



REPORT ON  2023



Our progress toward BBVA's Transition Plan



Carlos Torres Vila
Chair

SUSTAINABILITY is a strategic priority for BBVA for several reasons. Firstly, because we are responsible to society as a purpose-driven organization. Secondly, because we have to appropriately manage the physical risks of climate change and those associated with the transition to a decarbonized economy. Lastly, because sustainability represents an unprecedented business opportunity.

Our goal is to be neutral in carbon emissions by 2050, including both our own emissions and those of the customers we finance. To achieve this goal we have defined a roadmap with intermediate decarbonization targets for 2030 for several industries: oil and gas, power generation, auto, steel, cement and coal. In 2023 we have expanded these targets to include two additional sectors, aviation and shipping. We will continue expanding to other sectors, in line with the framework of the Net Zero Banking Alliance.

The transition to a decarbonized economy involves a deep and necessary transformation, which implies a radical change in sectors, business models and activities, requiring massive investment from the public and private sectors. This investment will only occur if it makes sense from an economic point of view.

Many of our customers are developing and implementing transition plans, and our role is to support them with advice and financing.

At BBVA we also believe that decarbonization has to be a fair and inclusive process, leaving no one behind, and promoting the preservation and regeneration of natural capital.

This TCFD report reflects our progress in line with the Glasgow Financial Alliance for Net Zero (GFANZ) recommendations, a key element in facilitating a greater understanding of how we are tackling the transition at BBVA.

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Report**TCFD****2023**

○ In 2017,

BBVA adopted the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), created by the Financial Stability Board (FSB), and has been publishing successive TCFD reports in line with these recommendations.

○ In this fifth report,

BBVA aims to summarize its strategy regarding the management of risks and opportunities related to climate change, and what measures are being taken, following the framework of the TCFD.

In 2023, BBVA published intermediate emissions reduction targets for 2030 for two new sectors: aviation and shipping.

The structure of the **2023 TCFD** report is as follows:

EXECUTIVE SUMMARY

- Our Roadmap to NET ZERO EMISSIONS by 2050
- Main advances in the 4 key TCFD areas (Sections 01-04)

INTRODUCTION

SECTION 01 | GOVERNANCE MODEL

SECTION 02 | STRATEGY

SECTION 03 | MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE

SECTION 04 | METRICS AND GOALS

APPENDIX

- Including, among others, an equivalence table Transition Plan - TCFD

Our roadmap to NET ZERO EMISSIONS by 2050

2021

- / Update of the **sustainable business mobilization goal from 100 to 200 billion euros**
- / Publication of **intermediate alignment targets for 2030** in banking activity for the **Power generation, Auto, Steel and Cement sectors**
- / **Publication of the 2030-2040 Coal Phase-out target**
- / Founding member of the **Net Zero Banking Alliance**
- / **BBVA Asset Management** joins the **Net Zero Asset Managers Initiative**

2022

- / Update of the **sustainable business mobilization goal from 200 to 300 billion euros**
- / Publication of **intermediate alignment targets for 2030** in banking activity for the **Oil & Gas sector**
- / BBVA Asset Management publishes **intermediate alignment targets for 22% of portfolios under management in Spain and Mexico**
- / 92% use of **renewable electricity in our own operations**

2023

- / Publication of intermediate alignment targets for 2030 in banking activity for the **aviation and shipping sectors**
- / Publication of the 1st version of the **climate transition plan with advances** in the decarbonization of customers belonging to the Oil & Gas, Power generation, Auto, Steel, Cement and Coal sectors
- / Expanding the scope of the carbon footprint calculation in Scope 3¹
- / 96% use of **renewable electricity in our own operations**

2024

Keep working on establish decarbonization targets for the **rest of the CO₂-intensive sectors**, such as aluminum, commercial and residential real estate and agriculture², following the goals and targets for banks published by the NZBA

2025

Mobilization of **300 billion euros in sustainable business** between 2018 and 2025

2030

- / Phase-out of **coal in developed countries**
- / **Accomplishment of intermediate alignment targets of oil & gas, power generation, auto, steel, cement, aviation and shipping sectors in banking activity**
- / Alignment of **22% of portfolios under management in Spain and Mexico**
- / 100% use of **renewable electricity in our own operations**

2040

Coal phase-out globally

2050

Net zero emissions in banking operations and asset management

(1) Scope 1 & 2 and part of scope 3: waste, emissions from business travel and trips of central service employees in the main geographies where it operates.
 (2) This planning will be carried out as long as there is a recognized methodology and data available for it.



01. Governance Model

A strategic priority with a cross-sectional approach



The **BOARD** has strengthened its knowledge and its experience in the field of **Sustainability** through:

 **Appointment** of members **with extensive knowledge and experience** on the matter

 It has extended its **training programs** to include Sustainability issues



01. Governance Model

At management level, there is a **Global Sustainability Area** that reports directly to the Chair (in this case, in areas related to strategy and transformation) and the CEO.

All business development teams have a co-dependence with the **Global Sustainability Area**.



VARIABLE REMUNERATION



FROM 2021

Of all **EMPLOYEES**

Linked to the mobilization of sustainable business (€300 Bn between 2018 and 2025)



FROM 2023

Of **EXECUTIVE DIRECTORS** and **SENIOR MANAGEMENT** and **RISK TAKERS**

Linked to decarbonization targets

02.

Strategy

Our ambition is to seize business opportunities and manage our risks and impacts.

With **2** main goals and indicators

01. Foster new business with a holistic approach and working on 3 growth levers



1. Promoting **personalized advice** to customers to capture incremental business opportunities and managing risks related to sustainability
 - **WHOLESALE CUSTOMERS:** proactive sector-related advice focused on the opportunities of the transition to sustainability.
 - **ENTERPRISE CUSTOMERS:** advice focused on sustainable solutions that allow potential economic savings.
 - **RETAIL CUSTOMERS:** personalized digital solutions for the mass consumer market with a focus on energy savings in the customer's home, among other things.
2. Developing **differential risk management capabilities** to mitigate risks and support business opportunities
 - Promoting the creation of expert knowledge, advanced analytics, risk management tools and processes related to sustainability.
3. Building **levers to do business in the right way**
 - Definition of solid criteria and processes to classify sustainable business, to ensure operational efficiency, and adequate internal controls
 - Focusing on data quality, defining sustainable attributes at transaction level
 - Evaluation of non-financial risks and definition of mitigating measures

02. Achieve Net Zero Emissions by 2050



Developing a **decarbonization strategy** to align our portfolio to Net Zero

-  **SECTOR ALIGNMENT PLANS:**
To define a commercial strategy and guide selective growth based on risk considerations and business opportunities.
-  **EVALUATION OF CUSTOMER TRANSITION PLANS (Transition Risk Indicator (TRi))**
With specific tools integrated into the business strategy and decision-making process.
-  **INTEGRATION INTO THE OPERATION ADMISSION PROCESS**
Proactive and dynamic portfolio management, assessing the impact of individual transactions.

Developing a **global strategy for managing direct environmental impacts**, based on **calculation** and **reduction**

-  Reduction of environmental impact in **SCOPES 1 & 2**
-  Measured full¹ **SCOPE 3** in 2023

(1) In 2023, BBVA has expanded the calculation of its footprint, reporting the rest of the material and applicable categories due to the nature of the Group's business. It does not include scope 3.15 as it is included as financed emissions.

02.

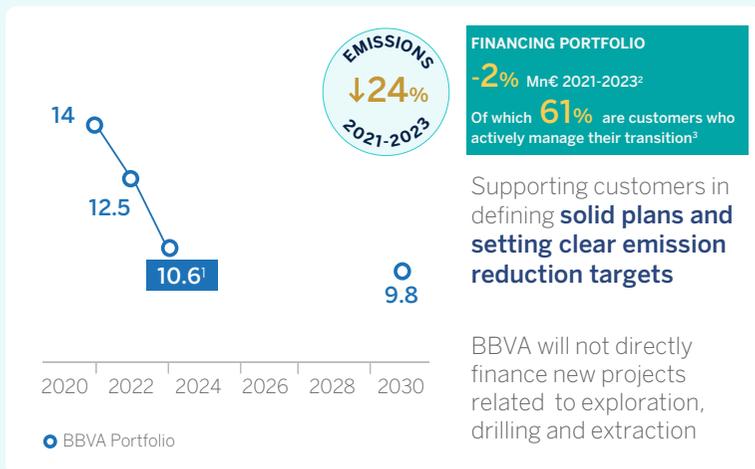
Strategy

Progress in our **performance** toward decarbonization targets:



OIL & GAS

Absolute Emissions in Mt CO₂e



POWER GENERATION

Emissions intensity in Kg CO₂e/MWh



The absolute financed emissions of the oil & gas sector have been reduced by 24% compared to the base year 2021 as a consequence of a **proactive portfolio management and a prioritization of customers who actively manage their transition.**

BBVA collaborates with customers to advise them on the design and **development of solid plans and to establish clear emissions reduction objectives.**

BBVA will also support customers in their transition to other forms of **low-carbon energy** generation by financing the necessary investments that facilitate their diversification and decarbonization.

BBVA is accompanying **customers who are actively managing their transition**, who currently represent 61% of the total upstream financing portfolio.

The carbon emissions intensity of the power generation portfolio has been reduced by 24% compared to the base year 2020.

The reduction in 2023 has been the consequence of a 34% growth in **renewable energy projects**, improvement of the portfolio mix due to the improvement of customers' emissions intensities and proactive management of our portfolio by promoting growth with customers who actively manage their transition and who currently represent 86% of the total amount of the financing portfolio related to power generation.



It is important to note that progress toward these goals is not expected to be linear in the short term

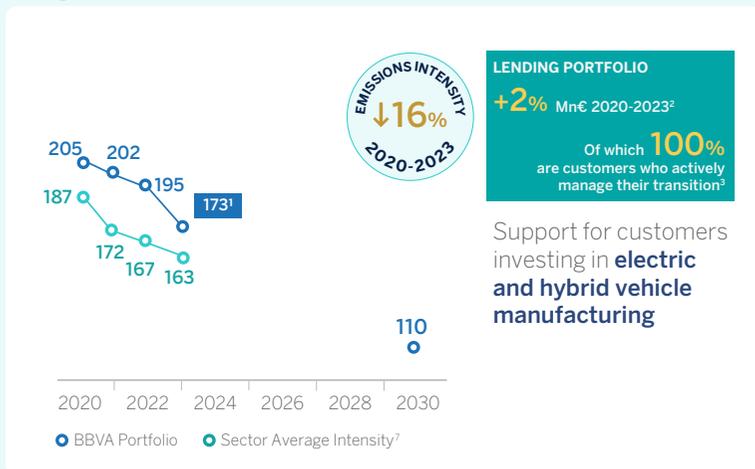
(1) Alignment metric as of December 2023. For the Oil & Gas sector, the portfolio alignment metric is an absolute emissions metric with a baseline of 2021 and the target reduction is only associated with the drawn financing; (2) Variation in the upstream financing portfolio in millions of euros between 2021 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others); (3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan; (4) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.); (5) Historical data has been updated due to improvements in information sources.

02. Strategy



AUTO

Emissions intensity in CO₂/v-km



The emissions intensity of the auto portfolio has been reduced by 16% compared to the base year 2020. The variations have been produced mainly by the progress in the transition of the portfolio's customers with a progressive increase in the **penetration of electric vehicles** in the different markets and an overweight of customers actively managing their transition.

BBVA supports the financing of **new customers with purely electric production lines** as well as investments to accelerate the penetration of electric and/or plug-in hybrid vehicles, battery manufacturing and charging infrastructure powered by renewable energy sources.

BBVA supports customers who **actively manage their transition**, which currently represent 100% of the total amount of our car manufacturing-related financing portfolio.



STEEL

Emissions intensity in Kg CO₂/ton of steel



The emissions intensity of the steel portfolio has been reduced by 7% compared to the 2020 base year. The steel portfolio has **performed better** than the market as a whole due to the weight of the financing of electric arc furnaces, of a much less intense nature than blast furnaces.

BBVA supports the transition toward new EAF⁵ and H₂-DRI⁶, production modes, as well as a **higher proportion of recycled materials** for the decarbonization of the steel industry.

BBVA is accompanying customers who are **actively managing their transition**, which currently represent 76% of the total amount of the financing portfolio related to steel manufacturing.



It is important to note that progress toward these goals is not expected to be linear in the short term

(1) Alignment metrics as of December 2023; (2) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.); (3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan; (4) The emissions intensity data for the steel sector corresponding to the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional verifications; (5) Electric Arc Furnaces (EAF); (6) Direct Reduction of Iron with Hydrogen, for its acronym in English: H₂-DRI (Hydrogen-based direct reduced iron); (7) Historical data has been updated due to improvements in information sources.

02. Strategy



CEMENT

Emissions intensity in Kg CO₂/ton of cement



FINANCING PORTFOLIO

+15% Mn€ 2020-2023²

Of which **83%** are customers who actively manage their transition³

Challenge to grow the business in the **absence of decarbonization technologies**

Support **for customers advancing in their transition**



2020 2022 2024 2026 2028 2030

● BBVA Portfolio ● Sector Average Intensity



COAL

Total amount in €Mn

FINANCING PORTFOLIO

-9% Mn€ 2022-2023⁴

Of which **85%** are customers who are expected to manage their transition in time to meet the thermal coal phase-out objective⁵

Thermal coal phase-out in 2030 in developed countries and in 2040 globally

Support for the financing of sustainable projects to support the transition of the sector



2020 2022 2024 2026 2028 2030

● BBVA Portfolio

The emissions intensity of the cement portfolio has increased by 2% compared to the base year 2020. The increase is explained by **improvements in the data quality** and the incorporation of a new database for customer emissions with higher intensity levels for the entire portfolio.

Selective business strategy depending on customers' progress as they scale **decarbonization pathways** that enable us to continue helping our customers advance in their transition.

BBVA is accompanying customers who are actively managing their transition, which currently represent 83% of the total amount of the financing portfolio related to cement manufacturing.

The coal portfolio has decreased by 9% compared to 2022 due to **lower exposure to coal-related** activities as customer financing matures.

BBVA supports the financing of sustainable projects to support the sector's transition. 85% of the total amount committed corresponds to customers who are expected to manage their transition in time to meet the **thermal coal phase-out target** by 2030 in developed countries and 2040 globally in the terms provided in BBVA's published Environmental and Social Framework.



It is important to note that progress toward these goals is not expected to be linear in the short term

(1) Alignment metrics as of December 2023; (2) Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.); (3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator: Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan; (4) Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others); (5) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others) that corresponds to customers who are expected to transition in time to meet thermal coal phase-out target.

02. Strategy



AVIATION

Emissions intensity in gCO₂/pkm



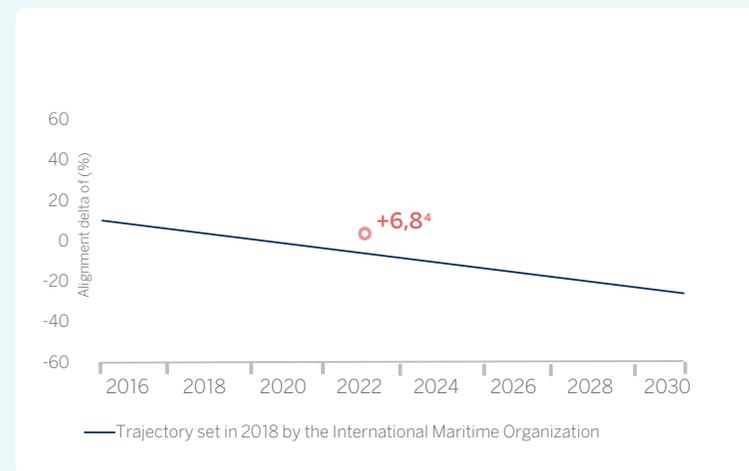
The emissions intensity of the aviation portfolio has increased by 1% compared to the base year 2022. The variation is **due to a change in the portfolio mix** that is expected to recover throughout 2024 while BBVA continues to work with its customers in the design and execution of transition strategies in line with the maturity of this industry.

BBVA is accompanying **customers who are actively managing their transition**, which currently represent 87% of the total amount of the airline-related financing portfolio.



SHIPPING

Alignment delta in gCO₂/(dwt* nautical mile)



BBVA has set the objective to align by 2030 the trajectory set in 2018 by the International Maritime Organisation (hereinafter IMO).

BBVA promotes the **adaptation of the fleets to ships** with decarbonization trajectories lower than those established by the IMO.

BBVA supports **customers with transition plans aimed at making their fleet more efficient**.



It is important to note that progress toward these goals is not expected to be linear in the short term

(1) Alignment metric as of December 2023. The gCO₂/PKM metric of BBVA's portfolio is adjusted by the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103 gCO₂/PKM and in the year 2023 is 106 gCO₂/PKM, according to disclosure of Pillar 3 as of December 2023. Applying the reduction objective to 2030 on the base year without the belly freight factor, the emissions intensity objective to 2030 is 85 gCO₂/PKM; (2) Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others); (3) Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan; (4) Alignment metrics as of December 2022.

03. Risk

management

Integrating climate change into the risk appetite framework, the business strategy and the daily risk management

RISK PLANNING



- Progress in the Risk Appetite Framework
- Risk assessment
- Scenario analysis
- Stress test
- Integration of physical risk into ICAAP
- New metric in management limits called High Market Misalignment
- Natural capital dependencies / Portfolio heat map / Identification of sectors of highest impact and/or dependence

INTERNAL IDENTIFICATION AND CLASSIFICATION



- Transition risks
- Physical risks

CREDIT FRAMEWORKS



- Wholesale lending sector frameworks
- Operating frameworks for the retail business

CREDIT PROCESSES



- Onboarding
- Customer review
- Loan approval
- Implementation of Customer Sustainability Toolkit in the corporate banking segment

03. Risk management

Alignment toward net zero emissions by 2050

01.
With an alignment governance model focused on target monitoring and supervising

SUSTAINABILITY ALIGNMENT STEERING GROUP as the body to:

- Follow up on the alignment targets
- Monitor compliance
- Promote integration into the day-to-day business

- CIB
- Global Risk Management
- Global Sustainability Area
- Strategy
- Regulation & Internal Control
- Other business teams (if appropriate)

02.
With Sector plans to manage alignment targets

SECTOR PLANS for the 8 sectors with alignment targets published

- OIL & GAS
- POWER GENERATION
- AUTO
- STEEL
- CEMENT
- COAL
- AVIATION
- SHIPPING

... that allow to set targets for each sector

03.
With management tools to promote the integration in day-to-day business:

- DASHBOARD PACTA
- CLIENT TOOLKIT
- TRANSITION RISK INDICATOR (TRI)

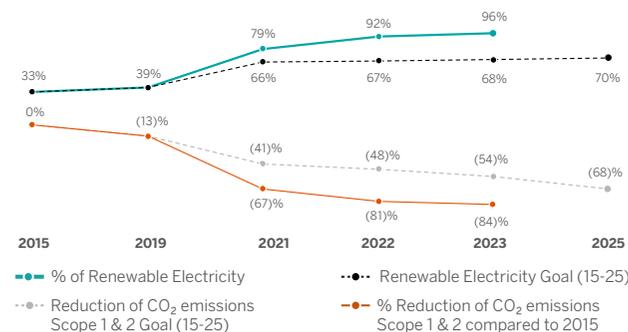
TRANSITION RISK INDICATOR (TRI) as a key input for each Sector Plan that allows tierization of customers and tailor made advice



... combined with customer ratings, it allows the application of CREDIT POLICIES at customer level



04.
Managing the impact for our own emissions GOAL 2015-2025 (Scope 1&2) and completing the calculation of the carbon footprint in Scope 3¹



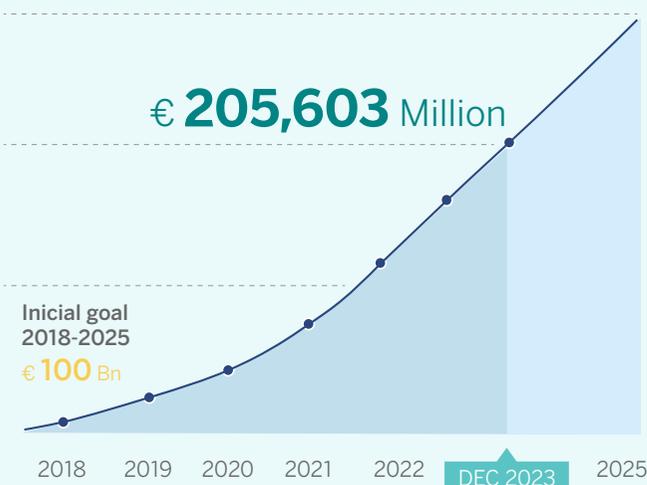
(1) In 2023, BBVA has expanded the calculation of its footprint, reporting the rest of the material and applicable categories due to the nature of the Group's business. It does not include scope 3.15 as it is included as financed emissions.

