have analysed the Use of Proceeds commitments:

- All Eligible Categories are in line with at least one of the nine sustainability themes under review.  
Under our methodology, the nine sustainability themes screened are: Capacity Building, Energy & Climate Change, Food & Nutrition, Health, Infrastructure, Responsible Finance and Water & Sanitation, and the two types of impacts are: Environmental and Social.
- The Bank will exclude from the SDGs Transactional Products any project related to nuclear power, defense, mining, oil and gas and coal, which are mostly only relevant to the expected environmental contribution of the Framework. We have recommended excluding other sensitive activities for sustainable development such as animal welfare, chemicals of concern, civilian firearms, genetic engineering, gambling, pornography, alcohol and tobacco.

Green Eligible Categories	Sustainability theme identified	Type of Impact	UN SDGs identified	UN SDGs targets
Water	Water & Sanitation	Environmental & Social	SDG 6. Clean Water and Sanitation	6.2, 6.3
			SDG 12. Responsible Consumption and Production	12.2, 12.4
Energy efficiency	Energy & Climate Change	Environmental	SDG 7. Affordable and Clean Energy	7.3
			SDG 9. Industry, Innovation and Infrastructure	9.4
			SDG 13. Climate Action	N/A
Sustainable transport	Energy & Climate Change	Environmental & Social	SDG 3. Good Health and Well-being	3.9
			SDG 9. Industry, Innovation and Infrastructure	9.4
	Infrastructure		SDG 11. Sustainable Cities and Communities	11.2, 11.6
			SDG 13. Climate Action	N/A
Sustainable cities and communities	Infrastructure Protection of Ecosystems	Environmental	SDG 11. Sustainable Cities and Communities	11.6, 11.7
Waste management	Water & Sanitation	Environmental & Social	SDG 12. Responsible Consumption and Production	12.4, 12.5
			SDG 11. Sustainable Cities and Communities	11.1, 11.6
			SDG 3. Good Health and Well-being	3.9
Renewable Energy	Energy & Climate Change	Environmental	SDG 7. Affordable and Clean Energy	7.2, 7.3
			SDG 13. Climate Action	N/A

Green Eligible Categories	Sustainability theme identified	Type of Impact	UN SDGs identified	UN SDGs targets
Aquatic biodiversity conservation	Protection of Ecosystems	Environmental	SDG 14. Life Below Water	14.1, 14.2, 14.3, 14.4, 14.5
Terrestrial biodiversity conservation	Protection of Ecosystems	Environmental & Social	SDG 15. Life on Land	15.1, 15.2, 15.3
	Food & Nutrition			
	Energy & Climate Change			

Social Eligible Categories	Sustainability theme identified	Type of Impact	UN SDGs identified	UN SDGs targets
Healthcare	Health	Social	SDG 3. Good Health and Well-being	3.7, 3.8
			SDG 10. Reduced Inequalities	10.2
Education	Capacity Building	Social	SDG 4. Quality Education	4.1, 3, 4, 5, 6, a
			SDG 10. Reduced Inequalities	10.2
SME financing and microfinancing	Responsible Finance	Social	SDG 8. Decent Work and Economic Growth	8.3
			SDG 9. Industry, Innovation and Infrastructure	9.3
	Capacity Building		SDG 10. Reduced inequalities	10.2
Affordable housing	Infrastructure	Social	SDG 11. Sustainable Cities and Communities	11.1
			SDG 10. Reduced Inequalities	10.2



UN SDG 3 consists ensuring healthy lives and promote well-being for all at all ages. More precisely, SDG 3 targets by 2030 include:

- 3.7 Ensure universal access to sexual and reproductive health-care services, including for family planning, information and education, and the integration of reproductive health into national strategies and programmes
- 3.8 Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all
- 3.9 Substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination



UN SDG 6 consists in ensuring availability and sustainable management of water and sanitation for all. More precisely, SDG 6 targets by 2030 include:

- 6.2 Achieve access to adequate and equitable sanitation and hygiene for all and end open defecation
- 6.3 Improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally



UN SDG 7 consists in ensuring access to affordable, reliable, sustainable and modern energy for all, SDG 7 targets by 2030 include:

- 7.2 Increase substantially the share of renewable energy in the global energy mix
- 7.3 Double the global rate of improvement in energy efficiency



UN SDG 8 consists in promoting sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all. More precisely, SDG 8 targets by 2030 include:

- 8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services



UN SDG 9 consists in building resilient infrastructure, promoting sustainable industrialization and fostering innovation. More precisely, SDG 9 targets by 2030 include:

- 9.3 Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets
- 9.4 Upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities



UN SDG 10 consists in reducing inequality within and among countries and its targets by 2030 include:

- 10.2 Empower and promote the social, economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status



UN SDG 11 consists in making cities inclusive, safe, resilient and sustainable. More precisely, SDG 11 targets by 2030 include:

- 11.1 Ensure access for all to adequate, safe and affordable housing and basic services and upgrade slums
- 11.2 Provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
- 11.6 Reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management
- 11.7 Provide universal access to safe, inclusive and accessible, green and public spaces, in particular for women and children, older persons and persons with disabilities



UN SDG 12 consists in ensuring sustainable consumption and production patterns. More precisely, SDG 12 targets by 2030 include:

- 12.2 Achieve the sustainable management and efficient use of natural resources
- 12.4 Achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment
- 12.5 Substantially reduce waste generation through prevention, reduction, recycling and reuse



13 UN SDG 13 consists in taking urgent action to combat climate change and its impacts. Companies can contribute to this goal by investing in the transition to net-zero carbon energy, energy efficiency and the reduction of GHG emissions from transport operations with abatement levers such as modal shift to lower carbon modalities.



