

Sustainable
Development Goals (SDGs)

Transactional Products Framework

Reduced version

2018



Creating Opportunities

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Background

BBVA is committed to the United Nations Global Compact Principles and in 2016 its commitment to achieve the targets set by the Paris COP21 (Conference of the Parties) and the United Nations sustainable Development Goals (the “SDGs”). The SDGs is a set of 17 global Goals with 169 targets covering a broad range of sustainable development issues; they call for action by all the countries to promote prosperity while protecting the planet. The private sector has been called on to contribute to the realization of the new agenda.

In line with this commitment, in 2018 BBVA approved its new strategy on climate change and sustainable development, which covers comprehensive management of the risks and opportunities deriving from the fight against climate change and the resolve to achieve the SDGs.

In keeping with this strategy, one of the core elements of BBVA’s business model is the integration of opportunities arising from the contribution to global sustainability, thus providing its customers with innovative solutions to fund their investments with positive environmental and social impacts. Its aims to foster sustainable financing, asses its strategic impact and boost and manage transformation initiatives that best respond to challenges related to climate change and social issues.

BBVA is committed to sustainability and strives to operate by:

- i. Carrying out its activity in a responsible manner and placing people at the core of its purpose, and
- ii. Maximizing the creation of sustainable and shared value for its shareholders and for other stakeholders and the wider society in which it operates.

By doing business in such manner, BBVA is convinced it can help achieve the SDGs purpose of ensuring prosperity for all and helping the planet by financing projects and entities that support the Global Goals and the UN 2030 Agenda. Therefore, funds will be allocated to a mix of projects that contribute to a sustainable future primarily related to the following SDGs:

SDG 3: Good health and well-being.

SDG 4: Quality education.

SDG 6: Clean water and sanitation.

SDG 7: Affordable and clean energy.

SDG 8: Decent work and economic growth.

SDG 9: Industry, innovation and infrastructure.

SDG 10: Reduce inequalities.

SDG 11: Sustainable cities and communities.

SDG 12: Responsible consumption and production.

SDG 13: Climate action.

SDG 14: Life below water.

SDG 15: Life on land.

A key way BBVA can contribute by providing funds. It is clear that governments alone cannot finance the \$ 2.5 trillion gap needed in areas such as climate change, innovation or sustainable consumption, among others; the private sector has a crucial role to play¹, and BBVA is committed to joining the effort.

1: <http://www.un.org/sustainabledevelopment/blog/2016/10/un-private-sector-to-create-platform-for-financing-sdgs/>

Transactional Product Framework linked to SDGs

In this context, BBVA has developed a Transactional Products Framework linked to the Sustainable Development Goals (SDGs) (the “BBVA Transactional Product Framework linked to SDGs” or the “Framework”). The full version of the Framework has been externally reviewed by Vigeo Eirirs, and this is the reduced version.

SDGs transactional products will consist of financial solutions for BBVA customer projects in fields such as renewable energies, energy efficiency, waste management, water treatment and access to basic services such as inclusive homes and finance. Notably, not all SDGs transactional products involve financing, such as with guarantees.

BBVA can offer three types of SDGs transactional products into which a customer project can be defined under this Framework:

- A. **“Green transactional products”**: financial instruments where the finance or coverage will be exclusively applied in part or in full to new and/or existing green projects (as defined in section “Use of proceeds and guarantees” below) and which meet the reporting requirements (as defined in section “Reporting”).
- B. **“Social transactional products”**: financial instruments where the finance or coverage will be exclusively applied in part or in full to new and/or existing social projects (as defined in section “Use of proceeds and guarantees” below) and which meet the reporting requirements (as defined in section “Reporting”).
- C. **“Sustainable transactional products”**: financial instruments where the finance or coverage will be exclusively in part or in full to new and/or existing green projects and social projects (as both terms are defined in section “Use of proceeds” below) and which meet the reporting requirements (as defined in section “Reporting”).

The Framework take as reference, regarding use of proceeds and reporting, the current market standards reflected in the Green Bond Principles (GBP), the Social Bond Principles² (SBP), the Sustainability Bond Guidelines and the Green Loan Principles (GLP).














2: <https://www.icmagroup.org/Regulatory-Policy-and-Market-Practice/green-social-and-sustainability-bonds/>

Use of proceeds and guarantees

BBVA is determined to support its clients' transition to becoming more sustainable, while promoting innovation in their sustainability strategies. BBVA provide financial solutions which contribute to the sustainability of our planet and promote positive social impact.

For the purpose of this Framework, all projects to be classified should be cataloged under one of the eligible green categories ("green projects"), social categories ("social projects"), or under both green and social categories ("sustainable projects") in compliance with the following definitions:

Green eligible categories

| Category - SDG | Description* |
|--|---|
| Water   | <ul style="list-style-type: none"> Water collection, treatment, recycling, re-uses upgrades, technologies and related infrastructure. |
| Energy efficiency    | <ul style="list-style-type: none"> Measures which reduce energy consumption. Includes the financing of retrofitting/improving/upgrading existing assets, as well as of new technology development and manufacture. Energy recovery (waste to energy). Measures that facilitate the access to renewable energy. Green buildings. In order for Green building financing to be included the asset must possess environmental certifications such as LEED (minimum silver), BREEAM (minimum good), HQE (minimum good), DNGB (minimum silver), or GBC España – VERDE among others. Other rigorous green building rating system may be included and taken into consideration in the criteria. |
| Sustainable transport     | <ul style="list-style-type: none"> Rail infrastructure and public mass transportation systems which contribute to reducing the circulation of cars. Examples include metro, light rails, buses, etc. Development, operation and upgrade of rail transports for goods. Transport infrastructure. Renewal or replacement of vehicle fleets, trains or boats with technologies that include electricity or hydrogen. Manufacture of above components. |
| Sustainable cities and communities  | <ul style="list-style-type: none"> Measures and technologies to reduce air pollution. Measures and technologies to expand green zones. |
| Waste management    | <ul style="list-style-type: none"> Non-conventional waste management and disposal activities which include: source reduction, in-process recycling, reuse, resource recovery, and treatment. |