04. Metrics and targets

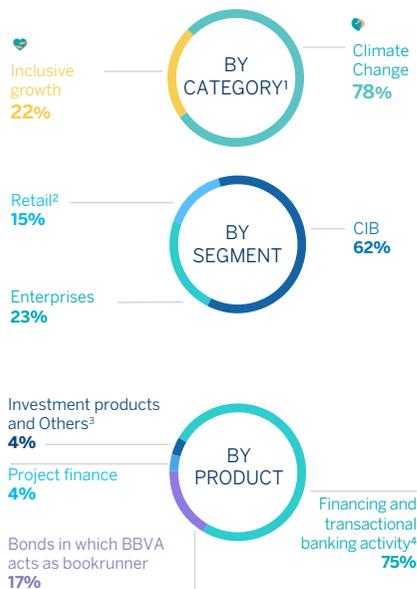
01. Sustainable business mobilization goal 2025

New goal 2018-2025

€ 300 Bn



02. Sustainable business breakdown 2018-2023

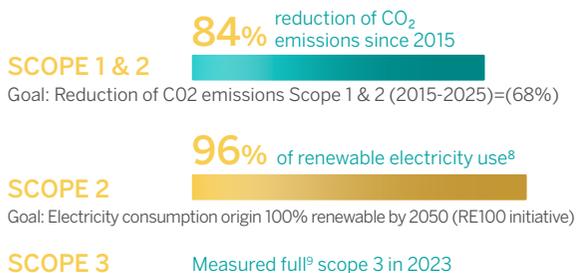


03. Decarbonization targets by 2030 and the attributed emissions (banking activity)

Sector & PACTA Value chain	Methodology & Scopes covered	Metric	Baseline ⁵	Target 2030	2022	2023	Target reduction	Reduction 2022 vs baseline	Reduction 2023 vs baseline
Oil & Gas (upstream)	PCAF Scope: 1&2&3	Absolute emissions upstream (Mt CO ₂ e)	14	9.8	12.5	10.6	(30)%	(10.71)%	(24)%
Power (generation)	PACTA Scope: 1&2	Emission intensity (Kg CO ₂ /MWh)	221	107	212	167	(52)%	(4.07)%	(24)%
Auto (manufacturers)	PACTA Scope: 3	Emission intensity (g CO ₂ /v-km)	205	110	195	173	(46)%	(4.88)%	(16)%
Steel (manufacturers)	PACTA Scope: 1&2	Emission intensity (Kg CO ₂ /tonnes steel)	1,270	984	1,200 ⁷	1,181	(23)%	(5.51)%	(7)%
Cement (manufacturers)	PACTA Scope: 1&2	Emission intensity (Kg CO ₂ /tonnes cement)	700	579	690	713	(17)%	(1.43)%	2%
Coal (thermal coal mining)	n/a	Total amount committed (€Mn)	*	*	1,701	1,552	*	n/a	(9)%
Aviation (airlines)	PACTA Scope: 1	Emmision intensity (Kg CO ₂ /PKM)**	88 ⁶	72	88	89	(18)%	n/a	1%
Shipping (operators)	IMO Scope: 1	Alignment delta g CO ₂ /dwt* nautical mile	+6.8%	< /=0%	For more information on the alignment of the shipping sector, see "1.8. Shipping" within chapter "Sector alignment plans"				

*BBVA has a phase-out commitment of its exposure to coal customers by 2030 in developed countries and by 2040 globally.
 **PKM (Passenger per kilometer) measures the intensity of emissions per passenger per kilometer traveled. It is determined by multiplying the number of passengers (total seats per freight factor) by the kilometers traveled. The gCO₂/PKM metric of BBVA's portfolio is adjusted by the belly freight factor.

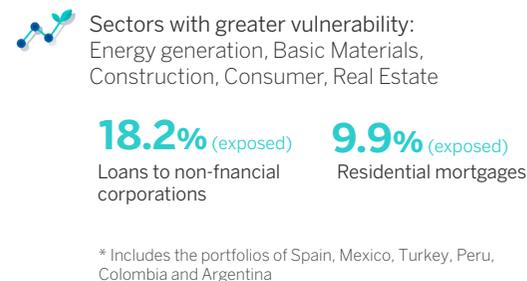
04. Direct impact Progress meeting goals as at Dec'23



05. Exposure to transition risk "High Transition risk sectors"

Sector	Wholesale EAD Dec. 23
Oil & Gas	3.6%
Power generation	3.2%
Auto	2.5%
Steel	1.3%
Transportation	0.6%
Cement	0.6%
Coal mining	0.1%
Total	11.8% Wholesale EAD
	5.87% EAD of BBVA Group

06. Exposure to physical risk



(1) In those cases where it is not feasible or sufficient information is not available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the available information; (2) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 7,700 million euros in the period from 2018 to 2023 to support vulnerable entrepreneurs with microcredits; (3) Investment products art.8 or 9 under SFDR or similar criteria outside the EU managed, intermediated or marketed by BBVA, includes deposits under the Sustainable Transaction Banking Framework until its replacement by the CIB Sustainable Products Framework (both frameworks published on the bank's website), insurance policies related to energy efficiency and inclusive growth, and electric vehicle autorenting, mainly; (4) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market and best practices), such as those linked to environmental and/or social indicators; (5) Baseline 2020 for the Power generation, Auto, Steel and Cement sectors; 2021 for Oil & Gas; 2022 for Aviation; for Shipping, the delta of the alignment is calculated based on the annual trajectory set by the IMO; (6) The IEA_NZE scenario does not consider the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103gCO₂/PKM. Applying the 2030 reduction target to the base year without the belly freight factor, the 2030 emissions intensity target is 85gCO₂/PKM; (7) The emissions intensity data for the steel sector for the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional checks; (8) Target of using 100% renewable energy by 2030; (9) In 2023, BBVA has expanded the calculation of its footprint, reporting the rest of the material and applicable categories due to the nature of the Group's business. It does not include scope 3.15 as it is included as financed emissions.

INTRODUCTION

Sustainability and the financial sector

Sustainability is governed by the principle of ensuring the needs of the present without compromising the needs of future generations, always without sacrificing environmental protection, economic growth and social development.

In accordance with its General Sustainability Policy, BBVA faces the challenge of “sustainable development” (or “sustainability” in general) from a holistic perspective, taking into account **ENVIRONMENTAL, SOCIAL AND GOVERNANCE** (hereinafter “**ESG**”) aspects. For a more detailed description of the General Sustainability Policy, see chapter [GOVERNANCE MODEL](#).

BBVA aims to generate a positive impact through the activities of its customers, its own activity, as well as its relationship and support to society, in order to make reality its purpose “To bring the age of opportunity to everyone” and deliver on its strategic priority “helping our clients transition toward a sustainable future”.

ENVIRONMENTAL

The fight against climate change represents one of the greatest disruptions in history, with extraordinary economic consequences, to which all actors in our environment (governments, regulators, companies, consumers and society in general) must adapt. BBVA understands the environmental dimension of sustainability as the management of the impacts, risks and opportunities linked to the fight against climate change, the transition to a low-carbon economy and the protection and regeneration of natural capital.

SOCIAL

Companies are key players in the development and progress of societies. BBVA understands the social dimension of sustainability as the management of impacts, risks and opportunities in relation to its customers, employees, suppliers, communities affected by its activity and society in general.

GOVERNANCE

Companies must conduct their business in strict compliance with the laws in force at all times, in a responsible manner and in accordance with strict canons of ethical behavior. BBVA understands the governance dimension of sustainability to be linked to business conduct, policies and regulatory and control frameworks on sustainability.



Sustainability: a strategic priority for BBVA

Sustainability for BBVA is “helping our clients transition toward a sustainable future” by promoting environmental protection, economic growth and social development. BBVA contributes to various SDGs through: the development of its business generating positive impact thanks to the multiplier effect of banking, the direct impact of its activity, as well as through its investment in the community.

Climate change requires the decarbonization of the economy, a fact that impacts all industries and the way in which customers move, consume or condition their homes, requiring significant investments that will last for decades to come.

Additionally, climate change and human action are stressing natural capital (water, crops, raw materials...), making it increasingly relevant for customers to ensure the availability and continuous quality of essential resources for the production and provision of services.

Finally, there are still great inequalities in the world, which may be increased by the effects of the economic transformation implied by the efforts of decarbonization or the destruction of natural capital. BBVA can play a fundamental role in the development of inclusive growth through the banking penetration of the population and financial education.

Our strategic priorities



Helping our clients transition toward a **sustainable future**



Improving our **clients' financial health**



Reaching more **clients**



Driving **operational excellence**



The **best and most engaged team**



Data and Technology

BBVA's sustainability strategy has a roadmap with **two clear objectives**:

01. Promote new business through sustainability

FROM 2018 to 2025 **300 Bn€**¹
 REAL **206 Bn€**
 2018 - 2023 (70 Bn€ in 2023)

Promote new business through sustainability with a global and holistic approach in the field of global warming, natural capital and the social sphere: BBVA aims to reach 300 billion euros of sustainable business (2018-2025)¹ having reached the figure of 206 billion as of December 31, 2023, around 70 billion in the year.

In climate action BBVA has mobilized around 54 billion euros in 2023, earmarked, among others, for the electrification of industry, energy efficiency measures, the development of renewable projects and the promotion of solar self-consumption, and the transformation of the transport and logistics sector.

1. It considers as a sustainable business channel any mobilization of financial flows, cumulatively, in relation to activities, customers or products considered sustainable or that promote sustainability in accordance with both internal and market standards, existing regulations and best practices. For more information, see chapter [CHANNELING SUSTAINABLE BUSINESS](#).

Additionally, the Bank has an opportunity in the development of inclusive growth, which represents around 22% (more than 15 billion euros) of the entire sustainable business channeling in 2023.

02. Achieve net zero emissions by 2050 (Net Zero)

Sectors most relevant to the decarbonization plan:

-  OIL & GAS
-  STEEL
-  POWER GENERATION
-  CEMENT
-  AUTO
-  COAL
-  AVIATION
-  SHIPPING

Achieve net zero emissions by 2050 (Net Zero) with sectoral decarbonization plans in those sectors most relevant to decarbonization: BBVA has intermediate decarbonization targets (year 2030) that include oil & gas, power generation, auto, cement, steel, coal and in 2023 has incorporated targets for the aviation and shipping sectors.

The monitoring of intermediate decarbonization targets is done through alignment methodologies that help to understand how financial flows contribute to emissions reductions. These metrics are benchmarked against the reference provided by climate change scenarios and, in conjunction with these, allow the design of sectoral alignment plans. These plans help define commercial strategy with customers and guide selective growth based on risk considerations and business opportunities, as well as the evaluation of customers' own transition plans.

BBVA's leadership in the area of sustainability is reflected in the fact that, for the fourth consecutive year, it has obtained the best score in the Dow Jones Sustainability Index 2023 in the category of banks in the European region and the third best score globally.

BBVA's progress on its ESG strategy and objectives is detailed in chapter of this [MAIN ADVANCES IN THE EXECUTION OF THE STRATEGY](#) of this report.

Corporate bodies

BBVA has a corporate governance system, comprising a set of principles, rules and mechanisms that integrate and regulate the structures and operation of its corporate bodies, which are responsible, at the highest level, for the governance of the Bank (hereinafter, the “System” or the “Corporate Governance System”). This system is mainly governed by the provisions of the Bank’s Articles of Association, the regulations of its various corporate bodies and certain general policies of the Bank.

In accordance with the regulations applicable to BBVA, as a listed credit institution, the Bank has a Board of Directors which, as the highest representative, administrative, management and supervisory body, performs both the functions of managing the Entity and those of supervising and controlling management.

The Board of Directors also has a structure of specific Committees, which assist it in matters within its remit and which have been set up on the basis of an appropriate distribution of functions, as set out in their corresponding regulations (hereinafter, the “Corporate Bodies”).

In the exercise of their functions, the Committees carry out an in-depth review of the matters and proposals submitted by the executive areas for consideration by the Corporate Bodies, thus becoming an essential element for the development of their corresponding functions.

This Corporate Governance System is aligned with BBVA’s culture and values and is geared toward achieving the Bank’s corporate interest and purpose. To ensure this, the Board monitors its effectiveness, adapting it, where necessary or appropriate, to the environment in which the Bank and its Group operate. In addition, the design of the system takes into account the regulatory and supervisory requirements applicable at any given time and industry best practices, as well as the opinion of the Bank’s various stakeholders.

As part of this System, the Board of Directors has the power to approve the Entity’s general policies and strategies. In implementation of the above, the Board has defined a common management and control framework, consisting of strategic decisions (including, inter alia, the strategic

plan, the budget, the risk appetite framework) and general policies, which include the main management guidelines for the Group’s various areas of activity. For further information on BBVA’s Corporate Governance System, please refer to the Corporate Governance Report 2023, which is attached by reference to the BBVA Group’s consolidated Management Report.

Within the above mentioned context, the Board of Directors has incorporated sustainability as one of the Bank’s strategic priorities, as reflected in the Group’s 2019 strategic plan, and has approved the General Sustainability Policy, which defines and establishes the general principles, management and control objectives and guidelines to be followed by the Group in the area of sustainable development.

In accordance with the General Sustainability Policy, BBVA understands “sustainable development” (or “sustainability”, which includes environmental, social and governance aspects, referred to as “ESG”) as meeting the needs of the present generation without compromising the ability of future generations to meet their own needs.

BBVA faces the challenge of sustainable development from a holistic perspective, being aware that by “bringing the age of opportunity to everyone” and by “helping its customers transition toward a sustainable future” generates a positive impact to all its stakeholders.

As an essential part of this approach, the Corporate Bodies promote the integration of sustainability in all the Group’s businesses and activities. To this end, the Bank has a Global Sustainability Area (GSA), which has the competence, inter alia, for designing and promoting the implementation of the Group’s strategic sustainability agenda (focusing on the fight against climate change, protection of natural capital and inclusive growth) and business development in this area; establishing the Group’s objectives in these matters; and promoting and coordinating the different lines of work of the Group in this area, developed by the different areas; maintaining in all areas of the Group the objective of promoting integrity in the relationship with the different stakeholders.

In order to manage and supervise this area, the Board of Directors has adopted a governance model which, with the Board itself at the center, is supported by the

specialized assistance of its Committees on matters within their respective areas of competence.

In this way, the Committees of the Board support this body in the development of its functions in matters of sustainability, through the attribution of specific tasks in this area. In the case of the Executive Committee, it supports the Board of Directors in decision-making and the ongoing monitoring of BBVA’s strategy and objectives in the area of sustainability as well as its development and execution by the Group’s executive areas. The Risk and Compliance Committee supports the Board in integrating sustainability into the analysis, planning and management of the Group’s risks, and in supervising their execution. The Audit Committee supervises the preparation process and the content of the information that must be formulated by the Corporate Bodies on sustainability for its publication as part of the Group’s financial and non-financial reporting. The Appointments and Corporate Governance Committee, in addition to assisting the Board in assessing the effectiveness of the Corporate Governance System, ensures that sustainability-related competencies are taken into account when considering the composition of the Board of Directors.

The Remuneration Committee analyzes the selection and monitors the performance of strategic indicators linked to variable remuneration, including sustainability-related indicators, and the Technology and Cybersecurity Committee assists the Board in monitoring technology strategy and supervising technology risk and managing cybersecurity.

Through this governance model, the governing bodies define, supervise and monitor the implementation of the Group’s sustainability strategy, on the basis of the reports received both from the Global Sustainability Area and from the different areas of the Group that incorporate sustainability into their reporting of their businesses and activities. These reports are submitted to the corporate bodies according to their competencies, on a regular or ad hoc basis. To this end, it should be noted that in 2023, the Corporate Bodies received, generally every two months, specific reports on sustainability matters from the Head of the Global Sustainability Area, the Head of the Talent and Culture Area or the Global Head of Risks, as well as the reports from the different areas of the Group in which sustainability-related issues were addressed.

To achieve the best performance of its functions in this area, the Board believes it necessary to have suitable knowledge and experience in sustainability matters. To this end, it continues to conduct initiatives that involve the recruitment, within the process of gradual replacement of its members, of directors with extensive knowledge and experience in these matters, and in the extension of the continuous training program of its members to matters related to sustainability.



The **BOARD** has strengthened its knowledge and its experience in the field of **Sustainability** through:

 **Appointment** of members **with extensive knowledge and experience** on the matter

 It has extended its **training programs** to include Sustainability issues

General Sustainability Policy

In 2022, the Board of Directors approved the update of the General Sustainability Policy, which integrates the previous Corporate Social Responsibility Policies and the General Sustainability Policy, and which defines and establishes the general principles, and the main management and control objectives and guidelines to be followed by the Group in terms of sustainable development with a focus on climate change, natural capital and inclusive growth.

The policy identifies its stakeholders and other groups (customers, employees, shareholders and investors, suppliers, regulators and supervisors as well as community investment) and different areas of action (fiscal responsibility, prevention of unlawful conduct and corruption, participation in international initiatives and commitment to human rights). In relation to human rights, this is structured in line with the BBVA Code of Conduct and uses the United Nations Guiding Principles on Business and Human Rights as a reference.

Integration of sustainability into the executive level across areas

To implement the strategy approved by BBVA's governing bodies, the Group has a Global Sustainability Area, the head of which reports directly to both the CEO and the Chairman in matters of transformation and sustainability strategy.

The implementation of the sustainability strategy is a cross-cutting issue throughout the Group, and all areas are responsible for progressively incorporating it into their strategic agenda and work dynamics. To this end, the Global Sustainability Area is responsible for disseminating the Group's sustainability principles and objectives and advising the various executive areas responsible so that these can be implemented and integrated into the Group's activities.

In this way, the Group's sustainability governance model integrates the structure of the Corporate Bodies with a transversal structure at an executive level, headed by the Global Sustainability Area, which drives the execution of the strategic priority in the different areas of the Group, in accordance with the main focuses of action on sustainability set out in the Group's General Sustainability Policy (climate change and protection of natural capital; and inclusive growth). This governance model provides the Board and its Committees with the necessary information to make appropriate decisions and to carry out their supervisory and control function.



As detailed in the figure above, the Global Sustainability Area incorporates the business units of both Customer Solutions and CIB, the business unit with which it shares its top manager, with the aim of strengthening and accelerating the integration of sustainability into the Group's business.

In addition, BBVA has developed a network of experts, made up of sustainability specialists in different areas of the Group (Customer Solutions, CIB, Asset Management, GRM, Finance, Regulation & Internal Control, Legal, Internal Audit and the Global Sustainability

Area itself). These specialist teams are responsible for generating knowledge in the field of sustainability in the Group for proposals and solutions for customers, as well as for supporting the areas in the development and implementation of new value propositions in the field of sustainability, the integration of sustainability risks in risk management, the management of non-financial risks, as well as the definition of a public agenda and sustainability standards.

In 2022, the Sustainability Alignment Steering Group (SASG) was established to follow up on the alignment targets of the sectors for

which targets have been set and to monitor compliance with these targets. It comprises, inter alia, the heads of the CIB, GRM, Global Sustainability Area, Strategy and Regulation & Internal Control business areas.

After passing through the SASG, the monitoring of compliance with the objectives, including an explanation of possible deviations and measures to redirect them (if applicable), is presented quarterly for review at the highest executive level and subsequently to the Corporate Bodies, at least every two years. For more information, see chapter [ALIGNMENT METRICS](#).