UN SDG 14 consists in conserving and sustainably using the oceans, seas and marine resources for sustainable development. More precisely, its targets include:

- 14.1 By 2025, prevent and significantly reduce marine pollution of all kinds, in particular from land-based activities, including marine debris and nutrient pollution
- 14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans



UN SDG 15 consists in protecting, restoring and promoting sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss. More precisely, its targets include:

- 15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements
- 15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally
- 15.3 By 2030, combat desertification, restore degraded land and soil, including land affected by desertification, drought and floods, and strive to achieve a land degradation-neutral world

## Reporting

**The reporting commitments at transaction (clients towards BBVA) and at BBVA aggregated level appear to be good, covering both the allocation of funds and the environmental and social impact achieved by the projects that underlies the transactional products.**

The reporting requirements for clients that received SDGs Transactional Products from BBVA are good. Clients are required to report every 12 months and until the maturity date of the product, on:

- Their Corporate Social Responsibility: BBVA will require clients to provide specific information regarding its corporate governance and environmental performance.
- The allocation of funds: Clients are required to report to BBVA the amount of funds allocated to each Eligible Category.
- The environmental and social impacts of the financed SDGs Transactional Products:
  - BBVA's clients are required to declare the relevant applicable SDG related to each Eligible Category associated to their SDGs Transactional Products.
  - The Bank has formalized a list of relevant indicators that should be used by clients to report on the expected environmental and social benefits (output and impact) for all Eligible Categories included in the Framework.
  - The compliance with market standards (if applicable): If a supplier of a client is the beneficiary of financing or coverage, the client is required to provide information regarding the integration of social and environmental factors in the supplier selection, according, when feasible, to international standards (i.e. ISO 14001, ISO 45001, SA 8000, etc.).

The reporting commitments at BBVA level are good. BBVA has committed to annually publish in its Annual Report a consolidated report including the allocation of the funds and the environmental and social impacts of the transactional products classified under this Framework.

- The Bank will consolidate at Eligible Category level the impact information, provided by clients, based on the same list of indicators used by clients to report on the expected environmental and social benefits of their underlying projects.



Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organisations. We undertake risk assessments and evaluate the level of integration of sustainability factors within the strategy and operations of organisations.

Vigeo Eiris offers a wide range of services:

- ▶ **For investors:** decision making support covering all sustainable and ethical investment approaches (including ratings, databases, sector analyses, portfolio analyses, structured products, indices and more).
- ▶ **For companies & organisations:** supporting the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Vigeo Eiris is committed to delivering client products and services with high added value: a result of research and analysis that adheres to the strictest quality standards. Our methodology is reviewed by an independent scientific council and all our production processes, from information collection to service delivery, are documented and audited. Vigeo Eiris has chosen to certify all its processes to the latest ISO 9001 standard. Vigeo Eiris is an approved verifier for CBI (Climate Bond Initiative). Vigeo Eiris' research is referenced in several international scientific publications.

With a team of more than 240 experts of 28 different nationalities, Vigeo Eiris is present in Paris, London, Boston, Brussels, Casablanca, Hong Kong, Milan, Montreal, Rabat, Santiago and Stockholm.

The Vigeo Eiris Global Network, comprising 7 exclusive research partners, is present in Australia, Brazil, Germany, Israel, Japan, Spain and Mexico.

For more information: [www.vigeo-eiris.com](http://www.vigeo-eiris.com)

#### Disclaimer

Transparency on the relation between Vigeo Eiris and the Bank: Vigeo Eiris has not carried out any audit mission or consultancy activity for BBVA until so far and no established relationship (financial or other) exists between Vigeo Eiris and BBVA

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Transactional Products Framework, based on the information which has been made available to Vigeo Eiris. Vigeo Eiris has neither interviewed stakeholders out of the Bank's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Bank. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Bank. Providing this opinion does not mean that Vigeo Eiris certifies the effectiveness, the excellence or the irreversibility of the Transactional Products to be financed by BBVA. The Bank is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by Vigeo Eiris neither focuses on the financial performance of the Transactional Products, nor on the effective allocation of its proceeds. Vigeo Eiris is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction.

The opinion delivered on stakeholder-related ESG controversies is not a conclusion on the creditworthiness of the Bank or its financial obligations. Vigeo Eiris does not express an opinion as a score when controversial activities, products and services are not prohibited by international standards or treaties.

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