



# Sustainability General Policy of BBVA

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# 1. Introduction

## 1.1. Sustainability as a strategic priority

In 2019, Banco Bilbao Vizcaya Argentaria, S.A. ("**BBVA**" or the "**Bank**") carried out a strategic review process to continue going in depth into its transformation and adapting itself to the major trends that are reshaping the world and the financial services industry. Two of the main trends identified at that time are: the fight against climate change and the growing relevance of social inclusion.

As a consequence, the strategic plan approved by its Board of Directors in 2019 seeks to accelerate this transformation and achievement of its Purpose, "To bring the age of opportunity to everyone." This plan consists of six strategic priorities, one of which is "helping our clients transition toward a sustainable future."

The fight against climate change is one of the greatest disruptions in history, with extraordinary economic consequences to which all players in our environment (governments, regulators, businesses, consumers and the whole of society) have to adapt.

Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, and may require significant investment in many industries. However, technological advances around energy efficiency, renewable energy, efficient mobility and the circular economy are a source of new opportunities for all.

On the other hand, clients, markets and society as a whole not only expect large companies to create value, but also to contribute positively to society. In particular, they are expected to ensure that their operations' boost to economic development is inclusive.

BBVA is aware of the outstanding role of banking in this transition to a more sustainable world through its financial activity, has adhered to the Principles for Responsible Banking promoted by the United Nations, to the Katowice Commitment and to the Collective Commitment to Climate Action, and is willing to play a relevant role, as demanded by society, and assist its clients in their transition to that sustainable future.

Also, the Bank will ensure that its activity is carried out in accordance with a set of values, principles, criteria and attitudes aimed at achieving sustained value for shareholders, employees, customers and for the society as a whole, and will promote the implementation and development of ethical principles based on integrity and transparency.

With a view to shaping this aspiration clearly and precisely, this Policy aims to set forth BBVA's vision and general principles for the approach to sustainability in the Bank and its Group (the "**Policy**").

## 1.2. Regulatory framework

This Policy was approved by BBVA's Board of Directors on October 28, 2020, as provided for in:

(i) Article 249 bis of Royal Legislative Decree 1/2010 of July 2 approving the consolidated text of the Corporate Enterprises Act, whereby the powers which the Board of Directors cannot delegate include the power to determine the company's general policies and strategies; and

(ii) Article 17 of BBVA's Regulations of the Board of Directors, which provides that the Board's powers include determining the Bank's general policies and strategies.

Finally, the recommendations of the European Banking Authority, the European Central Bank, the Bank of Spain and the Network of central banks and supervisory authorities for Greening the Financial System, as well as the Code of Good Governance of Listed Companies by the National Securities Market Commission (as revised in June 2020) have all been taken into account in respect of any sustainability issues that BBVA had not developed in other general policies approved by the Board.

## 2. Definition, purpose and scope of application

### 2.1. Definition and purpose

BBVA has set itself the priority of "helping our clients transition to a sustainable future," taking inspiration from the Sustainable Development Goals (the "**SDGs**") adopted by the United Nations, and from other supranational agencies that promote sustainable development and are a global benchmark with a focus on climate change and inclusive and sustainable social development.

This Policy defines and sets out the general principles, and the main management and control objectives and guidelines to be followed by the Group in sustainable development.

As per United Nations' definition, BBVA understands sustainable development as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. Sustainable development has emerged as the guiding principle for long-term global development, seeking to achieve, in a balanced way, economic development, social development and environmental protection.

BBVA faces the challenge of sustainable development from a holistic perspective. The Bank is aware that, in line with our purpose of "to bring the age of opportunity to everyone," we aim to generate a positive impact through the activities of our clients, our own activity, as well as our relationship and commitments to society.

## 2.2. Scope of application

This Policy will progressively apply to BBVA and the companies that make up its Group for accounting consolidation purposes (the "**Group**") and over which the Bank has management control. It will serve as a frame of reference when establishing and developing local or sectoral corporate governance policies and systems within the Group, which will be consistent and in line with it.

In any case, when applying this Policy, consideration shall be taken of the nature, scale and complexity of the risks inherent in the business model and the operations carried out by each Group entity, as well as respect for any applicable local and sectoral regulations.

Finally, this Policy will replace the corporate social responsibility policy in relation to sustainability, in particular regarding environmental and inclusive and sustainable social development matters. The Group's activities on community investment and on social matters that are not linked to financial activity will remain regulated under the corporate social responsibility policy approved by the Board of Directors.

## 3. General principles

The Group will follow the following general principles of action with regard to sustainability:

- It will support clients in their transition to sustainable business models, acting as a leverage that enhances such behaviors or actions.
- It will incorporate progressively sustainability into the day-to-day activities of its business and operations.
- It will incorporate progressively climate change opportunities and risks into its strategy, processes and risk management, while integrating the commitments derived from the Group's strategy into its Risk Appetite Framework.
- It will ensure the direct and indirect environmental and social impact generated by its operations, in particular as refers to the climate, will progressively align its lending activity with the objectives of the Paris Agreement.
- It will lead its peers by example, setting renewable energy consumption targets and reducing carbon emissions in the performance of its own activities.
- It will encourage the involvement of all stakeholders to gather information about their expectations and collectively promote a bigger role for the financial industry in sustainable development.