Definition of risks and opportunities associated with climate change

To carry out the process of identifying the risks and opportunities associated with climate change, BBVA has identified the sectors with the highest transition risks and/or the highest physical risks. These sectors face substantial transformation challenges that require (and are already requiring) large investments. They are also the sectors that will demand a deeper understanding and monitoring of risks.

During this sector identification process, and for an understanding of their key risks and opportunities, the Group has relied on the support from external advisors. The results of the process have subsequently been checked with the guidelines of the Net Zero Banking Alliance (Guidelines for Climate Target Setting for Banks), where these sectors appear as the most intensive sectors in CO₂e emissions.

Likewise, in 2023, for identifying dependencies and impacts related to natural capital, the methodology employed was Encore, a tool developed by Global Canopy, UNEP FI and UNEP-WCMC (UN Environment Program World Conservation Monitoring Centre) that aids organizations in analyzing their exposure to nature-related risks, facilitating initial steps toward understanding dependencies and impacts on nature. Among the impact drivers, CO₂e emissions feature prominently, with the analyzed sectors exhibiting high impact in this driver.



Climate change risks for BBVA

In the risk identification process, two types of risks impacting the Group's businesses or its customers were identified:

Transition risks

These are the risks stemming from the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc, to mitigate and address the requirements derived from climate change.

TABLE 01. **Transition risks**

Risk subtype	Risks associated with climate change	Risk description	Time horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Legal and regulatory	Increase in the cost of CO ₂ emissions	Financial risk to BBVA's customers whose liquidity or earnings could be harmed from having to face higher costs or, alternatively, higher investments in neutralization or reduction of emissions, derived from regulatory changes.	ST		
		Increase of the cost of carbon credit purchases of the Group.	ST		
	Increase in monitoring, tracking and information requirements	Increase in staff and economic resources allocated to the study and monitoring of the Group's customers, control of their level of compliance with the associated requirements and increased reporting obligations.	ST		
	Changes in the regulation of existing products and services	Uncertainty for financial agents regarding changes and their implementation.	ST		
		Impairment of customer asset positions due to the generation of stranded assets (assets that prior to the end of their economic life are no longer able to earn an economic return).		MT	
		Increase in costs, reduction in demand or drop in sales due to readjustment of supply to align with new legal specifications of a product.		MT	
	Increase in regulatory capital requirements due to risk associated with climate change	Possibly different prudential treatment of financial assets in terms of risk weighted assets based on their exposure to physical and transition risks.		MT	
		Adverse regulatory changes that may cause certain exposures on BBVA's balance sheet associated with climate change to have higher capital consumption.		MT	
Risks of litigation and sanctions due to climate change-related issues	Potential litigation or penalties to BBVA arising from issues related to climate change, including improper management of associated risks, whether in its business, its actions, its communications, in its supply chain or otherwise.	ST			
Risk of litigation and sanctions for third parties	Possible litigation or sanctions affecting BBVA's customers. BBVA could be impacted, among other things, by the loss of solvency of its customers as a result of such litigation or sanctions.	ST			

Risk subtype	Risks associated with climate change	Risk description	Time horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Technological	Replacement of existing products and services with lower-emission alternatives	BBVA customers with a position in sectors that are outperformed by alternative technologies could suffer solvency problems and their ability to cope with their credit commitments could be diminished.	ST		
	Failed investment in new technologies	Customers that invest in failed technology may go through solvency difficulties and be unable to meet their credit commitments.	ST		
	Cost of transitioning to low-emission technology	The necessary investments to be made by BBVA customers to change their production models and in R&D can have a negative impact on the balance sheet structure or profitability of said customers if they are not made properly and reduce the ability to meet their credit commitments.	ST		
		Costs of investing in remodeling and adapting BBVA-owned buildings.	ST		
Market	Changes in (market) trends, financial agent and consumer preferences	Changes in demand caused by changes in consumer preferences can lead to falls in sales for BBVA customers and result in loss of profits and solvency.	ST		
		Reduction in demand for certain products can cause price falls that affect the valuation of companies' assets (crude oil reserves, fossil fuel cars, etc.).	ST		
		Increased demand for certain products or services may impact on the price of certain raw materials. While this may be reflected in prices, it may lead to lower profits or the loss of BBVA's customers' market share.	ST		
		Risk of change in the Bank's customer preferences for not considering the Bank well positioned in the sustainable segment.	ST		
	Uncertainty in market signals	Difficulty or impediments to proper price formation or allocation of financing or investment sums.	ST		
		Forecasts made by research agencies or services to dictate the strategy of entities may not be fulfilled due to abrupt changes in the market caused by changes in regulations or demand.	ST		
	Increased cost of raw materials	Sharp changes in the price of raw materials, resulting in changes in supply or energy cost, can lead to deteriorating liquidity and declining profits for customers.	ST		
		BBVA's energy supply cost.	ST		
	Financial risks	Risk of a significant increase in the cost of financing customers with higher exposure to risks associated with climate change, in a way that affects their solvency by making it more difficult for them to cope with their credit commitments.	ST		
		Risk of worsening the credit rating of customers with exposure to risks associated with climate change, with the associated adverse effects for BBVA.	ST		

Risk subtype	Risks associated with climate change	Risk description	Time horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Reputational	Change in consumer preferences	Direct risk of customer loss for not meeting what various stakeholders expect from BBVA as regards the climate change challenge.	ST		
		Indirect risk of loss of business from our customers for not meeting the expectations of the various stakeholders in the challenge of climate change.	ST		
		Demand from customers to limit our operations' direct impacts.	ST		
	Stigmatization of a sector	Risk of assets stranded by a sharp change in the perception of a sector, with loss of sales.	ST		
	Exclusions in certain sectors due to market pressures	Withdrawal from profitable deals due to reputational risk or industry regulations prohibiting or limiting it.	ST		
	Increased stakeholder scrutiny	Risk derived from greater scrutiny of activities, policies, goals and the way in which aspects related to climate change are disclosed. The Group's reputation may be damaged if its efforts to reduce environmental and social risks are considered insufficient, including when certain public goals could be affected by exogenous elements, or if a perception is generated among the various stakeholders that the Group's statements, actions or communications are not in line with the sustainability profile of the Group, its products, services, goals and/or policies. Divergent views on climate change could have a negative impact on the Group's reputation.	ST		

Likewise, operational transition risk has been incorporated into the entity's ordinary non-financial risk management model, establishing a Greenwashing Prevention Program at both product and entity level.

The main lines of action of the Program include both quantitative risk analysis and the development of control frameworks and other mitigating actions for the main activities that generate this type of risk (advertising and external communication, distribution of products with sustainable characteristics, etc.).

Physical risks

Risks which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

TABLE 02. Physical Risks

Risk subtype	Risks associated with climate change	Risk description	Time horizon		
			ST <4 years	MT 4-10 years	LT >10 years
Acute risks	Increased severity of extreme weather events, such as cyclones and flooding	Reduced revenue from decreased production capacity (e.g. transport difficulties and supply chain disruptions).		MT	
		Direct losses from asset damage (BBVA and customers).		MT	
		Increased cost of insurance.		MT	
	Business continuity problems	Damage to BBVA facilities from environmental catastrophes that hinder normal service provision.		MT	
Chronic risks	Changes in precipitation patterns and extreme variability weather patterns	Loss of value of customers' assets (guarantees) because they are located in areas with water supply problems (desertification).		MT	
		Increases in customers' operating costs (investments in agriculture).		MT	
		Lower renewables production (hydro and wind).		MT	
	Rising average temperatures	Population movements that can lead to depression in certain areas, accompanied by loss of business.			LT
	Sea level rise	Threats to customer assets that can lead to loss of profits and their solvency.			LT

Climate change opportunities for BBVA

In addition to the existing risks previously described, a number of associated opportunities also emerge, which BBVA is very aware of in order to seize and position itself correctly amidst the significant disruption posed by climate change.

TABLE 03. Climate change opportunities for BBVA

Sector	Opportunity	Time Horizon		
		ST <4 years	MT 4-10 years	LT >10 years
 Oil & Gas	Possibility of reusing oil & gas transport assets for biofuels and hydrogen.		MT	
	Electrification of the oil & gas industry, and use of hydrogen.		MT	
 Chemicals	Carbon capture and storage through chemical separation of carbon dioxide for later reuse.	ST		
 Electricity	Strong boost to renewable energy, electricity storage.	ST		
	Energy efficiency services and hydrogen development.		MT	
	Development of nuclear fusion.			LT
 Construction & infrastructures	Boosting the distribution of solar panels.	ST		
	Renovation of buildings (headquarters, housing, premises, etc.) as well as industrial plants in need of energy-efficiency improvements because of the increased regulatory impact and self-consumption.	ST		
	Infrastructures to improve climate change adaptation: changes in cities, development of a smart grid, charging infrastructure for electric vehicles.	ST		
 Transportation	Efficient low-emission and mobility services (electrical, Liquefied natural gas -LNG- and hydrogen).	ST		
 Mining & metals	Production of metals to manufacture electric vehicles (copper, lithium, cobalt and nickel among others).	ST		
 Agriculture	Efficient irrigation systems, use of waste as a source of biogas.	ST		
	Renewable energy use (solar) in agricultural plants.	ST		
	Development of new anti-drought products.	ST		
	Use of sustainable fertilizers and feed. Animal welfare.	ST		
 Carbon markets	Creation of carbon credit markets.	ST		
 Other sectors	Circular economy, recycling, waste and water treatment, tree planting, food industry, tourism industry conversion to carbon neutrality (fossil fuel change, etc) and natural capital.	ST		

Resilience of the strategy to climate change risks

The concept of climate resilience implies that organizations develop the adaptive capacity to respond to climate change, taking advantage of opportunities and managing the associated transitional and physical risks.

TCFD recommends that organizations describe the ability of their strategy to leverage opportunities related to climate change, consistent with a scenario of orderly transition to a low-carbon economy, but also their resilience to possible scenarios of increased climate risks.

As mentioned earlier, BBVA's strategy may be affected by climate-related risks and opportunities. Therefore, BBVA is working on measuring the impact of different climate scenarios, both transition and physical risks, on its strategy and business.

The first results, obtained within the framework of the Climate Stress Testing regulatory exercise promoted in 2022 by the European Central Bank, show immaterial impacts on both transition risk and physical

risk. However, it is important to consider that methodological limitations, especially in terms of data and scenario design, could be underestimating the losses estimated by the financial system. BBVA is working to reinforce and strengthen bottom-up methodologies and analytical capabilities in order to obtain projections of customer financial statements and estimate impacts on collateral values based on different climate scenarios and over different time horizons.

In addition, this year it is also planned to include the impact of a physical risk event in the capital self-assessment exercise (ICAAP), in this case for the Mexican economy.

Finally, the resilience of the strategy in the face of different climate scenarios is reinforced by the fact that BBVA has set sustainability as one of its six strategic priorities, with a special focus on the fight against climate change, integrating its goal of

aligning its financing portfolio with scenarios compatible with the Paris Agreement. It is also worth highlighting the intermediate targets for 2030 for CO₂ emission reductions in the oil & gas, power generation, auto, steel, cement, coal², aviation and shipping sectors.

On the business side, the analysis is ongoing and the available results point to a resilient situation, given the relatively low exposure to customers and sectors with higher weather-related risks. In fact, BBVA's wholesale exposures related to emission-intensive and transition risk-sensitive activities represent approximately 11.80% of total wholesale exposure, and 5.87% of the Group's total exposure as of December 31, 2023. Additional information on risk assessment and scenario analysis is included in

[INTEGRATING CLIMATE CHANGE INTO RISK PLANNING](#) in chapter [MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE](#).

² Coal phase-out by 2030 in developed countries and by 2040 globally (under the terms of the Environmental and Social Framework).

Main advances in the execution of the strategy

BBVA has defined sustainability as one of its six strategic priorities, focusing on the fight against climate change and the protection of natural capital, and inclusive growth.

BBVA is committed to supporting its customers in the transition toward a more sustainable future.

The world lives in an era of unprecedented change and sustainability is a great short and long-term opportunity

Decarbonization requires a structural technological transformation and progressive changes in demand that affects all industries, with global and immediate impact, and is entailing an unprecedented investment cycle. It is estimated that global investments of 275 trillion US dollars will be necessary until 2050, equivalent to an annual investment of 8% of world GDP³.

Banks have a key role in financing this transformation and channeling funds toward decarbonization technologies that deliver long-term growth.

Additionally, there are still large inequalities in the world, which may be increased by the effect of climate change and by efforts to achieve decarbonization. Banks can play a fundamental role in the development of inclusive growth through financial inclusion, infrastructure financing and the generation of a business network.

3. Source: "The net-zero transition: What it would cost, what it could bring", McKinsey & Company, 2022.

Being a pioneer provides a competitive advantage

Being a pioneer provides a competitive advantage because it allows capturing a greater share of incremental business by having expert positioning and knowledge and developing differential management of the risks associated with sustainability. Capturing this opportunity requires years to carry out a deep transformation throughout the value chain: strategy, policies and processes, business capabilities and risk management.

Convinced of the importance of being a pioneer, BBVA has placed sustainability at the center of its strategy since 2019 and has made relevant decisions that have accelerated its transformation process:

- Creation of the Global Sustainability Area at the highest level of the organization and focused on the business⁴.
- Risk management that integrates sustainability as a relevant lever.
- Variable remuneration for all employees associated with the mobilization of sustainable business.

4. From 2023, the Global Sustainability Area and the Corporate and Investment Banking (CIB) business area have the head to continue advancing in the integration of sustainability in business.

Sustainability at the center of BBVA's strategy: sustainability objectives

Sustainability is a central aspect of BBVA's strategy. The execution of said strategy rests on the achievement of two clear objectives:



OBJECTIVE 01.

Promoting new business through sustainability

FROM 2018 to 2025

300 Bn€

REAL 2018 - 2023

206 Bn€

(70 Bn€ in 2023)

OBJECTIVE 02.

Achieving Net Zero Emissions by 2050

Setting and managing decarbonization targets by 2030

SECTORS

-  OIL & GAS
-  POWER GENERATION
-  AUTO
-  AVIATION
-  STEEL
-  CEMENT
-  COAL
-  SHIPPING

DECEMBER 2023

80%

The loan portfolio corresponds to customers who actively manage their transition⁵.

5. Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as Loans, unused Revolving Credit Lines, Guarantees, ECA lines, among others). Data as of December 2023. Corresponds to high-emission sectors that include oil & gas, power generation, auto, steel, cement and aviation at BBVA Group level. The percentage of the loan portfolio does not include the coal sector for which BBVA has defined a progressive exit plan for 2030 in developed countries and in 2040 globally (in the terms of the Environmental and Social Framework), nor the shipping sector. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator (TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.



OBJECTIVE 01.

Promoting new business through sustainability

BBVA applies a holistic vision of sustainability that covers the following **THREE DIMENSIONS** in all the geographies where it operates:



CLIMATE

Business opportunities in relation to limiting global warming: electric transportation, energy efficiency, renewable energy, etc. (more information in chapter [CHANNELING SUSTAINABLE BUSINESS](#)).



NATURAL CAPITAL

Business opportunities in relation to positive nature: agriculture, water, recycling (more information in chapter [MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE](#)).



INCLUSIVE GROWTH

Business opportunities in the social field: inclusive infrastructure, entrepreneurship and financial inclusion, among others (more information in chapter [CHANNELING SUSTAINABLE BUSINESS](#)).

BBVA promotes the creation of new business around sustainability with **THREE PRIORITIES**:

Priority 1.

Promoting personalized advice to customers to capture incremental business opportunities related to sustainability

A. WHOLESALE CUSTOMERS (corporate and institutional): sector solutions based on innovation and the development of specialized knowledge focused both on the opportunities of the transition toward more sustainable production models, and on the customer's contribution to inclusive growth.

B. ENTERPRISE CUSTOMERS: proposals focused on simple and scalable solutions that allow potential economic savings, for example in energy efficiency issues or fleet renewal.

C. RETAIL CUSTOMERS: personalized digital solutions based on data analytics for the mass consumer market with a focus on energy savings in the customer's home, solutions for their mobility or financial and social inclusion.

Additionally, BBVA, through BBVA Asset Management (hereinafter, BBVA AM) and its asset managers in the geographies where they operate, offers sustainable investment solutions for its customers.

For more information on the above, see the breakdowns on sustainable products or products that promote sustainability in chapter [CHANNELING SUSTAINABLE BUSINESS](#).



Investment in climate funds

In addition to financing the transition through its business, BBVA contributes to the development of new and innovative low-carbon technologies through investment commitments in climate funds focused on decarbonization. These funds invest globally in companies at the forefront of technological and climate innovation, seeking innovative solutions that help decarbonize the planet.

Specifically, in 2023, BBVA has made the following investment commitments:

20M USD in Just Climate

A climate asset fund whose objective is to invest in high-impact solutions aimed at eliminating or reducing emissions from sectors that are difficult to abate and/or large CO₂ emitters, especially in the industrial field such as the of cement or steel.

4M EUR in Suma Capital

A Spanish infrastructure fund specialized in energy transition, circular economy, and specifically, in waste management to produce energy: biogas and biomethane.

25M USD in Lowercarbon

Raising the total committed to 45 million US dollars. This fund is specialized in disruptive decarbonization technologies with great potential such as the capture, transport, storage and use of CO₂ (CCUs) or nuclear fusion.

25M USD in the first fund of Decarbonization Partners, a joint venture of BlackRock and Temasek,

which invests in both seed and more advanced stage companies whose activities and technology aim to accelerate decarbonization and the transition to carbon neutrality.

These investment commitments join the commitments made by BBVA in 2022:

10M EUR in Hy24

A fund specialized in projects that invest in the entire green hydrogen value chain.

10M USD in Fifth Wall

A fund that invests in companies specialized in reducing and/or mitigating CO₂ emissions in the construction and real estate sector.

20M USD in Lowercarbon fund as mentioned above.

Priority 2. Development of differential risk management capabilities:

Starting from a low exposure to sectors with high carbon emissions⁶, BBVA focuses on promoting incremental business thanks to its competitive advantage in sustainability based on differential knowledge on risk management to advance the dialogue with customers. This allows to capture business opportunities while managing the risk. For this, specific risk frameworks are being developed to support new business (e.g. new sustainable technologies) and defining a strategic plan to attract new customers based on their level of transition.

Furthermore, the Group continuously develops their capabilities through the creation of advanced tools and the

continuous training of their risk teams. It is worth noting that in 2023, 95% of the loan portfolio in sectors with high emissions has a Transition Risk Indicator (hereinafter TRi), of which 80% corresponds to customers who actively manage their transition and that as of December 31, 2023, more than 68% of the risk team is trained in sustainability⁷.

Priority 3. Implementation of control processes:

BBVA continually works on the definition and adaptation of processes to guarantee operational efficiency and adequate internal controls, including the definition of solid criteria to classify sustainable business, with a focus on data quality, the evaluation of non-financial risks and definition of mitigating measures.

This implementation of processes is based on the full integration of sustainability in the organization with a solid governance model, as described in chapter [GOVERNANCE MODEL](#). Furthermore, in the established remuneration system, incentives linked to sustainable business are included for the commercial network and an annual variable remuneration linked to the promotion of sustainable business for all employees. From 2023, long-term variable remuneration is associated with decarbonization objectives for members of the identified group, including executive directors and senior management of BBVA. For more information on the inclusion of non-financial indicators in the calculation of annual variable remuneration, see the Annual Report on Remuneration of BBVA Directors.



6. 5.87% of the total exposure at BBVA Group level to sectors defined as High Transition Risk, with an exposure to this risk as high or very high (Oil & Gas, Power Generation, Auto, Steel, Cement, Coal mining and Transportation). Data as of 31 December 2023.

7. For more information on training initiatives in the area of sustainability, see Appendix 4 of this report.


OBJETIVE 02.