Renewable energy



- Renewable energy generation: wind, solar, biogas, biomass, thermal, waste treatment, small-scale hydropower substations (max. 20MW).
- Manufacture of components of renewable energy technology: wind turbines, solar panels, etc.
- Transmission and distribution projects when connecting to defined renewable energy assets.

Aquatic biodiversity conservation



- Prevention and reduction of marine pollution.
- Measures and technologies that enhance the conservation and sustainable use of oceans and rivers.
- Environmentally sustainable fishery and aquaculture.

Terrestrial biodiversity conservation



- Measures that ensures the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems.
- Sustainable management of livestock to reduce methane or other GHG emissions.
- Reduction of emissions that result from deforestation and degradation of ecosystems.
- Environmentally-sustainable forestry, including afforestation or reforestation.
- Preservation or restoration of natural landscapes.

(* Green Eligible categories may include other projects in accordance with any update of the ICMA Green Bond Principles at any time.

Social eligible categories

| SDG | Description* |
|-----|---|
| | <p>Healthcare</p> <ul style="list-style-type: none"> • Hospitals, medical equipment and technologies. • Developments and measures that improve healthcare or facilitate the access to healthcare. |
| | <p>Education</p> <ul style="list-style-type: none"> • Universities and other centers of tertiary education, primary and secondary schools technical/vocational training centers and programs, capacity building, entrepreneurship, and literacy and numeracy training centers and programs. |
| | <p>SME financing and microfinancing</p> <ul style="list-style-type: none"> • Formalization and encouragement of micro, small, and medium sized enterprises. • Access to banking and financial services in underserved populations. • Financial literacy. |
| | <p>Affordable housing</p> <ul style="list-style-type: none"> • Access to adequate, safe and affordable housing for excluded and/ or marginalized populations and/or communities. |

(*Social Eligible categories may include other projects in accordance with any update of the ICMA Social Bond Principles at any time

The Projects include new projects, and ongoing projects (refinance or update of guarantees). Additionally, a project will be considered green if its main activity is dedicated to any of the green eligible categories; and a project will be considered social if its main activity is dedicated to any of the social eligible categories.

Finally, the funds or guarantees obtained through green, social or sustainability transactional products provided under this Framework will not be used under any circumstance in any project related to any of the following **excluded activities**:

- Nuclear power generation
- Defense
- Mining
- Carbon related
- Oil & Gas

BBVA will use and rely primarily on information provided by the client, and on any other information available from generally recognized publicly accessible sources without having independently verified it. Under no circumstances BBVA will be responsible for the veracity or accuracy of documents, information or any other detail provided by the client, or from public sources.

Reporting

Client reporting to BBVA

The client is committed to deliver to BBVA the Client's corporate social responsibility and environmental strategy and a specific report dedicated to the Project including relevant expected environmental or social impacts per green or social eligible category.

BBVA to public

BBVA will publish in its Annual Report, an annual consolidated report including the allocation of the funds and the impact of the transactional products classified under this Framework.

External review

Framework verification

BBVA has developed the Framework. Vigeo Eiris has provided an independent opinion on the full version of the Framework and this is the reduced version.

Vigeo Eiris is an independent international provider of environmental, social and governance (ESG) research and services for investors and public & private organizations. It supports the integration of ESG criteria into business functions and strategic operations (including sustainable bonds, corporate ratings, CSR evaluations and more).

Reporting assurance

BBVA will continue working to follow the future recommendations that LMA or ICMA may publish on best practices in the green social and sustainability market; this may request the update and revision of this Framework.

BBVA sector norms

BBVA has certain standards and criteria for its financings.

BBVA is committed to its strategy around climate change and sustainable development, pledge 2025³. The strategy will help the bank meet the United Nations Sustainable Development Goals and is in line with the Paris Agreement on Climate Change. Pledge 2025 will help the bank align its activity to a 2°C Scenario and strike a balance between sustainable energy and fossil fuel investments and is based on three lines of action: financing, management and engagement.

BBVA's sector norms⁴ are a part of this pledge. The norms address four high environmental and social risk sectors: energy, agriculture, mining and infrastructure. They provide guidance on the procedures to follow in the management of customers and transactions in these sectors. These sector norms, in addition to the Equator Principles⁵, help BBVA to reduce the risks these sectors can have on the environment and on society.

These norms embody the Commitment to human rights⁶ that BBVA took on board in 2008 and recently updated. The commitment takes as a reference point the United Nations Guiding Principles on Business and Human Rights and is framed within the Group's CSR policy and is aligned with BBVA's Code of Conduct⁷.

3: <https://www.bbva.com/wp-content/uploads/2018/02/Brochure-Fledge2025bbva.pdf>

4: https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018102/Sectornorms_Final_Feb18.pdf

5: <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/03/BBVA-in-2017.pdf>

6: <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/02/Commitment-to-Human-Rights.pdf>

7: <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2017/05/RCReportCodeofconduct.pdf>

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