The Group will also pursue its sustainability goals on the basis of the following general principles, which are already applied in its various management policies:

- Integrity.
- Prudent risk management.
- Transparency.
- Achieving a profitable and sustainable long-term business.
- Creating long-term value for all stakeholders.
- Compliance with applicable law at any given time.

## 4. The Policy's provisions

### 4.1. Sustainability focal points

The Group's sustainability efforts will have the following two main focal points: (i) climate change, and (ii) inclusive and sustainable social development. Also, the Group will set priorities in both areas by taking inspiration from the United Nations' 2030 Agenda for Sustainable Development, in particular the SDGs in which it believes it can have the greatest impact.

The Bank's priorities in these areas will initially be as follows:

- With respect to **climate change**:
  - Energy efficiency.
  - Circular economy.
  - Reduction of carbon emissions.
- With regard to **inclusive and sustainable social development**:
  - Facilitation of access to financial services to people who do not use banking services, offering basic digital solutions.
  - Inclusive infrastructure, including basic services and transportation systems.
  - Support for entrepreneurs, and promotion of economic growth and full and productive employment.

## 4.2. The Group's sustainability goals

BBVA considers sustainability in all its day-to-day operations and everything else it does, both in relation to its clients and its internal processes.

As such, **devising and executing the sustainability strategy is an organization-wide effort, and all Group areas must include it progressively in their strategy agenda and work dynamics.**

Taking into account the two main sustainability focal points of action described in the previous section, the Group will have specific sustainability goals (the "**Group's Sustainability Goals**"), which are the following at the date this Policy was drawn up:

1. **To promote the development of sustainable solutions:** Identify opportunities, develop sustainable products and offer advice to individual and business clients.
2. **To integrate sustainability risk into its processes:** Integrate risks associated with climate change (physical or transition) into the Group's risk management processes.
3. **To establish a single agenda with stakeholders:** Promote transparency about our commitments and performance, protect our direct impact and foster the active involvement with all our stakeholders to promote sustainability in the financial sector.
4. **To develop new skills in sustainability:** Leverage the Group's data and technology capacities to foster the development of the sustainability strategy within the organization, and to promote related training for employees.

These goals materialize in various lines of work, to be executed by the areas under the oversight of the appointed supervisor.

Also, the Global Sustainability Office (GSO) has been created, a unit responsible for promoting and coordinating the Group's sustainability initiatives, with the support of the senior managers in the Group's global and local areas. The GSO has scheduled regular meetings with these managers to review the lines of work with a view to accelerating their execution and guaranteeing the alignment across Group units.

Finally, a network of experts has been created with sustainability specialists from the Group areas (Client Solutions, Corporate & Investment Banking, Global Risk Management, Communications & Responsible Business, etc.) and under the GSO's coordination. These experts must generate knowledge in the field of sustainability within the Group so as to offer advice to clients and support the areas in developing new sustainability value propositions, integrate climate risks into risk management, draw up a public sustainability agenda and set sustainability standards.

## 5. Governance and oversight model for the Policy

### 5.1. Approval and responsibility for the Policy

As mentioned in paragraph 1.2, this Policy was approved by BBVA's Board of Directors on October 28 2020, after an analysis by the Executive Committee, and enters into force at the time of its approval.

The Policy has been developed and coordinated by the Global Sustainability Office, with the collaboration of Strategy & M&A, Communications & Responsible Business, Global Risk Management, Regulation & Internal Control, Client Solutions, and Corporate & Investment Banking, within the scope of their respective competencies.

The Head of Corporate & Investment Banking will be responsible for this Policy at the executive level. Therefore, he/she will be responsible for submitting the Policy for approval, making sure it is known by the people subject to it and, where appropriate, sharing it with the corresponding subsidiaries within the BBVA Group.

This Policy owner will be aware of its degree of application, relying on the information provided by the Heads of the areas to which it applies, and will take the necessary measures if it is not being properly implemented, reporting it as appropriate.

The Heads of the areas affected by the Policy will guarantee, within their respective areas of responsibility and where appropriate, the provision of sufficient means, systems and organization for its compliance.

### 5.2. Oversight and control

The Board of Directors, as the Bank's highest supervisory body, will oversee the Policy's implementation directly or through the Executive Committee, on the basis of periodic or ad-hoc reports received by the Global Sustainability Office, the Head of Corporate & Investment Banking, the Bank's areas that will incorporate sustainability into their day-to-day businesses and operations and, where appropriate, the Heads of BBVA's control functions.

At a minimum once a year, or in the event of any event requiring changes to this Policy, the Global Sustainability Office will revise and submit to the Bank's corporate bodies any updates and modifications deemed necessary or appropriate at any time.



Control over the degree of compliance with both this Policy and its development will be carried out in accordance with the Group's control model, aimed at appropriate risk management and set up on the basis of three lines of defense, independent of each other.

Non-financial risk specialists (RCSs) will review this Policy's provisions to identify potential risks within their field of expertise, with a particular focus on legal, process, conduct and compliance risks, and include them in the corresponding mitigation and control frameworks; and will subsequently actively monitor the implementation of these frameworks.

All areas will add any aspects required to achieve the principles and goals set in this Policy to their regulations and procedures. Existing processes will be adjusted to include the controls needed to guarantee correct management, in accordance with the mitigation and control frameworks defined by the specialists and the roles and responsibilities of the parties to the process, as per the Group's control model.

Monitoring and reporting of risk and control aspects will follow the governance system under the Group's general risk management and control model and the applicable risk-specific policies.