Achieving Net Zero Emissions by 2050



SECTORIAL ALIGNMENT PLANS

To define commercial strategy and guide selective growth based on risk considerations and business opportunities



EVALUATION OF CUSTOMERS' TRANSITION PLANS (Transition Risk indicator - TRi)

With specific tools integrated into the business strategy and decision-making process



INTEGRATED INTO THE OPERATION ADMISSION PROCESS

Proactive and dynamic portfolio management, assessing the impact of individual transactions

Developing a **decarbonization** strategy to align our portfolio to Net Zero

BBVA has developed a decarbonization strategy for portfolio alignment and a management model for monitoring decarbonization objectives and capturing business growth potential through:

- Sector alignment plans: to define a commercial strategy and guide selective growth based on risk considerations and business opportunities. For more information about these plans, see chapter [ALIGNMENT METRICS](#).
- Evaluation of customer transition plans based on the Transition Risk Indicator (TRi): with specific tools integrated into the business strategy and decision-making process. For more information about these plans, see the chapter [ALIGNMENT METRICS](#).
- Integration into the transaction admission process: proactive and dynamic portfolio management, evaluating the impact of individual transactions.

BBVA recognizes that meeting decarbonization targets also depends on governments, regulators and supervisory bodies, through their public and/or sectoral policies. Collaboration between the financial sector and these actors is key to achieving an effective and lasting shift toward a cleaner and more sustainable economy.

Engagement strategy with customers, the industry and the public sector

The following details how BBVA obtains information from its customers, analyzes it and proactively and constructively provides solutions to help them transition to a net zero emissions future, depending on the customer's progress in their path toward decarbonization. This is consistent with its Net Zero 2050 strategy and its transition plan.



Due diligence process and knowledge of the customer, analysis of environmental and social risks and opportunities

Wholesale customers

BBVA increases the knowledge related to sustainability of its wholesale customers through different processes:

- **SUSTAINABILITY QUESTIONNAIRES:** Adapted to different industries that are applied in the development or renewal of the financial program. It allows risk managers and specialists to have greater knowledge of customers' environmental performance.
- **ENVIRONMENTAL AND SOCIAL FRAMEWORK:** Based on the information included in the KYC (Know Your Customer) form and that provided by an external advisor expert in ESG, BBVA supervises that new wholesale customers, covered by its Environmental and Social Framework, do not incur general exclusions or specific

restrictions, foreseen for the sectors covered by the Framework: mining, agribusiness, energy, infrastructure and defense. On a biennial basis, BBVA carries out an evaluation of the groups belonging to the stock under the sectors of this Framework. At the end of 2023, more than 330 groups have been analyzed, having initiated a dialogue and support plan with 11 of them. To carry out its effective implementation, BBVA has the advice of an independent expert who carries out due diligence on the covered customers.

The Framework (originally approved in 2020) is prepared and coordinated within the Global Sustainability Area and is approved by its manager.

- **EQUATOR PRINCIPLES:** Although financing projects in sectors such as energy, transportation and social services drives economic development and creates jobs, it also carries potential environmental and social impacts. Therefore, BBVA implements environmental and social risk assessment processes in this area to mitigate and prevent negative impacts, reinforcing the economic, social and environmental value of these financings.

In 2004, BBVA adhered to the Equator Principles (hereinafter, EP), which establish standards for environmental and social risk management in project financing.

Currently, in their fourth version (EP4), these principles are applied globally in all industrial sectors and cover five financial products related to projects:

- (I) financing advice;
- (II) financing;
- (III) corporate loans;
- (IV) bridge loans; and
- (V) refinancing and acquisition.

In accordance with the EP, BBVA subjects each project under the scope of EP4 to an environmental and social due diligence analysis, considering impacts on climate change and human rights. This analysis is integrated into BBVA's internal operations structuring, admission and monitoring processes, aligning with its Environmental and Social Framework. Each operation is classified according to its risk level (categories A, B or C) and the documentation provided by the customer and independent advisors is reviewed. A specialized team at BBVA supervises and evaluates these projects, contributing to committee decisions and risk approvals. In addition, BBVA financing contracts include specific environmental and social obligations for the proper management of the project by the customer.

Regarding the evaluation of human rights and according to the EP, BBVA requires due diligence on projects that may impact indigenous communities. In cases where this circumstance occurs, the free, prior and informed consent of these communities must be obtained, regardless of the geographical location of the project. It also requires, in accordance with the projects, liaison with the communities impacted by the projects. If potential risks are detected, the operation must include effective management of these risks as well as operational mechanisms for managing claims. Regarding climate impacts, in accordance with the EP, the impacts of the projects are evaluated considering scenarios as well as mitigation and management measures adopted.

In 2023, BBVA has developed a procedure for managing environmental and social disputes with the objective of identifying the existing processes that prevent the materialization of disputes in addition to establishing the way of managing and resolving them in this area. This procedure covers environmental and social controversies associated with wholesale customers that are incorporated in the development of their programs financial.

BBVA has developed a "Guide to integrating ESG factors in wholesale credit analysis" where the most relevant environmental and social aspects are identified by industry and obtains metrics to monitor the performance of corporate customers.

Additionally, BBVA has defined an internal taxonomy of transition risk in order to classify sectors based on their sensitivity to this type of risk. In the preparation and definition of the sectoral frameworks used in the admission of credit, the metrics are identified that allow the vulnerability of each customer to be assessed to transition risks and integrate this aspect into risk and support decisions. Additional information on this point is detailed in chapter [MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE](#) of this report.

Progress is also being made in developing internal customer classification capabilities based on their public information, low-carbon business profile and decarbonization plans. In the area of CBB, BBVA has used data analytics to calculate the carbon footprint of companies and uses it to offer valuable solutions to its customers. The carbon footprint calculator for companies provides information on the ESG profile of customers (footprint calculation, temporal evolution, comparison with the sector average and similar companies, etc.), which allows customers to be categorized and

carry out advisory actions and commercial actions that are directed, personalized and adapted to the profile of each customer.

Recent updates have been implemented including the ability to set energy savings goals. In addition, alerts have been added that warn when the objective is being reached and a comparison of consumption compared to other companies in the same sector of activity (NACE), with a similar level of billing and equivalent number of employees on staff. This comparison shows the monthly spending percentile in relation to the rest of comparable companies.

In addition, BBVA uses natural language processing techniques for the ESG categorization of large-scale corporate customers based on public information such as corporate customer websites, official records, news, etc. These techniques constantly enrich the commercial information provided and help customers improve their environmental performance.

Retail customers

BBVA identifies, accredits and documents the activity carried out by retail customers through KYC under a risk approach. This allows for better knowledge of customers, their operations, customer segmentation, products, channels, jurisdictions and transaction monitoring.

As for individual customers, they have the possibility of calculating their carbon footprint thanks to their digital capabilities and data analytics. This service aims to raise awareness about the impact that their actions have on the environment and help them in the transition toward a more sustainable world. By adding the characteristics of the home (surface area, energy certification, etc.), BBVA can assess improvements in energy efficiency and offer information on simple and sustainable changes in habits that can help reduce its customers' home bills individuals.

This service is available in Spain, Turkey and Mexico, and work is being done so that Argentine customers can also use it in 2024.

On the other hand, in Spain it is already possible to visualize the potential savings when switching to an electric car or installing solar panels, as well as purchasing these items along with financing options offered by BBVA through its digital platforms. This has been possible thanks to the strategic agreements established with companies in the sector. Likewise, customers have the possibility of contracting one of the sustainable products provided by BBVA and using the Valora tool, which allows them to have an estimated and automatic valuation of their real estate and transportation assets.

Interaction and ESG dialogue with customers

Sustainability is part of the recurrent interaction and dialogue (engagement) with our wholesale customers and of the value proposition presented, both at a strategic and commercial level, and is integrated into the processes of admission, pricing and risk management processes. BBVA interacts and shares ESG knowledge and best practices with its wholesale customers through different mechanisms.

In 2020, the ESG Advisory service was created to help global customers in their transition toward a more sustainable future in all sectors of activity. This is a data-based proposal aimed at facilitating the objectives that customers are assuming to align with the Paris Agreement and advance the United Nations 2030 Sustainable Agenda. The dialogue with customers on ESG aspects is based on:

- Overview of how sustainability is evolving in the political and financial context, explaining the main regulatory issues, reporting, financial market developments, ESG ratings, etc.
- Specialization in several industries that face the greatest challenges in the transition to a low-carbon economy:

oil & gas, power generation, automobile and auto parts manufacturers, as well as other industries such as infrastructure, processed foods, beverages, cement, fintechs and pharmaceuticals.

Customers are informed about the key challenges and opportunities for each industry and the dialogue focuses on each industry's roadmap to align with the Paris Agreement. BBVA provides information to its customers on regulation, technological improvements and best practices in each industry, as well as a comparative analysis on how similar companies are evolving in terms of ESG, different alternatives to improve their sustainable profile and how to set specific short and medium objectives.

- Specialization in topics such as Cleantech, biodiversity, ESG Rating, Carbon Markets and Nature-Based Solutions, in which BBVA does specific advisory to customers with the idea of helping and, where appropriate, accelerating their transition with debt solutions but also equity.
- Support in the analysis customer scope 3 emissions and in turn the carbon footprint of its suppliers, in order to develop future strategies that reduce the environmental impact of value chains and increase their resilience.

- Offering customers a list of sustainable products or products that promote sustainability (bonds, loans, transactional banking activity, etc.) that, in addition to meeting their financial needs, support their sustainable transformation.

BBVA provides direct support to its wholesale customers, both global and non-global, in incorporating ESG practices into their business strategies and operations. This is achieved through one-on-one meetings, mass outreach events and project consulting focused on initiatives such as energy efficiency, renewable energy, efficient construction and sustainable mobility. Sustainable practices are also promoted, covering efficient water management, the circular economy, waste management, environmental impact and care of biodiversity, among other aspects.

Managers have information on sustainable solutions applicable to different sectors of the economy so that they can make more focused proposals for their customers. BBVA, in collaboration with a company specialized in managing European funds from the Next Generation EU program, approved by the European Commission, offers an information service to customers that promote Spanish business projects related to the ecological transition and sustainable mobility, among others.

BBVA supports its SME customers in incorporating ESG practices through one-on-one meetings and visits, mass participation events or project advice with technology and consulting firms. BBVA provides information to its customers through digital channels and through the commercial branch network. A comprehensive service model that ranges from awareness raising, project design and public aid management.

Likewise, customers have access to informative information and a catalog of sustainable products or products that promote sustainability through transactional web platforms and mobile banking apps. These resources are also provided by managers in the offices. The Group makes available to its customers information about the products, advice on sustainability and explains where it comes from, their impact on the environment (savings in consumption with an energy efficiency loan, fuel savings with a loan for fleet renewal of vehicles, etc.).

The customer service model is complemented with external capabilities, which is reflected in the development of strategic alliances with third parties. These alliances are essential to contribute to supporting the sustainable transition of companies and individuals. Among them, the following stand out:

- The development of sustainable business in Spain, focused on the promotion of sustainable mobility, has allowed BBVA to close agreements with the association that makes up the vehicle dealer associations and the dealers collaborating in the vehicle business of consumer finance for the distribution of electric and plug-in hybrid cars and the renewal of fleets for companies.
- The promotion of solar self-consumption and the development of energy saving projects in the main geographical areas where BBVA is present has made it possible to build alliances and agreements with solar panel installation companies in Mexico, Spain, Argentina, Colombia and Peru.
- Agreements with multilateral organizations and development banks to promote sustainable businesses, such as the agreement with the International Finance Corporation in Peru and Colombia.

Finally, events have been organized with content related to sustainability: trends, sustainable finance, risks, opportunities, energy efficiency, renewable energy, sustainable transport and agriculture.

In March 2023, the First Edition of the ESG Summit was held in Mexico, where BBVA tried to convey the importance of integrating ESG criteria into the business model. And in October the “Image 23 BBVA Sustainability Summit” was held, in which strategies and experiences were shared to address climate change and inclusive growth.

Garanti BBVA has held several conferences in different locations within the thematic program of events entitled “Sustainable future in exports”, to explain the key points of the EU ‘Green Deal’ and the Carbon Border Adjustment Mechanism and offer concrete proposals to institutions and companies, especially SMEs, involved in exporting to the European Union.

At the same time, in April 2023, the BBVA Sustainability Forum took place in Uruguay, which brought together authorities, experts and businessmen who analyzed the various initiatives to support the fight against climate change.

Metrics of interaction and dialogue with customers

From 2020, CIB bankers have visited more than 260 large corporate and investment banking customers and performed more than 470 pitches with the aim of maintaining a dialogue and discussion focused on sustainability (they represent approximately around 20%⁸ of the corporate and institutional customer base). In total, visits have been made to customers from 30 different countries and of them, around 35% have been visited in more than one geographic area in which BBVA is present. In 2023, nearly 90 global customers have been contacted through the ESG Advisory service.

Additionally, in 2023, in Spain alone, more than 400 commercial and ESG advisory visits were made to CBB customers, who were presented with a value proposition with ESG characteristics adapted to their needs and profile. In Mexico, around 500 commercial actions with a sustainable approach have been generated. BBVA has a network of experts in sustainable mobilization in Spain, Mexico and Peru (it is in the development phase in the rest of the countries), to support customers in their transition toward a greener future.

The service offered by the Next Generation EU program aid portal, after its first two years, has accumulated more than 100,000 visits, generating 6,500 leads and has concluded more than 450 contracts for the processing support service.

Other actions to promote sustainability

In addition to initiatives aimed specifically at customers, BBVA also creates and disseminates information available and accessible to all its stakeholders.

Specifically, BBVA has launched the BBVA Greenfluencers program, which improves understanding of the challenges faced by different industries in the field of sustainability. It aims to convey the messages of the activity, the global nature of the wholesale business and highlights the relationship with leading customers from different sectors and geographies. Almost 70% of subscribers open the newsletters of Greenfluencers and more than 50% of the chapters have been recorded in different geographies, reaffirming its global character.

Likewise, in 2023, BBVA published more than 580 articles related to sustainability on its corporate website that have impacted almost 4.1 million users and account for more than 7.8 million page views, articles that add to those of more than 1,500 articles from the years 2012 and 2022. Of all of them, it is worth highlighting the dissemination work, specifically, in the Planet category 'Biodiversity Conservation' and 'Natural Capital'.

BBVA offers the possibility of downloading monographs specialized in sustainability with one objective and to contribute to achieving a greener and more inclusive society and planet. Through these contents and others of an informative nature, the entity reinforces its intention to inform and raise awareness on this matter. Additionally, 6 new monographs have been published on right to energy, climate migrations, biodiversity, drought, natural capital and sustainable transition in SMEs. In total, 13 monographs have been published, generating more than 16,700 downloads. To help disseminate all this content, BBVA distributes a newsletter that has more than 11,900 subscribers and an opening rate greater than 35%.

⁸ Customer base updated with data as of October 2023, from a managed group proxy.

During this year, 59 podcasts have been made (more than 51 from “Aprendemos Juntos” and more than 8 from “Futuro Sostenible”) that have amounted to more than 4.2 million downloads. It is worth highlighting the launch of interviews in Sustainable Future expert talks, where topics of interest to citizens are addressed and key questions on sustainability issues are answered. In addition, more than 50 sustainable-themed videos were published on YouTube which, together with the existing ones, have more than 3.3 million views since 2020.

Regarding the content shared on social networks, since the beginning of the sustainability content positioning project (January 2021), more than 8,500 publications have been generated that have generated more than 172 million impressions and more than 1 million interactions. Through social networks, BBVA reaches out to people, interacts and shares knowledge on ESG issues, seeking to generate a positive impact and raise awareness about how important it is to take action.

Likewise “Aprendemos Juntos 2030”, BBVA’s global project that aims to promote sustainability education to help people build a greener and more inclusive future, has been recognized by the United Nations for its contribution to the Sustainable Development Goals (SDG) and continues to garner views month after month, reaching more than 2,980 million views accumulated on the project.

Interaction and dialogue with the industry and the public sector

For more than two decades, BBVA plays an active role in multiple global initiatives, seeking to redefine the financial system with sustainability as a key component in financial decisions, supporting the United Nations Global Compact, actively participating with various stakeholders, from regulators and supervisors to investors, shareholders and civil society organizations.

Firstly, at a sector level, BBVA has been a member of UNEP-FI since 1998 and has chaired its steering committee from 2019 to December 2023. In addition, it was one of the founding banks of the Responsible Banking Principles, establishing a reference framework for sustainability in the banking sector.

In the European Banking Federation, it chairs the group of experts on sustainable finance and at a global level participates in working groups on sustainable finance at the IIF (International Institute of Finance). At the local level, it promotes sustainability committees in banking associations in several countries, sharing practices and methodologies on climate change management for banks.

BBVA is a founding member of the Net Zero Banking Alliance and is part of its steering committee, within the Glasgow Finance Alliance for Net Zero (GFANZ).

Likewise, BBVA, together with four other banks that signed the Katowice commitment, and with the support of the think tank 2 Degree Investing Initiative (2DII), has collaborated in the development of the PACTA (Paris Agreement Capital Transition Assessment) methodology for the decarbonization of credit portfolios of financial entities. BBVA is also a member of the Partnership for Carbon Accounting Financials (PCAF), whose objective is to establish an international methodology to measure and disclose greenhouse gas emissions financed by banks and investors.

Since March 2023, BBVA has been a member of the Financial Industry Advisory Council of the International Energy Agency (IEA). This initiative aims to be an institutional channel between the agency, the financial community and those responsible for energy policies and promote dialogue on issues that affect energy investments, particularly those related to the transition to clean energy. In September, BBVA actively participated in UN Climate Week in New York and parallel events such as meetings within the framework of the WEF Sustainable Development Impact or the Net Zero Banking Alliance (NZBA).

In 2023, BBVA has maintained its active participation in discussions with public authorities at the community, global level and in the various jurisdictions where it operates. In particular, it is worth highlighting its work in monitoring and accompaniment with the European regulator on key sustainable finance issues, ranging from the Directive on environmental and human rights due diligence, the Green Bond Standard (EuGB), the development of standards of sustainability breakdowns (EFRAG, ISSB - where BBVA participates in the IFRS Advisory Council-), European regulatory reviews on capital requirements, the evolution of the European taxonomy and reviews of the emissions trading regime of the European Union (EU STD).

BBVA also promotes sustainability and maintains a dialogue with European institutions through its active participation in associations. In 2023, BBVA has continued its support with CSR Europe, through initiatives such as the Leadership Hub and through webinars and workshops on different topics such as green taxonomy, ESG reports or sustainability due diligence.

A second area of relationship has been with banking supervisory bodies. During 2023, supervisory activities related to climate risk have focused on comply with the commitments (action plan) of the thematic review carried out in 2022.

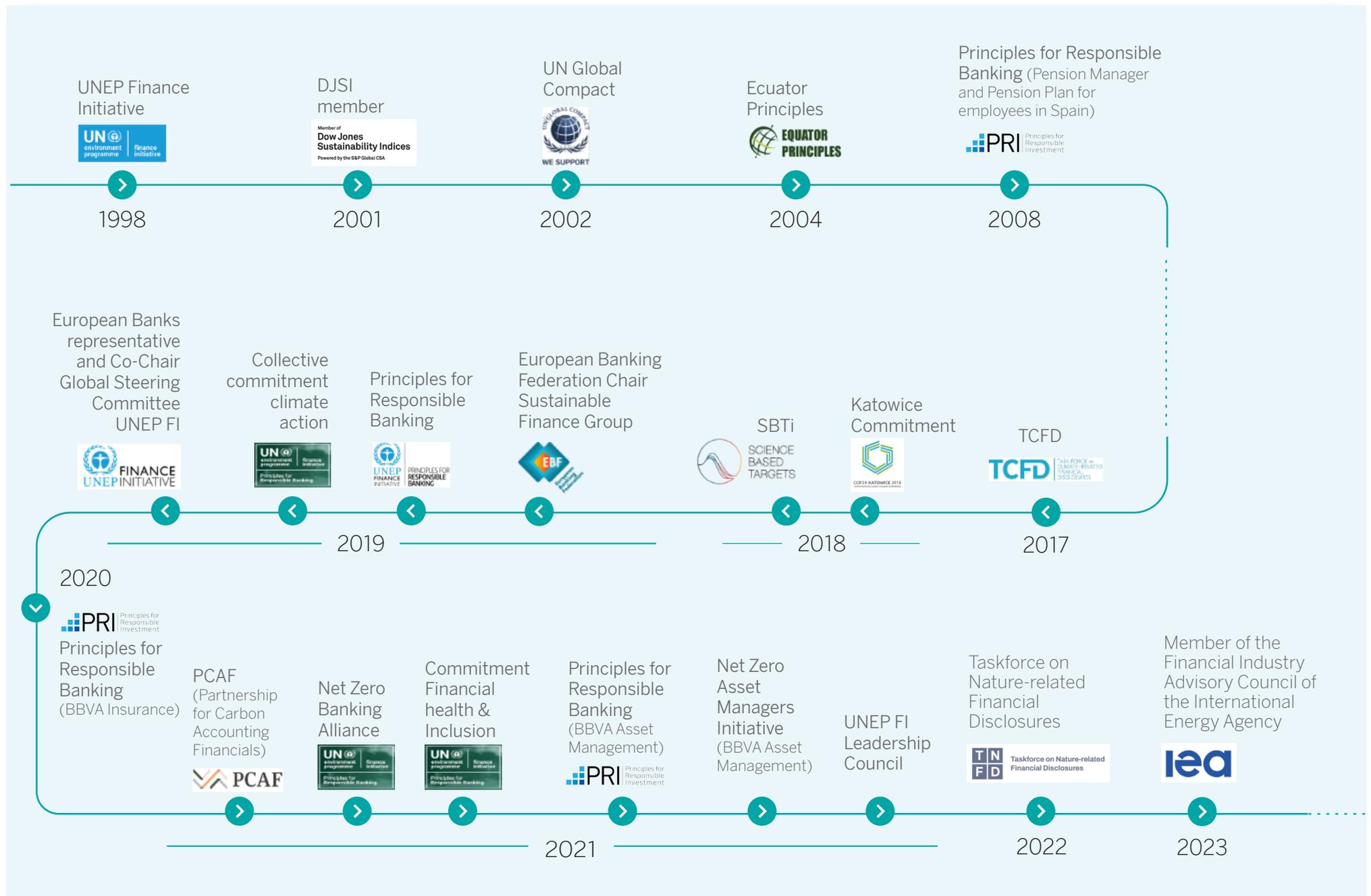
Additionally, in 2023 a stress exercise (“2024 Fit-for-55 climate risk scenario analysis”) has been announced for next year. This is a specific exercise in which all relevant banks will participate, in a “top-down” format and whose results will be published in aggregate form in the first quarter of 2025. The result of the exercise will not influence the annual evaluation process (SREP).

Beyond its own supervision activities, BBVA has actively participated in work sessions sharing its experiences with the European Central Bank, the Bank of Spain, the Bank’s Association of Turkey and the Bank of Mexico, among others.

Thirdly, and beyond the financial regulatory sphere, BBVA has continued to promote initiatives to ask governments for more ambitious action on climate change and public policies. It is worth highlighting the

calls to the G20 led by the WEF in Davos and at COP28, through the open letter of the Alliance of CEOs Leaders for Climate promoted by the World Economic Forum (WEF) of which BBVA is a member, calling on world leaders and participants in the United Nations Climate Change Conference in the United Arab Emirates to promote the necessary policies and actions at the government level and be able to comply with the Paris Agreement.

Finally, a fourth area of action related to involvement with governments has to do with promoting sustainable finance in emerging countries. BBVA considers it a priority to close the sustainable mobilization gap in these countries, without which it will not be possible to achieve net zero emissions. As a member of the European Commission’s High Level Expert Group (HLEG), BBVA actively participated in providing recommendations to the European Commission to boost sustainable financing in emerging countries and close the current financing gap for the SDGs (in the framework of the Strategy for Financing the Transition toward a Sustainable Economy), where BBVA is the only private bank in this group.



This English version is a translation of the original in Spanish for information purposes only. In case of a discrepancy, the Spanish original will prevail.

Universal frames of reference

BBVA was one of the 28 founding banks of the Responsible Banking Principles promoted by the United Nations alliance with the financial sector (hereinafter, UNEP-FI). This is a reference framework based on six principles that aim to respond to the growing demand from different stakeholders for a comprehensive framework that covers all dimensions of sustainable banking. Since 2020, BBVA has reported to UNEP-FI the progress and advances achieved in each of the six principles.

Within the framework of these principles:

- In 2021, BBVA was one of the founding banks of the Collective Commitment to Financial Health and Inclusion promoted by UNEP-FI (Collective Commitment to Financial Health and Inclusion) with the aim of promoting universal financial inclusion and fostering a banking sector that supports financial health of all customers.

- In terms of portfolio alignment with the Paris Agreement, in 2021 BBVA was a founding member of the UN Net-Zero Banking Alliance (NZBA). In 2023, BBVA was renewed as a member of the steering committee of this initiative as the only Spanish bank. BBVA participates in this international alliance whose objective is that the credit and investment portfolios of its members will be neutral in net zero emissions by 20250 as the deadline, in line with science and the most ambitious objectives of the Paris Agreement.

BBVA participates in a NZBA working group that is defining the appropriate use of carbon credits of customers. Carbon credits can play a complementary role in BBVA's decarbonization path beyond carbon footprint reduction efforts. In relation to the use of carbon credits, the objective remains to achieve the greatest possible reduction of the carbon footprint. The purchase of carbon credits should be limited to cases where there are no technologically or financially viable alternatives.

Additionally, BBVA AM is a member of Net Zero Asset Managers, an initiative launched by a group of international asset managers to support the goal of reducing net greenhouse gas emissions to zero by 2050 or sooner. Furthermore, in 2023, BBVA AM's employment plan manager adhered to the CNMV's Code of Good Practices for Investors in Spain.

Since 2017, BBVA has been adopting the TCFD recommendations of the FSB and has been reporting TCFD reports online with its utmost support for transparency. In its TCFD 2022 report, BBVA incorporated elements of a Transition Plan for the first time following the guides and recommendations for financial institutions published by Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.

BBVA participates in the development of:

- the Equator Principles,
- the Green Bond Principles,
- the Social Bonds Principles,
- the Green Loan Principles,
- the Social Loan Principles,
- the Sustainability Linked Bond Principles,
- the Sustainability Linked Loan Principles, and
- other similar standards developed by the industry itself.

The integration of sustainability in BBVA's financing structure

The issuance of green, social and sustainable bonds -with both a green and social component- plays a key role in achieving the previously mentioned objectives. The origination allows BBVA to support its customers' transition toward a low-carbon economy, and contributes to their progressive alignment with the objectives of the Paris agreement. Green, social and sustainable bonds and other debt financing instruments are effective instruments to channel funds to finance BBVA's business, customer projects in sectors such as renewable energy, energy efficiency, waste management, water treatment or access to essential needs and services such as housing or inclusive finance.

In April 2018, BBVA published its framework for the issuance of its own sustainable bonds, linked to the United Nations Sustainable Development Goals (SDGs). Under this framework, BBVA can issue three types of bonds:



Green bonds

Debt instruments whose funds will be used to finance new and/or existing green projects.



Social bonds

Debt instruments whose funds will be used to finance new and/or existing social projects.



Sustainable bonds

Debt instruments whose funds will be used to finance new and/or existing green and social projects.

This is a framework aligned with the Green and Social Bond Principles and the ICMA 2018 Sustainable Bond Guide, supported by strong governance and strict management and monitoring of net funds raised and is verified by an independent third party. The framework is public and available on the BBVA shareholders and investors website.

In 2022, a new global framework for the issuance of sustainable debt instruments was published (which replaces -except for current issues- the 2018 Bond Framework). The framework was updated to align it with the eligibility criteria for the environmental and inclusive growth categories provided for in BBVA's internal standards, based on the principle of substantial contribution provided for in the EU taxonomy for climate change, and to extend it to other debt instruments additional to the bonds. Like the previous one, the 2022 framework takes into account the best practices of the bond market, being aligned with the Green Bond Principles, Social Bond Principles and the Sustainability Bond Guidelines of the

ICMA, and the possibility is open of adapting it to the EU Green Bond Standard when applicable. Likewise, it has independent verification by an independent third party and is available on the BBVA shareholders and investors website.

The green, social and sustainable bonds -with both a green and social component-, issued by any of the BBVA Group entities as of December 31, 2023 and outstanding are:

TABLE 04. **Green, social and sustainable bonds outstanding in 2023** (BBVA Group)

Entity	Category	Issue type*	Issue Year	Nominal (millions)	Currency	Purpose
BBVA S.A.	Green bond	SNP	2018	1,000	EUR	
BBVA S.A.	Green bond	SNP	2019	1,000	EUR	
BBVA S.A.	Green bond	AT1	2020	1,000	EUR	Projects related to energy efficiency (including green buildings, renewable energy, sustainable transportation, water, and waste management) to generate positive environmental impacts.
BBVA S.A.	Green bond	SP	2022	1,250	EUR	
BBVA S.A.	Green bond	SP	2022	215	CHF	
BBVA S.A.	Green bond	SP	2022	210	CHF	
BBVA S.A.	Social bond	SP	2020	1,000	EUR	COVID-19 Social Bond: Support for mostly micro-enterprises.
BBVA Mexico	Sustainable bond	SP	2022	10,000	MXN	Projects associated with affordable housing, SME financing, microfinance, as well as energy efficiency and sustainable water and wastewater management.
BBVA Mexico	Green bond	SP	2023	8,689	MXN	Renewable energy, energy efficiency, and clean transportation projects.
BBVA Colombia	Green bond		2023	117	USD	Construction projects for water treatment plants and sewerage, preservation of oceans, and protection of lakes, highlands, and mangroves.
BBVA Uruguay	Sustainable bond	Tier 2	2021	15	USD	Emergency health assistance projects for SMEs affected by the COVID emergency and green loans focused on energy efficiency, sustainable construction, and smart agriculture.

* SNP = Senior Non-Preferred / SP: Senior Preferred / AT1: Additional Tier 1.

In the field of green, social and sustainable bonds, business areas that mobilize products identified as such according to the applicable criteria receive a bonus as long as the financing cost of this type of bonds is below conventional bonds, according to BBVA's transfer pricing system (hereinafter FTP), that is reviewed within the scope of the corporate Asset Liability Committee and which represents the basis for the rest of the Group's geographic areas.

The FTP is an essential part of BBVA's liquidity and financing management. The FTP is a tool to establish a price for the products offered by the bank that includes the cost of liquidity and financing for each transaction and serves as a main component for measuring profitability.

In addition to incorporating sustainability into its financing structure, BBVA is incorporating aspects related to sustainability in its day-to-day operations, both in its relationship with customers and in its internal processes, including its management control and reporting processes.

BBVA in Spain is integrating sustainability in its financial reports to senior management and business areas. These reports include

analysis of the evolution of profitability and impact on the income statement and some decisions on the allocation of internal resources are derived from them.

Financial reports are used recurrently to make decisions based on the sustainability axis, including sustainable business channeling data, profitability, percentage of penetration of sustainable activity, as well as balance sheets and income statements that allow monitoring of the sustainable operations for each of the activity segments.

It is planned that sustainability will be progressively integrated into the financial reports of other geographical areas.

In order to coordinate the Group's efforts in different countries and units, a part of the resources necessary to achieve sustainability objectives has been channeled through an internal tool called "Single Development Agenda" (SDA), where the financial and human resources of the BBVA Group are prioritized and assigned to those projects that are most aligned with the strategy. The amount allocated to projects related to sustainability in 2023 amounts to nearly 53 million euros⁹ (increased by more than 67% compared to the previous year).

Investments stand out in three areas:

- I. **TRANSFORMATIONAL PROJECTS**, which mostly require technological developments, to develop new capabilities that allow us to offer sustainable products, for example energy savings in homes and in transportation;
- II. **PROJECTS IN THE RISK AREA**, to integrate all components of physical and transition risks; and
- III. **PROJECTS TO IMPLEMENT THE MAIN REQUIREMENTS RELATED TO ESG REPORTING**.

⁹ The figure includes information from Spain, Mexico, Turkey, Argentina, Colombia, Peru, Uruguay and Venezuela.

Just Transition

BBVA takes into account that the transition to a low-carbon economy must be just and fair and leaves no one behind, contributing from 3 perspectives: strategy, implementation and involvement with stakeholders.

Strategy

Within the framework of the General Sustainability Policy, BBVA focuses its strategy in this area around two vectors: firstly, the fight against climate change and the protection of natural capital, and secondly, inclusive growth. In this second vector, it is very important to contribute to a just transition, leaving no one behind and bringing the age of opportunity to everyone.

Implementation

At implementation level, the just transition perspective has been integrated into different lines of work:

Product portfolio:

In 2023, resources have been mobilized for investments necessary for a just transition (e.g., infrastructure for social purposes), financing has been allocated to strengthen and transform the business fabric to promote inclusive and sustainable economic growth, and credit products (cards, loans and mortgages) have been designed and marketed to individuals who meet the low-income and/or vulnerability thresholds established for each country.

In this line of work, the activity of the BBVA Microfinance Foundation is significant in relation to its contribution to the mobilization of inclusive growth and in relation to its positive impact on the entrepreneurial ecosystem. Within the mobilization of inclusive growth for a just transition, it is worth highlighting the loan products created to facilitate the adaptation of small farmers to climate change, such as the loans designed under the Microfinance

for Ecosystem-based Adaptation (MEbA) program with German cooperation and the United Nations Environment Program, and those created with the NGO water.org to facilitate access to clean water and adequate sanitation systems. In addition, the Foundation's entities also offer microinsurance to small entrepreneurs to face natural catastrophes and adverse weather risks, including a parametric insurance policy against extraordinary weather phenomena (torrential rains, extreme drought, strong winds) and whose payment is automatic when the event is recorded and monitored by satellite without the insured having to make a claim. By the end of 2023, more than 150,000 entrepreneurs with scarce economic resources will have climate insurance.

Some examples stand out, such as BBVA's role as coordinator of a sustainable loan with a Spanish energy company in 2019 for 1,500 million euros aligned with a "just transition", as defined in the Paris Agreement.

Just transition in origination:

- BBVA's Environmental and Social Framework (the Framework) establishes due diligence for new customers and operations covered by the Framework, in order to mitigate environmental and social risks associated with these sectors.
- As a signatory of the Equator Principles, BBVA has reinforced due diligence procedures in place relating to the financing of new projects whose implementation affects indigenous communities. When this circumstance occurs, prior free and informed consent is required from these communities,

irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which ensures the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

- The Human Rights Action Plan updated in 2023, sets forth the inclusion of the just transition perspective in the alignment plans of certain key sectors in the transition.

Stakeholder involvement

BBVA participates in international industry-specific initiatives in support of a just transition, such as the UNEP FI "Social and Human Rights Thematic Advisory Group (TAG)." In addition, it was part of the multi-sectoral working group of CSR Europe (The European Business Network for Corporate Sustainability and Responsibility) for an Inclusive Green Deal.

BBVA also understands the just transition in the framework of the relationship between developed and developing countries. A just transition cannot be undertaken without the inclusion of those economies that are already suffering the most from the impact of climate change and have the greatest financial and institutional challenges to address the transition. BBVA plays a leading role in promoting greater financial support for developing countries and participates in initiatives such as CFLI (Climate Finance Leadership Initiative) in Colombia or the HLEG (High-Level Expert Group on sustainable finance) of the European Commission for the promotion of sustainable finance in low and middle-income countries.



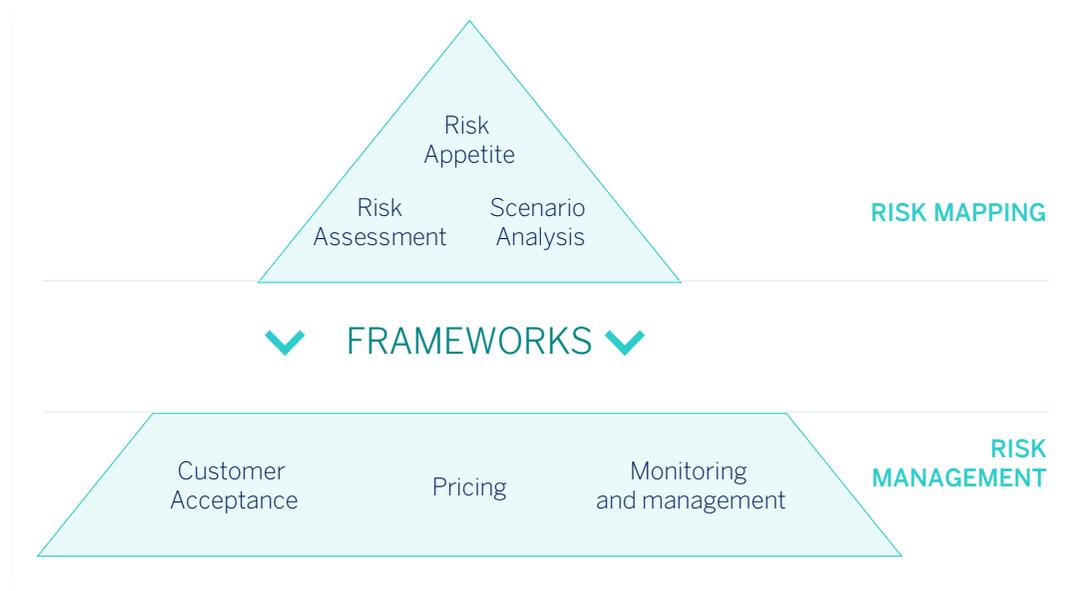
SECTION 03

MANAGEMENT OF RISKS
ASSOCIATED WITH
CLIMATE CHANGE

Integrating climate change into risk planning

The risks associated with climate change, both transition and physical, are considered additional factors that impact the risk categories already identified and defined in the BBVA Group. These risks are managed through the Group's risk management frameworks. As a result, the integration of climate-change related risks into the BBVA Group's risk management framework is based on their incorporation into the governance and processes already in place, taking into account regulatory and supervisory trends.

Climate change risk management in BBVA is based on the risk planning process, which is marked by the defined risk appetite and is specified within the management frameworks that determine its treatment of these risks in day-to-day operations.



Risk Appetite Framework (RAF)

BBVA's Risk Appetite Framework (RAF), approved by the corporate bodies and applicable in all material geographic areas of the Group, determines the levels of risk that BBVA is willing to assume in order to achieve its objectives, considering the organic performance of the business. It is structured in a hierarchical manner, starting from the thresholds of the core metrics and metrics by type of risk, which result in a framework of management limits. This framework has a general statement that sets out the general

principles of the risk strategy and the target risk profile. This statement underscores the commitment to sustainable development as a fundamental part of BBVA's business model, with emphasis on accompanying customers in their transition to a sustainable future. In addition, the climate component is incorporated into risk management. This statement is complemented and detailed by a quantification of the appetite through metrics and thresholds that provide clear and concise guidance to the maximum acceptable risk profile.

SINCE 2021

Since 2021, a classification of the activities most exposed to transition risk has been incorporated into the framework, using the quantitative metrics established by the Group. In this way, the Exposure at Default (EAD) of activities classified as High Transition Risk (High or Very High risk) is assessed. With respect to this classification, the Board of Directors of BBVA has approved thresholds at a Group and geographic area level, which determine the maximum appetite for this risk.

SINCE 2023

Additionally, a new metric has been incorporated into the management limits called High Market Misalignment, which evaluates exposure to customers whose emissions intensity is above 30% of the market average. This metric has a transition risk management approach by focusing on customers with a clear level of misalignment with respect to the emissions intensity trajectories established by the International Energy Agency's Net Zero Emissions scenario for each of the sectors. The calculation perimeter is the lending portfolio of the auto, power generation, steel and cement sectors.

TO 2024

As part of the annual RAF review process, a new indicator has been included for 2024 linked to the degree of compliance with decarbonization targets for a number of sectors for which BBVA publishes specific targets.

The definition of the levels of tolerance established in the Risk Appetite Framework are based on the Risk Assessment and Scenario analyses described below.

Risk Assessment

This section covers several key aspects. First, a self-assessment is made on how the different risk factors associated with climate change impact the main types of existing risks (credit, market, liquidity, etc.). Secondly, an analysis is carried out of the sectors that are most sensitive to this risk under the classification that establishes the different levels of transition risk. Finally, the methodology used to assess the climate vulnerability of the different relevant geographical areas in which the BBVA Group operates is described. These last two aspects, the analysis of sectors sensitive to climate change and the assessment of climate vulnerability in specific geographic areas, are integrated into management through processes such as admission frameworks or the establishment of risk limits. This implies that the information derived from these assessments is used to make decisions related to the admission of new customers or projects, as well as to establish risk limits in specific areas, ensuring a more informed and accurate management of the climate risks associated with BBVA operations.

As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to identify material risks that could have a negative impact on its risk profile and to manage those risks actively and proactively. These processes cover all types of risks faced by the Group, including those that are difficult to quantify. Since 2022, the General Risk Management and Control Model specifically considers sustainability an essential part of the Group’s strategy.

The Global Risk Assessment is a prospective exercise which updates at least twice a year, and allows a comparison between risk types, business activities and moments in time, facilitating the understanding of the Bank’s positioning and its development, and identifying the material risks to cover with capital. Since 2020, the Group conducts a, primarily qualitative, climate assessment to determine BBVA’s vulnerability to transition and physical risk. In 2023, progress has been made toward a quantitative approach in the development of the Climate Risk Assessment. A series of metrics have been defined that have allowed to objectively evaluate the levels of risk, both in terms of transition risk and physical risk, and in the case of physical risk, evaluating potential impacts for each of the hazards analyzed.

In addition, progress has been made in estimating the impact of both transition risk and physical risk on BBVA’s strategy and business model. The results are submitted to the highest executive risk committee (GRMC), as well as the corporate bodies, as this assessment is integrated into key corporate processes such as the Risk Appetite Framework and the Internal Capital Adequacy Assessment Process (ICAAP).

The climate change risk assessment process runs in parallel with the Group’s global risk assessment, but with a broader time focus. An analysis is carried out for a short term (4 years), medium term (4-10 years) and long

term (more than 10 years) horizon, which allows for a comprehensive consideration of expected impacts. The assessment of climate change risks includes, as for the other risks, the two perspectives of the global assessment:

- 1/ Identification of risk events: Transition risk and physical risk are included in the identification of risk events that could have a significant impact on the Group. A matrix of risk events identified in 2023 is prepared and represented in figures according to their estimated impact on the BBVA Group and their assigned probability.



SINCE 2019

Since 2019, climate risk has been considered a material event in this inventory. Climate change risks are classified into physical and transition risks. In the short term (12-18 months), an accelerated transition to a low-carbon economy is considered to be a medium-low impact risk event, although the probability given to this type of scenario is currently medium-low. Over a medium/long-term time horizon, the risk of physical climate change is incorporated into the inventory of emerging risks (those that could have an impact over a longer time horizon) and is assigned a medium risk.

2/ Risk level assessment: This approach is based on an assessment of the profile of each type of risk, which is reflected in a heat map. In 2022 the analysis was extended to the six most relevant geographical areas of the BBVA Group

(Spain, Mexico, Turkey, Argentina, Peru and Colombia), and during 2023 the business risk analysis was incorporated. This financial year incorporates various factors, such as the carbon footprint of customers, the energy efficiency of real estate collateral and financed emissions, among others. Work has also been done on the preliminary inclusion of quantitative metrics for certain risk factors, especially exposures to activities that are sensitive to transition risk.

CONCLUSIONS FOR 2023

The conclusions of the assessment for 2023 suggest that the main risks emerge in medium- and long-term loan portfolios, with an earlier impact on transition risk in Spain given the speed of this geographic area in adopting decarbonization policies. On the contrary, a lower risk derived from regulatory pressure is observed in emerging geographic

areas. The factor with the biggest long-term impact on credit risk is that derived from investment in climate change which will have to be carried out by companies in the decarbonization process. With respect to the impact of physical risk on loan portfolios, the greater frequency/severity of extreme meteorological events and structural changes in climate patterns explain the deterioration shown in the assessment in the medium-long term.

The impact of transition risk on liquidity risk is low due to the stability of the retail deposit base and the high asset quality of the liquid asset buffer. Market risk is also low, due to the diversification of the equity portfolio and low exposure to sectors sensitive to transition risk in the fixed-income portfolio.

As for operational risk, there is a difference in the perceived risk in Spain (medium-low) and in the rest of the geographic areas (medium), due to the greater exposure of the latter to physical risk in the medium and long term.

TABLE 05. Risk assessment climate change 2023

	Spain			Rest of geographical areas		
	ST <4 years	MT 4-10 years	LT >10 years	ST <4 years	MT 4-10 years	LT >10 years
TRANSITION RISK						
Credit	Medium-low risk	Medium risk	High risk	Low risk	Medium-low risk	Medium risk
Liquidity and funding	Low risk	Medium-low risk	Medium-low risk	Low risk	Medium-low risk	Medium-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Operational	Medium-low risk	High risk	High risk	Medium-low risk	Medium risk	Medium risk
Reputational	Medium-low risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Business	Low risk	Medium-low risk	Medium-low risk	Low risk	Medium-low risk	Medium-low risk
TOTAL	Medium-low risk	Medium risk	Medium risk	Low risk	Medium-low risk	Medium risk
PHYSICAL RISK						
Credit	Medium-low risk	Medium risk	Medium risk	Medium risk	Medium risk	Medium risk
Liquidity and funding	Low risk	Medium-low risk	Medium-low risk	Low risk	Medium-low risk	Medium-low risk
Structural equities risk	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Credit spread risk	Low risk	Medium-low risk	Medium-low risk	Low risk	Medium-low risk	Medium-low risk
Markets (trading)	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Insurance	Low risk	Medium-low risk	Medium-low risk	Low risk	Medium-low risk	Medium-low risk
Operational	Low risk	Low risk	Low risk	Medium-low risk	High risk	High risk
Business	Low risk	Medium-low risk	Medium risk	Low risk	Medium-low risk	Medium risk
TOTAL	Low risk	Medium-low risk	Medium risk	Medium risk	Medium risk	Medium risk

■ Low risk
 ■ Medium-low risk
 ■ Medium risk
 ■ Medium-high risk
 ■ High risk

Analysis of scenarios and stress testing

Scenarios and internal stress tests

The climate scenarios have been integrated into the governance of the BBVA Group’s internal scenarios:

- 1/ The baseline budget scenario includes an analysis of the climate policies in force in each relevant geographic area of the Bank’s footprint, their effective importance within the general economic policy framework, their consistency with the transition to a decarbonized economy and with the budget scenario itself. Potential biases on expected economic growth are therefore qualitatively assessed.
- 2/ Incorporation of transitional climate risks into one of the alternative risk scenarios (HLRS) that are continuously monitored and evaluated by the Scenario Working Group. Ongoing monitoring of alternative risk scenarios aids in the selection of the scenario to be used in the Group’s capital self-assessment process (ICAAP).

Since 2022, various physical risk events have been assessed in the Group with the aim of considering them as input for the ICAAP. In 2022, a drought risk scenario was considered for Spain, and in 2023, among the events taken into account as an add-on to the adverse ICAAP scenario, a risk scenario for the Mexican economy triggered by cyclones was considered. The information available on the frequency and increasing severity of this type of event and the literature on the magnitude of its impact on the economy justifies its relevance as an acute climate risk event in Mexico.

Regulatory and supervisory scenarios and stress tests

In October 2021, the ECB published the methodology for carrying out a stress test exercise on climate change risk, scheduled to run between March and July 2022. A total of 104 institutions participated in this exercise in full or in part, and of these, 41 institutions, including BBVA, carried out the full exercise. This exercise consisted of three distinct modules, each with specific focuses:

MODULE 1

consisting of a qualitative questionnaire about the internal climate stress testing framework including 11 blocks with topics related to governance, the Risk Appetite Framework (RAF), integration into the strategy, the ICAAP and future plans.

MODULE 2

focusing on the analysis of the entities' current portfolio with respect to revenue dependence on polluting sectors¹⁰ as well as financed emissions associated with those sectors.

MODULE 3

focusing on performing loss projections and bottom-up tests with different types of risks and time horizons:

■ TRANSITION RISKS:

Short-term

(3-year projection)

including both credit risk and market risk. It was based on the Disorderly scenario of the Network for Greening the Financial System (hereinafter NGFS).

Long term

(2030-2040-2050)

included only credit risk and considered dynamic balance sheet projections. These projections were based on the macro situation and the entity's strategy, covering three NGFS scenarios (Hot House, Orderly and Disorderly).

■ PHYSICAL RISK (credit risk):

two one-year projections were made, each considering different scenarios: one of floods and the other of drought with heat wave.

- The exercise covered **OPERATIONAL RISK AND REPUTATIONAL RISK** through qualitative questionnaires.

In order to comply with the methodology required by the ECB in this exercise, a sectoral layer was incorporated into the loss projection models. These models, together with the sectoral scenarios published by the ECB, allowed the projections to be made taking into account the idiosyncrasies of each sector. In this way, the possible differences in sensitivities to the risk of climate change in each of them were adequately reflected through differentiated impacts.

¹⁰. The exercise focused on a list of 22 NACE sectors published by the ECB.

Identification, measurement and integration of climate change risk into risk management

Along with incorporating climate change risk into risk planning and business strategy, its integration into decision-making at the customer and operation level is necessary. This involves the adaptation of standards, sectoral policies and processes, the development of tools and the availability of customer and transaction data that were not usually managed by financial entities.

BBVA is developing the methodologies and tools it needs to identify and measure the different components of climate change risk, and the financial impact analysis of each of them for their subsequent integration into management. These tools are based on the metrics of financed emissions, alignment with decarbonization pathways, analysis of the vulnerability and exposure to climate hazards of customers and their collaterals, and the analysis of climate scenarios that allow for a prospective view of risks, opportunities and their financial impacts.

The adaptation of policies and procedures focuses very particularly on the integration of transition risk in the Sector Frameworks (basic tool in defining the risk appetite in wholesale credit portfolios) where specific criteria are specified in the admission guidelines. During 2023, the sectoral analyzes of the risks derived from decarbonization have been updated and complemented according to reference scenarios. Compliance with the definition of appetite established in the Sector Frameworks is a condition that must be met, in turn, by the alignment plans that are prepared for each sector with emissions reduction objectives.

Measurement and integration of transition risk

Since 2021, BBVA has had an internal sector classification of transition risk. Its main objective is to identify the vulnerability of sectors to transition risk and organize them based on this aspect.

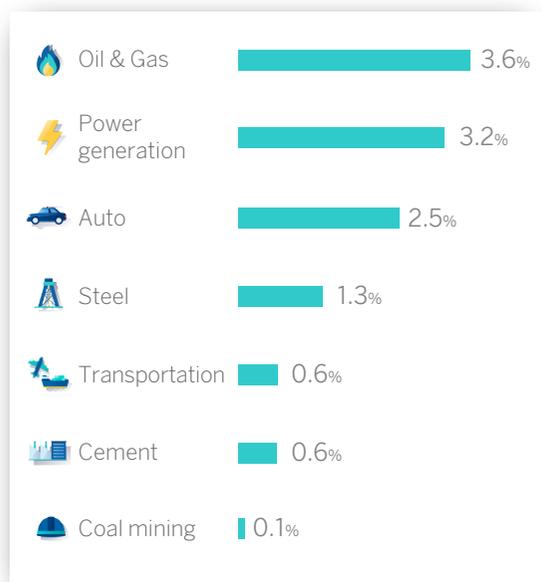
The estimation of the level of vulnerability to transition risk is carried out based on a qualitative analysis that evaluates the level of exposure of each sector to regulatory, technological and market changes motivated by decarbonization that may have a financial impact on companies in the sector.

In this way, the sectors are categorized as having very high, high, moderate or low vulnerability. The activities most sensitive to transition risk, or HTR sectors, are identified as the energy generating or fossil fuel sectors (oil & gas, power generation, coal mining); basic emissions-intensive industries (steel, cement) and end-user activities of energy that generate emissions through their products or services (auto, aviation and shipping).

As a result of this exercise, with data as of December 31, 2023, 11.80% of the exposure (measured by EAD) of the wholesale portfolio has been identified (equivalent to 5.87% of the Group's portfolio) that

corresponds to sectors that we define as HTR, with a high or very high level of exposure to this risk. This calculation has been carried out on a portfolio of 223,469 million euros (of the Group’s total EAD of 449,418 million euros), corresponding to the EAD of the wholesale loan portfolio.

Below is the percentage of exposure measured by EAD of the sectors sensitive to transition risk of the wholesale portfolio over the EAD of the same portfolio as of December 31, 2023:



Prepared by BBVA. It includes the percentage of exposure (exposure at default) of activities defined internally as “transition risk sensitive” on the EAD of the wholesale portfolio as of December 31, 2023 (does not include subsidiaries of Garanti, Forum Chile, Uruguay, Venezuela and BPI). The “transition risk sensitive” portfolio includes energy or fossil fuel generating activities (oil & gas, power generation, excluding renewable generation and water treatment, waste and coal mining), basic industries with emissions-intensive processes (steel and cement), end-user activities of energy, through their products or services (auto, aviation and shipping), with a level of sensitivity to this risk, high or very high.

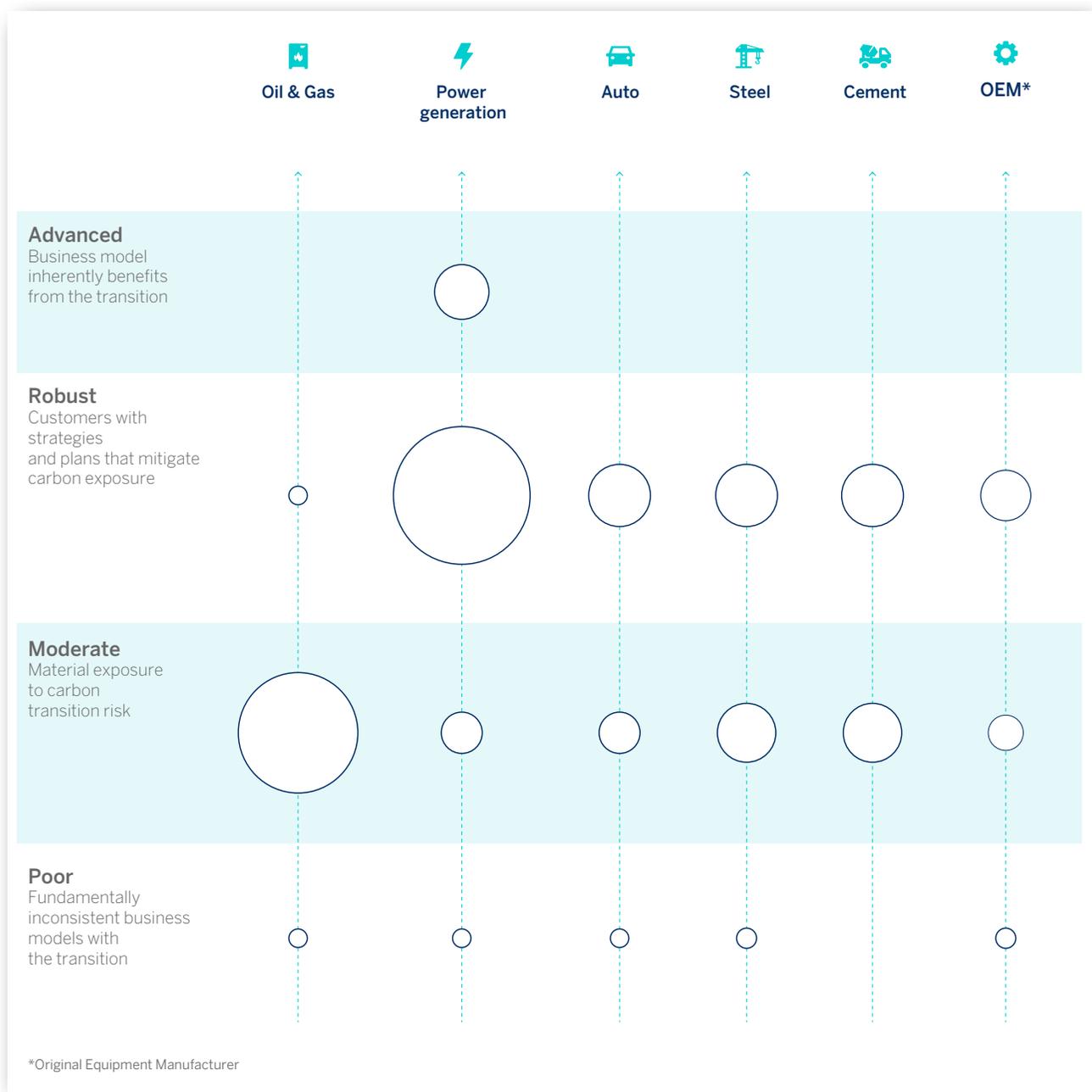
Since 2022, this calculation was introduced for the small business sector (SMEs and the self-employed). The results obtained in 2023 indicate that the EAD associated with high or very high transition risk in this portfolio is limited, at around 3%, and is mainly concentrated in Spain and in the automobile components subsector.

In sectors classified as HTR, the management criteria defined in the Sector Plans have been reinforced. This analysis leads, in certain cases, to establishing credit risk mitigation measures, such as limiting long-term exposure.

The analysis of customers in the HTR sectors is supported by a score developed by BBVA called Transition Risk Indicator (hereinafter TRI), which allows the integration of the customer’s low-carbon profile, the level of regulatory pressure in the geographical areas where it is present, its level of disclosure on climate management in line with the TCFD recommendations

and the ambition and maturity of its decarbonization objectives. The result of the score is a valuable tool to classify customers by their level of exposure to transition risk and maturity in its management. This classification allows the risk mitigation policies established in the Sector Frameworks to be applied. Likewise, TRI is a valuable tool for customer segmentation in sectoral alignment plans for the portfolios that are part of BBVA’s objectives.

During 2023, a version of the TRI has been developed for the auto parts sector, which joins the existing ones for the oil & gas, power generation, auto, steel and cement sectors. The number of customers for whom the transition score is available has significantly expanded. The following image shows the results of the transition score of the main customers in the portfolio (the size of the circles represents the number of customers in each category):



In the chapter related to process integration, the use of the Customer Sustainability Toolkit has been implemented in 2023 in the corporate banking segment, a common front for the risk and business teams that allows the visualization of updated information on customers referring to sustainability, integrating information from external databases -among others, CO₂ emissions, decarbonization objectives, ESG ratings, controversies-, the results of internal calculation engines - such as the level of alignment, financed emissions and the TRi - Additionally, it allows manual data capture by the teams involved in customer review. The calculation of the TRi score is integrated into this work environment. During 2023, information has been collected regarding approximately 1,500 corporate customers from all the geographies where BBVA operates.

In the Retail portfolio, during 2023, progress has been made in the integration of sustainability issues, and in particular on those related to decarbonization, in the Action Frameworks for Mortgages, Small Businesses and Vehicle Loans. One of the main aspects that determine the transition risk of these portfolios is the financed carbon emissions associated with each of them. Therefore, the calculation of financed emissions serves as a lever to identify the portfolios most sensitive to changes in regulation, technology or energy or CO₂ prices.

In turn, as a risk mitigation lever, BBVA acts as a facilitator of financing investments that are necessary for mitigation and adaptation to climate change with more sustainable ways of life and products. Based on the 2021 definition of the sustainability criteria to classify a guarantee is considered as sustainable, BBVA has applied differentiated prices to loans with sustainability content, such as in the “Efficient House Mortgage”, for homes with consumption letter A or B. As with mortgages, financing with sustainable products is encouraged when sustainability criteria are met, in this case, for electric cars or plug-in hybrids.

The availability of highly specific customer and operational data is an essential requirement for effective climate and environmental risk management. During 2023, the deployment of the sustainability data strategy has continued, reevaluating data needs, identifying data gaps, and developing a business process review plan to eliminate said gaps. Among the data considered are those that satisfy both regulatory and management needs, such as those necessary for the calculation

of the TRi, energy efficiency certificates for properties taken as collateral, ESG ratings, greenhouse gas emissions, location of assets and collateral and specific sector metrics.

In particular, BBVA continues to make progress in collecting data on real Energy Efficiency Certificates (EEC) of real estate assets in the geographies where this type of certificate exists. In the case of Spain, work is being done to integrate the EECs into mortgage origination. To this end, BBVA is actively participating in various sector forums, with the aim of eliminating the barriers that currently prevent the capture of the EEC in 100% of the operations and of standardizing methodologies for assessing transition risk in collateral at the European level, providing transparency to the market. In the rest of the regions where there is no legislative framework comparable to that of the European Union regarding the energy efficiency of buildings, BBVA carries out projects aimed at estimating energy consumption and financed emissions that are as close to reality as possible and allow their integration into risk processes.

Classification and measurement of physical risk

Physical risk is associated with the location of the assets and the vulnerability based on their activity and can materialize in credit risk through different transmission channels, impacting in multiple ways such as, for example, the purchasing power of customers, productivity of business, market demand or asset value. During 2023, BBVA has experienced relevant learning in this field and its level of maturity and knowledge of the different methodologies for assessing physical risk has advanced considerably. These advances represent a first approximation due to the complexity of carrying out an evaluation of the exposure and impacts of physical risks.

BBVA has continued to make progress in evaluating the materiality of chronic and acute risks in the different portfolios. The analysis of physical risk is structured around three pillars:

 Threat

Regarding the threat, the methodology of the World Bank’s Think Hazard tool has been followed. This tool indicates the risk levels of different natural hazards, both acute (cyclone, heat waves, forest fire and river flood) and chronic (drought and coastal flood), at a global level and with different details depending on the geographical area of the planet. These risk levels are calculated based on the frequency of occurrence and intensity of the different natural threats. It is important to note that the information used is provided by a series of private, academic and public organizations. In addition, work has been done to increase the granularity of the risk levels offered by Think Hazard, using scientific and technical criteria, for the most relevant hazards in BBVA’s geographic areas; specifically, tropical cyclones, coastal and river flooding, and forest fires.

 Exposure

For the exposure component, during 2023 the granularity of the analysis carried out has been increased by optimizing the relationship between the administrative levels of the Think Hazard tool and the zip codes available in the different BBVA portfolios. In addition, work has been done to make standardized and detailed information available on the locations of the guarantees and assets available in the databases to be able to convert between postal addresses and geographic coordinates.

 Vulnerability

For the vulnerability component, during 2023 the sectoral granularity of the analysis for wholesale banking and SMEs has been maintained. This analysis is carried out based on eight indicators that capture direct and indirect physical impacts, so that the sensitivity of each sector to climate hazards is indirectly evaluated by analyzing its sensitivity to these vulnerability indicators. This methodology follows best practices identified by the Taskforce on Climate-related Financial Disclosure (TCFD) and UNEP-FI. As a result, a qualitative classification of the sub-sectors is generated according to the potential impact on their business model and activity of chronic or acute changes in climate.

GRAPH 02. Exposure to physical risk as of December 31, 2023 (percentage)*



*The breakdown includes the portfolios of Spain, Mexico, Turkey, Peru, Colombia and Argentina.

During 2023, work has begun on having greater analytical and data capabilities, necessary to accurately evaluate and quantify the impacts of physical risk. Specifically, work is underway to generate customer-level projections of expected losses due to acute and chronic climate hazards. These projections are made according to different climate scenarios, including a RCP 7.0 greenhouse gas concentration scenario, and in different time horizons up to 2100. The work carried out has initially focused on Spain's mortgage portfolio based on standardized information of the locations of guarantees and in the wholesale portfolio for Corporate customers. During 2024, the implementation of these capabilities will continue in the rest of the portfolios and geographies.

Identification and measurement of other environmental risks

The global effort to combat climate change cannot be effective without simultaneously addressing the natural capital challenge. To reflect this, the transition plans of companies should be improved to reflect their dependencies and impacts on nature and biodiversity and to include the just transition. Ensuring healthy ecosystems and combating climate change are intrinsically linked challenges. Global warming affects ecosystems directly, e.g., through their loss.

According to BBVA's General Sustainability Policy, Natural Capital comprises the earth's natural assets (soil, air, water, flora and fauna), and the ecosystems resulting from them, which make human life possible.

Strategy

BBVA includes Natural Capital in its holistic vision of sustainability that covers all geographies. For more information on the strategy and objectives related to Natural Capital, see chapter [MAIN ADVANCES IN THE EXECUTION OF THE STRATEGY.](#)



Policies and frameworks

The General Sustainability Policy expressly includes the protection of natural capital as one of its main focuses of action.

Specifically, BBVA recognizes the need to protect ecosystem services and natural assets as well as natural ecological species and processes, and considers biodiversity and natural capital in its relationship with its customers. For more information on the governance model and applicable policies, see chapter [GOVERNANCE MODEL](#).

The Environmental and Social Framework specifically includes a series of prohibited activities related to biodiversity loss and combating deforestation:

- New projects that threaten UNESCO World Heritage sites and biosphere reserves, Ramsar-listed wetlands, Alliance for Zero Extinction sites, IUCN Category I-IV protected areas and Key Biodiversity Areas, as well as legally protected areas such as national parks and wildlife reserves.
- New projects involving resettlement or infringement of the rights of indigenous or vulnerable groups without their free, prior and informed consent.

- New projects related to deforestation: burning of natural ecosystems for the development of agricultural or livestock projects, removal of forests with high conservation value and high carbon content, non-certified palm oil farms or not in the process of certification by the Roundtable for Sustainable Palm Oil (RSPO), palm oil farms in swamps and peat-rich areas, and since 2022, projects in key biodiversity areas of the International Union for Conservation of Nature (IUCN), the Brazilian Amazon and the Cerrado.

If BBVA concludes that any of the circumstances described in the prohibited activities or general bans apply to a project, it will decline to participate in that project.

In addition, the Equator Principles were updated in 2020, strengthening their focus on biodiversity. Signatories, one of them BBVA, are committed to supporting conservation, including the goal of improving the evidence base for biodiversity-related research and decisions.

Risk management

Following international reference frameworks such as SASB's Materiality Map and rating agencies, BBVA has identified the sub-sectors of activity that it finances and the most relevant environmental and social factors of each one, including, in addition to climate change, aspects related to natural capital such as pollution and waste, biodiversity and land use or water resource management. This exercise is included in the "Sector Guide for the integration of sustainability factors in credit analysis", which defines the most common metrics and reference thresholds in relation to environmental aspects and is used as a support tool in the admission process.

Customer activity can affect natural capital (impacts) while the loss of natural capital can generate risks for the operations and business model of BBVA's customers (dependencies).

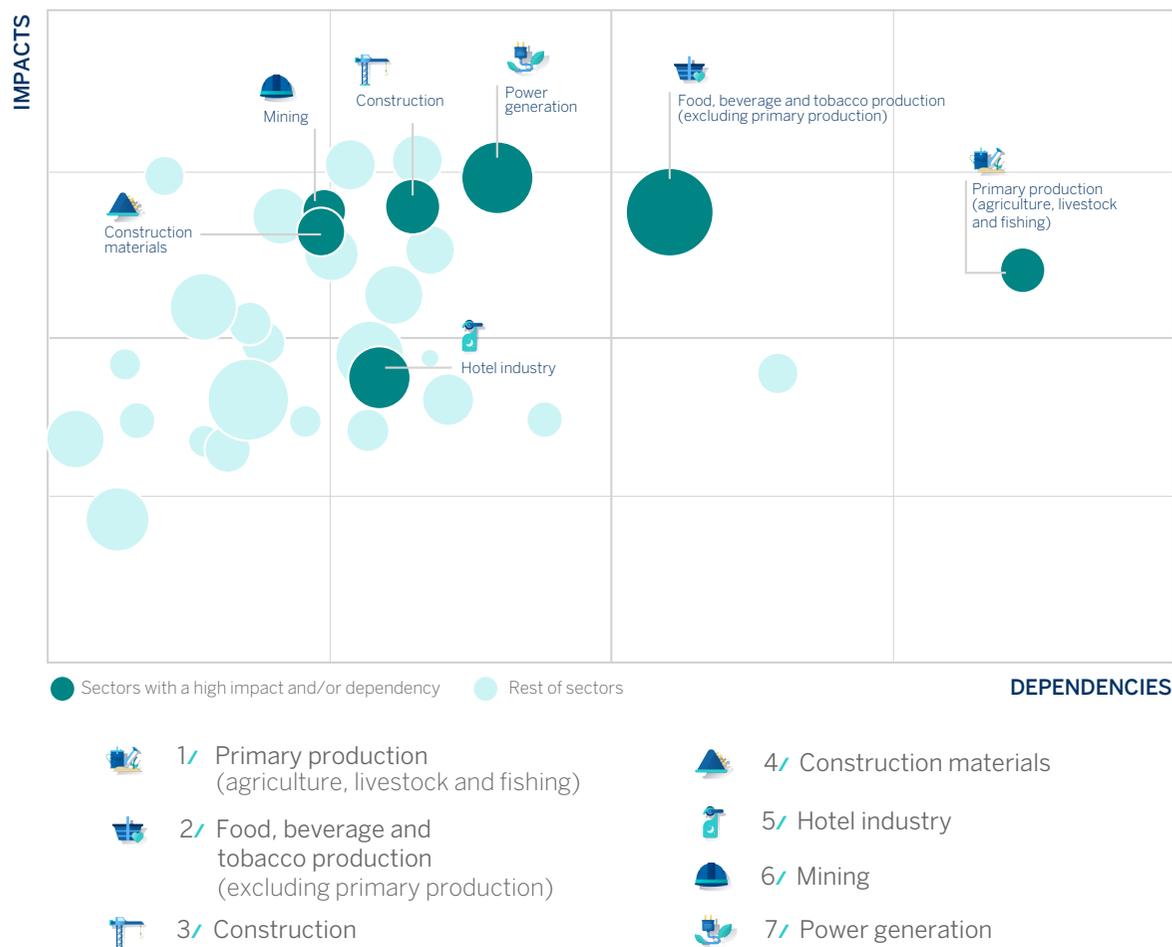
Customers with a high ecosystem impact face a higher level of transition risk due to regulatory and policy changes, the substitution of more efficient and cleaner technologies, changes in consumer demand, and market shifts.

Customers with high dependence on natural capital may face increased physical risks generated by ecosystem deterioration such as reduction in available water resources or loss of storm and flood protection capacity.

During 2023, BBVA updated the heat map of impacts and dependencies it conducted during 2022. The ENCORE (Exploring Natural Capital Opportunities, Risks and Exposure) tool methodology developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC was predominantly used. It is also consistent with aspects contained in other reference tools such as the SBTN Materiality Screening Tool, developed by the Science Based Target Network (SBTN) and included, in a qualitative manner, the impacts and dependencies of the value chain (the dependencies and impacts of the upstream sector of each of the financed sectors have been included).

The circles included in the figure represent BBVA's exposure at subsector level as a percentage of total EAD excluding the exposure to sectors outside the scope of this financial year, like non-financial companies and institutions.

GRAPH 03. Natural capital - heat map of impacts and dependencies



Sectors with high or very high dependence on natural capital account for 5.32% of wholesale banking EAD of the Group as of December 31, 2023 while those sectors with high or very high impact account for 27.39%.

As a result of this analysis, seven sectors have been identified as having a significant impact and/or dependence on natural capital:

- The dependence is largely due to the fact that customers operating in these sectors:
 - (i) depend on ecosystems to obtain water (inputs), while
 - (ii) ecosystems protect customers' business continuity from potential risks and disruptions such as floods and storms or erosion control through vegetative cover.
- In terms of impact, the main impacts in these sectors are due to the amount of water and land used in their production processes, the waste generated, as well as the contamination of terrestrial and aquatic ecosystems.

For the main customers in these seven prioritized sectors, relevant metrics have been identified and obtained¹¹. The evaluation of these metrics allows us to inform the customer admission process, identifying those metrics to take into account in Know Your Customer (KYC) and offering references both for the definition of risk mitigation criteria and for Advisory with wholesale customers.

Given the importance to BBVA's loan portfolio and dependence on water resources during 2023, the scope of water stress risk assessments at the customer level has been extended to major customers in the Power Generation and Cement sectors. This assessment was carried out using the World Resources Institute's (WRI) Aqueduct Water Risk Atlas tool, which identifies water risk at the locations of its customers' power generation plants. This tool identifies the water risk of the customer's assets today and in the year 2040 with a greenhouse gas concentration scenario RCP 8.5 (IPCC hot house scenario).

The results of the assessment are a water stress risk score of the customer and of the assets. The results of this analysis show that approximately 23% of the total installed capacity of the customers analyzed of the Power generation sector has a high or very high risk of water stress and approximately 18% of the cement production plants of the customers analyzed of the Cement sector have a high or very high risk of water stress.

Furthermore, the water management strategies of the customers analyzed, the targets set and the historical performance of water consumption were analyzed. In this way, by combining water risk exposure based on asset locations and water management strategies, we can identify those customers who are making progress in water risk management.

In 2024, progress will continue to be made in assessing natural capital risks and their financial impacts in those sectors identified as priority sectors, with a special focus on water. In addition, integration will be systematically promoted in the customer analysis processes through the Sector Action Frameworks, which define the risk appetite at the sector level and risk management policies at the customer level.

¹¹ These metrics are inspired by international reporting frameworks such as ISSB (International Sustainability Standards Board), ESRS (European Sustainability Reporting Standards), GRI or TNFD (Task Force on Nature-related Disclosure).

Opportunities

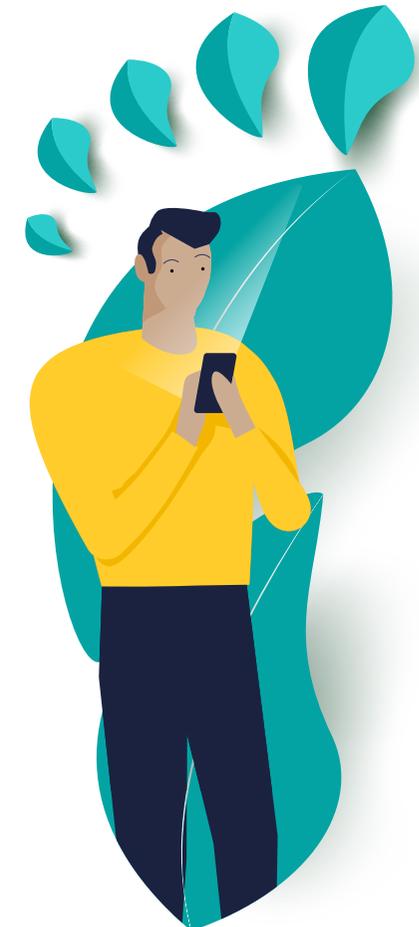
In line with its strategy, in 2023, BBVA launched new lines of work to strengthen solutions for business and corporate customers on water-related issues inspired by the Water Footprint Loan (first syndicated credit line linked to indicators related to water footprint reduction launched in 2022). In 2023, BBVA and the International Finance Corporation (IFC) launched the first blue bond in Colombia, aimed at supporting initiatives related to the protection of the country's water resources.

BBVA has developed internal standards to promote the financing of sustainable fishing activities with the Marine Stewardship Council (MSC) and Aquaculture Stewardship Council (ASC) labels and also supports reforestation projects in the framework of purchase of carbon credits.

As a member of the TNFD Forum (Task Force on Nature-Related Financial Disclosures or TNFD) since 2022, BBVA follows the publication of the different versions of the framework for the management and disclosure of nature-related risks and opportunities and the published guidelines.

In 2023, BBVA also joined:

- UNEP-FI Biodiversity Community, designed as a capacity building program for banks embarking on their biodiversity journey.
- UNEP-FI's PRB Nature Target Setting Working Group, contributing to the publication of a guide for the establishment of nature-related targets. Spain's Water Footprint Loan and Colombia's brokered blue bond, mentioned in previous paragraphs, have been recognized as best practices in the aforementioned guide.



SECTION 04

METRICS AND GOALS

Alignment metrics

Achieving net zero emissions by 2050 includes addressing emissions from customers who receive financing from the Group. In order to support its customers in the transition toward a more sustainable future, BBVA intends to publish alignment objectives to 2030 alignment targets for the sectors defined in the Net Zero Banking Alliance's Target Setting Guide.

These alignment targets¹² involve establishing specific objectives for the different sectors that are considered the largest emitters. According to the aforementioned Guide, these objectives must be determined at the sector level, which implies that adapted and specific goals will be set for each economic sector, in order to reduce its carbon footprint and move toward emissions neutrality. This sectoral approach makes it possible to address the specific particularities and challenges of each industry on its path to environmental sustainability.

12. The achievement and progressive advancement of decarbonization target will depend to a large extent on the actions of third parties, such as customers, governments and other stakeholders, and, therefore, may be materially affected by said actions, or by lack of it, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological and regulatory developments, war conflicts, the evolution of the climate and energy crises, etc.). Consequently, these objectives may be subject to future revisions.

Considering the previous, BBVA announced in 2021 its target of phasing out its thermal coal activities by 2030 in developed countries and by 2040 globally (under the terms of the Environmental and Social Framework).

Likewise, in 2021, using the PACTA (Paris Agreement Capital Transition Assessment) methodology, BBVA published alignment objectives for 2030 for the power generation, automobile, steel and cement sectors. The Net Zero scenario of the International Energy Agency (IEA_NZE) and the Institute for Sustainable Futures Sectoral Pathways to Net Zero Emissions (ISF NZ) was used as a benchmark. In 2023, the International Energy Agency published an update to the net-zero emissions scenario for 2050. BBVA's interim 2030 decarbonization targets published in 2021 remain unchanged.

During 2022, BBVA published its alignment target for the oil & gas sector. BBVA is participating in the definition within the NZBA of a specific guideline for this sector. However, given its relevance to global emissions, it was decided to publish a metric

that would collect the largest amount of emissions given the information available. For the calculation, the PCAF methodology has been used and an absolute emissions reduction target of scope 1, 2 and 3 has been established for oil exploration and production.

In 2023, alignment objectives to 2030 have been published for the aviation and shipping sectors. The Net Zero scenario of the International Energy Agency (IEA_NZE) for aviation and the Strategy established in 2018 by the IMO (International Maritime Organization) on emissions reduction for shipping have been used as benchmarks.

The following table presents, for the sectors in which alignment objectives have been defined, the details of the metrics chosen, the scope of emissions considered, the scenario used, the business-as-usual metric, the methodology used, the decarbonization target by 2030 and the attributed CO₂ emissions associated with the value chain in absolute terms:

TABLE 06. Details about decarbonization goals by sector (BBVA Group 2023)

Sector	Metric	Emission scope	Scenario	Baseline ¹	2030 target	Target Reduction	2022	2023	Market scenario	Reduction 2022 vs baseline	Reduction 2023 vs baseline	Methodology	Attributed emissions associated with the value chain (MTn CO ₂ e) ²
 Oil & Gas (upstream)	Absolute emissions upstream (million t)	1 & 2 & 3	IEA_NZE	14	9.8	(30) %	12.5	10.6	n/a	(10.71) %	(24) %	PCAF	n/a
 Power (generation)	Emission intensity (Kg CO ₂ e/MWh)	1 & 2	IEA_NZE	221	107	(52) %	212	167	425	(4.07) %	(24) %	PACTA	5.1
 Auto (manufacturers)	Emission intensity (g CO ₂ /v-km)	3	IEA_NZE	205	110	(46) %	195	173	163	(4.88) %	(16) %	PACTA	0.9
 Steel (manufacturers)	Emission intensity (Kg CO ₂ /tonne steel)	1 & 2	ISF-NZ	1,270	984	(23) %	1,200 ³	1,181	1,720	(5.51) %	(7) %	PACTA	1.5
 Cement (manufacturers)	Emission intensity (Kg CO ₂ /tonne cement)	1 & 2	ISF-NZ	700	579	(17) %	690	713	700	(1.43) %	2 %	PACTA	1.6
 Coal (thermal coal mining)	Total amount committed (€Mn) ⁴	BBVA has a phase-out commitment of its exposure to coal customers by 2030 in developed countries and by 2040 globally					1,701	1,552	n/a	n/a	(9) %	n/a	n/a
 Aviation (airlines)	Emission intensity (Kg CO ₂ e/PKM) ⁵	1	IAE_NZE	88 ⁶	72	(18) %	88	89	93	n/a	1 %	PACTA	0.28
 Shipping (operators)	Alignment delta	1	IMO	+6.8%	</=0%	For more information on the alignment of the shipping sector, see "1.8. Shipping" within chapter "Sector alignment plans"						0.4	

n/a: not applicable

(1) Baseline 2020 for the Power generation, Auto, Steel and Cement sectors; 2021 for Oil & Gas; 2022 for Aviation; for Shipping, the delta of the alignment is calculated based on the annual trajectory set by the IMO.

(2) The calculation of the attributed emissions associated with the value chain was carried out by aggregating all the emissions of the different NACE (statistical classification of economic activities in the European Community) sectors of the sectors under analysis. These NACE sectors comprise more sectors than those included in the PACTA calculation since PACTA methodology is only applied for the point in the value chain where most of the emissions are generated. This calculation is carried out in this way because, based on the PACTA methodology, it is assumed that by aligning the part of the value chain responsible for emissions, the sector as a whole is aligned. The calculation was carried out using the PCAF methodology and includes BBVA, S.A. emissions.

(3) The emissions intensity data for the steel sector for the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional checks.

(4) The total amount of the financing portfolio weighted by the revenues from thermal coal mining or by the installed capacity for the generation of electrical energy derived from thermal coal with coal customers (defined in the terms of the Environmental and Social Framework) amounts to 1,552 million euros as of December 31, 2023. The total amount of the financing portfolio weighted by the revenue from thermal coal mining or by the installed capacity for the generation of electrical energy derived from thermal coal with coal customers who have limited expectations of making the transition in time to meet BBVA's coal phase-out target on the same date amounts to 225 million euros.

(5) PKM (Passenger per kilometer) measures the intensity of emissions per passenger per kilometer traveled. It is determined by multiplying the number of passengers (total seats per freight factor) by the kilometers traveled. The gCO₂/PKM metric of BBVA's portfolio is adjusted by the belly freight factor.(6) The IEA_NZE scenario does not consider the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103gCO₂/PKM. Applying the 2030 reduction target to the base year without the belly freight factor, the 2030 emissions intensity target is 85gCO₂/PKM.

It is important to emphasize that the baseline of these metrics may vary, since the sources of information used¹³ and the methodology are constantly evolving. BBVA's objective is to maintain the level of reduction ambition even though the baselines may change. Additionally, the fulfillment of these objectives is not expected as a linear process in the short term. To achieve these in the long term, it may be necessary to assume some deterioration in the alignment metric in the short term.

Following the climate target guide for banks published by the NZBA, during 2024, BBVA will continue working to establish decarbonization targets for the rest of the CO₂-intensive sectors, such as aluminum, commercial and residential real estate, and agriculture. This planning will be carried out as long as there is a recognized methodology and data available to carry out said evaluation.

The internal tools developed by BBVA are essential to integrating the management of reduction objectives into daily risk processes. These tools include:

- TRi, a tool to assess the current emissions profile and decarbonization strategies of each customer with a sectoral approach and based on the analysis of the most significant variables. This allows them to be categorized according to their transition risk and the maturity of their plans, allowing personalized advice on their decarbonization strategy.
- Sustainability Customer Toolkit, a tool that gathers ESG information from large corporations and/or entities with public information necessary for management, and offers it in a single repository. This makes it easy for front-line teams to access and use.

These resources are essential for portfolio alignment management and contribute to defining the risk appetite included in the Sector Frameworks. They allow for a comprehensive and detailed view of customers' ESG metrics and their impact on risk management strategies.

Sectoral alignment plans

According to the Net Zero Banking Alliance (NZBA) guidelines, within 12 months of the publication of sectoral targets, banks must publish, at a minimum, a high-level transition plan outlining the actions planned to be implemented in order to meet the targets (customer support, sectoral policies, capacity building, development of tools and products, strategy to increase the customer base, etc.).

BBVA has translated this into a sectoral approach by developing sectoral alignment plans that make it possible to analyze the part of the portfolio with the highest CO₂e emissions and deploy a decarbonization strategy to meet the goal of zero net emissions by 2050.

Each plan includes a detailed analysis of each sector, assessing its role in the decarbonization of the economy, identifying opportunities and risks, and defining response strategies. The sector alignment plans include an analysis of the current state of the portfolio and the situation with respect to the target set by the BBVA Group for the sector.

13. The main supplier of information on emissions intensity is Asset Impact (formerly Asset Resolution), which provides asset information for the portfolio included in the calculation perimeter. The information coverage varies between 95% and 100%, depending on the sector analyzed.

It also identifies the core areas for managing portfolio transition risk, including portfolio alignment metrics. The plans are based on risk considerations and on the identification of business opportunities with existing and new customers, expressed through different levels of appetite for customers in the sector.

All this is reflected in the formulation of a sector specific strategic plan that defines a commercial strategy for:

- **GUIDING** selective growth by financing and supporting existing and new customers who are making progress in their transition to net-zero emissions by 2050.
- **MONITORING** progress in the alignment exercise, to meet the intermediate targets set for 2030.
- **MITIGATING** risks related to decarbonization in the balance sheet.

The sector alignment plans have been developed by multidisciplinary working groups made up of teams from GRM, the Global Sustainability Area and Strategy. These groups have developed sector alignment plans, covering several key sectors such as oil & gas, power generation, auto, steel, cement, coal, aviation and shipping.

BBVA has developed specific tools to facilitate effective management and compliance with alignment objectives, such as:

- The alignment management dashboard: uses data provided by the internal calculation process based on the PACTA methodology to monitor progress on portfolio alignment and reduction targets by sector.
- The “What If” simulator. This allows real-time evaluation of the potential impact of transactions on the decarbonization curve of each customer, as well as on the BBVA Group’s portfolio curve for the corresponding sector, enabling proactive and dynamic management of the loan portfolio.

In addition, these plans integrate risk considerations supported by tools such as the TRi, and the Sustainability Customer Toolkit, thus ensuring responsible and sustainable management aligned with the objectives of the Paris Agreement.

Additionally, following the recommendations of GFANZ, in the annual update of the sector alignment plans, it is planned to incorporate part of the analysis of the dependencies and impacts on natural capital, as described in the chapter “Integration of natural capital”. Aspects related to a just transition are also planned, contemplating an equitable approach in the transformation process toward a more sustainable economy.

Portfolio Alignment's Governance Model

In order to monitor the alignment objectives of the sectors for which targets have been set and supervise their compliance, BBVA created the Sustainability Alignment Steering Group (SASG) in 2022. Among the functions of the SASG are the following:

- Analyze and discuss the alignment objectives for 2030 prior to their approval.
- Evaluate the degree of compliance with the alignment objectives and their levers.
- Analyze and discuss the proposals for sectoral or aggregate alignment plans, and their updating, which will be submitted to the SASG by the business units, with the support of the technical teams from other participating areas.
- Promote the creation and deployment of the tools, methodologies and variables necessary for the operationalization of sector alignment plans in the management processes already existing in the business units.
- Analyze and learn about the best practices in the sector, promoting the integration of sustainable criteria in the day-to-day business.

BBVA's alignment governance model has been strengthened during 2023. In addition to the existing SASG, Global Sectoral Heads have been introduced in CIB for sectors with 2030 decarbonization targets. These sectoral leaders are responsible for leading the business strategy according to each sector, executing the actions defined in the sector alignment plans and implementing a support plan with customers in the sector to help them in their transition to a low-carbon economy. As part of this progress, an annual process has been incorporated to review key customer projections from a climate alignment perspective, which influences the development of the annual business plan. For more information, see chapter [GOVERNANCE MODEL](#).

Actions to manage portfolio alignment metrics include:

- Gather, evaluate and monitor the climate transition plans publicly disclosed by BBVA's customers.
- Assess the CO₂ emissions and climate impact of all new transactions as part of the commercial business approval process through the use of tools.
- Generate strategic dialogue with customers on their transition strategies, seeking opportunities to support them through investment and financing proposals and solutions.

In order to promote knowledge of the best sectoral practices across the organization, specific training programs on sectoral alignment plans have been developed, complementing the sustainability training offered to all employees and specific programs on decarbonization for bankers and risk analysts.

In 2023, the BBVA Directors' Remuneration Policy and the BBVA Group's General Remuneration Policy included, as part of the Annual Variable Remuneration of the members of the Identified Staff, including executive directors and members of BBVA's Senior Management, a long-term incentive linked, for example, to the degree of compliance with the decarbonization targets of a number of sectors for which the Group publishes specific targets.

Actions with the industry

BBVA is an active part of several initiatives that focus on the previously mentioned alignment sectors, participating in the following initiatives:

- Member of the NZBA Steering Group
- Participant in the NZBA working group for the oil & gas sector.
- Member of the Spanish Group for Green Growth (GECV), which promotes public-private collaboration to jointly advance in environmental challenges such as natural capital, circular economy, energy efficiency, etc.
- Signatory to the Climate-Aligned Finance Agreement for Steel, which seeks to set joint standards for the decarbonization of the steel sector through a collective climate-aligned finance agreement.
- Member of the European Clean Hydrogen Alliance, focused on promoting the use of clean hydrogen in Europe.

In addition, BBVA is a founding member of the NZBA, as well as a member of the Financial Industry Advisory Council of the International Energy Agency (IEA). For more information on participation in other initiatives, see the chapter [ENGAGEMENT STRATEGY WITH CUSTOMERS, THE INDUSTRY AND THE PUBLIC SECTOR.](#)

During 2023, BBVA has reinforced its strategy aimed at raising awareness about the importance of having solid plans to address decarbonization. The Group has focused on supporting customers who require advice in defining and/or implementing transition strategies toward a more sustainable model. However, BBVA recognizes that the success of decarbonization is also in the hands of governments, regulators and supervisory bodies, through their public and/or sectoral policies. Collaboration between the financial sector and these actors is key to achieving effective and lasting change toward a cleaner and more sustainable economy.

Other actions

Among its strategic investments to support the decarbonization of the economy, BBVA has invested in decarbonization funds explained in the chapter ["MAIN ADVANCES IN THE EXECUTION OF THE STRATEGY"](#).

These projects allow BBVA to acquire differential knowledge of the business opportunities and risks, as well as to offer differential solutions or proposals to its customers.

Transition and alignment plans

Below, the sector alignment plans and progress on customer transition plans are detailed for all those sectors for which BBVA has set a target

 1. Oil & Gas

 2. Power Generation

 3. Auto

 4. Steel

 5. Cement

 6. Coal

 7. Aviation

 8. Shipping

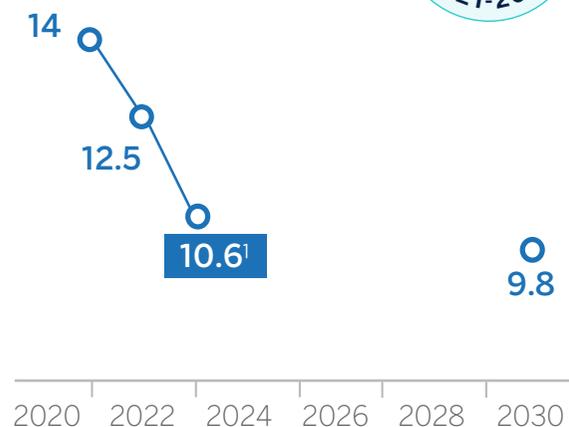


1.1. Oil & Gas

BBVA has set a target to reduce absolute carbon emissions by 30% in the upstream oil & gas sector (exploration, drilling and extraction) between 2021 and 2030, measured in millions of tons of CO₂e (Scope 1, 2 and 3).

OIL & GAS

Absolute Emissions in Mt CO₂e



● BBVA Portfolio



FINANCING PORTFOLIO

-2% Mn€ 2021-2023²

Of which **61%** are customers who actively manage their transition³

Supporting customers in defining **solid plans and setting clear emission reduction targets**

BBVA will not directly finance new projects related to exploration, drilling and extraction

¹ Alignment metric as of December 2023. For the Oil and Gas sector, the portfolio alignment metric is an absolute emissions metric with a baseline of 2021 and the target reduction is only associated with the drawn financing.

² Variation in the upstream financing portfolio in millions of euros between 2021 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others).

³ Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

To calculate the emissions of this sector, BBVA has developed its own methodology, based on the PCAF methodology. The calculation was performed on the upstream business of the companies in the sector, accounting for the scope 1,2 and 3 emissions of the barrels produced by the companies. For the assignment of these emissions, the PCAF methodology (weight of the financing arranged on the global debt and capital profile of the different business groups) has been used. The emissions data were obtained from the Asset Impact database (the same used for the PACTA methodology) and, when necessary due to lack of information, an approximate calculation was made (score 5 PCAF) using economic emission factors.

2023 Performance

The absolute financed emissions of the oil & gas sector have been 10.6 Mt CO₂e as of December 2023, having been reduced by 24% compared to the base year 2021 and by 15% compared to 2022. This important reduction has been a consequence of proactive portfolio management that has reduced drawn financing by 22% compared to the base year 2021 and 17% compared to 2022 and a prioritization of customers who actively manage their transition to support them in their commitments. Additionally, the portfolio has experienced an improvement in the emissions intensity factor¹⁴ per euro financed, 3% lower compared to the base year 2021 (2% higher compared to 2022).

Actions with customers

- ✓ Accompaniment to customers who are actively managing their transition, which currently represent 61% of the total upstream financing portfolio.
- ✓ Collaboration with customers to advise them on the design and development of solid plans and establish clear emissions reduction objectives. BBVA will also support customers in their transition to other forms of low-carbon energy generation by financing the necessary investments that facilitate their diversification and decarbonization.

¹⁴ Emissions intensity factor is the result of dividing the total financed emissions by the level of financing provided.

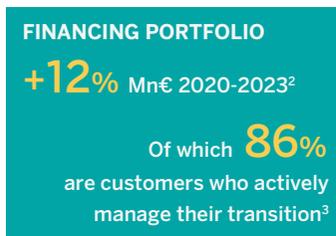
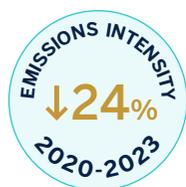


1.2. Power Generation

BBVA has set a target to reduce its carbon emissions intensity by 52% in the power generation sector between 2020 and 2030, measured in kilograms of CO₂e/MWh (Scope 1 and 2).

POWER GENERATION

Emissions intensity in Kg CO₂e/MWh



Support for customers investing in **renewables**



¹ Alignment metrics as of December 2023.

² Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).

³ Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

⁴ Historical data has been updated due to improvements in information sources.

The portfolio alignment metric for the power generation sector follows the PACTA methodology. The PACTA methodology is based on the identification of the Group's financing related to the customers' power generation activity.

2023 Performance

The carbon emissions intensity of the power generation portfolio has been 167 Kg CO₂/MWh as of December 2023, 60% lower than the average intensity of the market, and after having reduced by 21% in the last year and 24% compared to the base year 2020. This intensity of carbon emissions shows the strength of the quality of our financing portfolio, with strong support for clean energies, being a relevant axis of BBVA's strategy.

The reduction in 2023 has been the consequence of a 34% growth in renewable energy projects, the improvement of the portfolio mix due to the improvement of customers' emissions intensities and the proactive management of the portfolio by promoting growth with customers who actively manage their transition.

Actions with customers

- / Support for customers investing in renewable energy.
- / Focus on growth with customers that actively manage their transition, invest in less intensive technologies and have an outstanding strategy and performance. They currently represent 86% of the total amount of the financing portfolio related to power generation.

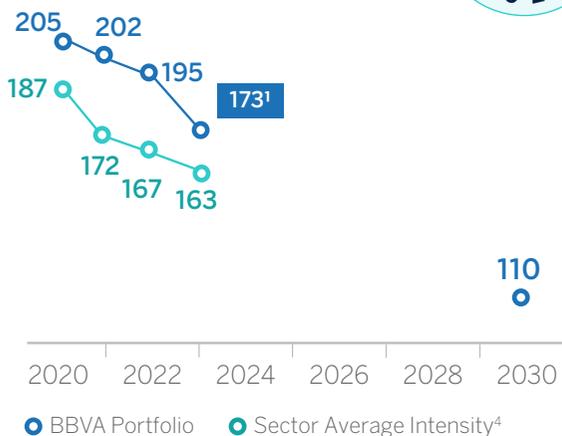


1.3. Auto

BBVA has set a target to reduce its carbon emissions intensity by 46% in the automobile sector between 2020 and 2030, measured in grams of CO₂/km-v (Scope 3).

AUTO

Emissions intensity in CO₂/v-km



LENDING PORTFOLIO
+2% Mn€ 2020-2023²
Of which **100%**
are customers who actively manage their transition³

Support for customers investing in **electric and hybrid vehicle manufacturing**

The portfolio alignment metric for the automobile sector follows the PACTA methodology. The PACTA methodology is based on the identification of the Group’s financing related to automobile manufacturing by customers. In the case of the automobile sector, the metric analyzes automobile manufacturers by measuring the emissions per km of the vehicles they produce.

2023 Performance

The automobile portfolio (173 g CO₂/v-km as of December 2023) narrows the existing gap with the market average. The curve advances with a level of CO₂ emissions lower than that of 2022. The variations have been produced mainly by the progress in the transition of the portfolio’s customers with a progressive increase in the penetration of electric vehicles in the different markets and an overweight of customers actively managing their transition. Additionally, BBVA supports the financing of new customers with purely electric production lines as they position themselves in the market, particularly in the context of their geographic expansion strategies.

Actions with customers

- ✓ The decarbonization of the automobile sector will require heavy investment to accelerate the penetration of electric and/or plug-in hybrid vehicles.
- ✓ Boosting battery manufacturing, the charging infrastructure powered by renewable energy sources and circularity in automobile manufacturing materials are key levers for decarbonizing the sector.
- ✓ Supporting customers who are making progress in their transition, which currently represent 100% of the total amount of the car manufacturing-related financing portfolio.

¹ Alignment metrics as of December 2023.

² Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).

³ Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others).

Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as “Advanced”, “Robust” or “Moderate” according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

⁴ Historical data has been updated due to improvements in information sources.



1.4. Steel

BBVA has set a target to reduce its carbon emissions intensity by 23% in the steel sector between 2020 and 2030, measured in kilograms of CO₂/ton of steel (Scope 1 and 2).

STEEL

Emissions intensity in Kg CO₂/ton of steel



● BBVA Portfolio ● Sector Average Intensity⁷



FINANCING PORTFOLIO
+39% Mn€ 2020-2023³
 Of which **76%** are customers who are making progress in their transition⁴

Support for **customers** investing in **new production modes EAF⁵ and H₂-DRI⁶**

⁽¹⁾ The emissions intensity data for the steel sector corresponding to the 2022 financial year differs from that published in the 2022 Non-Financial Information Statement due to updates and additional verifications.
⁽²⁾ Alignment metrics as of December 2023.
⁽³⁾ Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).
⁽⁴⁾ Percentage calculated in terms of the volume of loans in the portfolio, both drawn and undrawn. Data as of December 2023. Customers that are actively managing their transition are considered as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools, such as TRI, considering medium-term emissions reduction targets, identification of levers for emissions management and commitment of associated investments to execute their transition plan.
⁽⁵⁾ Electric Arc Furnaces (EAF).
⁽⁶⁾ Direct Reduction of Iron with Hydrogen, for its acronym in English: H₂-DRI (Hydrogen-based direct reduced iron).
⁽⁷⁾ Historical data has been updated due to improvements in information sources.

The portfolio alignment metric for the steel sector follows the PACTA methodology compatible with the Institute for Sustainable Futures Net-Zero Scenario by 2050 (ISF-NZ). The PACTA methodology is based on the identification of the Group's financing related to customers in steel manufacturing. The steel sector concentrates most of its emissions in the steel manufacturing process. PACTA focuses on this point in the value chain.

2023 Performance

The steel portfolio (1,181 kg CO₂/tonne of steel as of December 2023) has consistently performed better than the market as a whole in the last two years due to the weight of the financing of electric arc furnaces, much less intensive than blast furnaces. The curve experiences a lower level of emissions than in 2022 due to the incorporation of new electric arc customers, although mitigated to a certain extent by the growth in exposure to customers in the Turkish portfolio with high intensities today but with manufacturing processes which are expected to transition in line with BBVA's objectives.

Actions with customers

- Decarbonizing the steel industry will require strong investments in new EAF and H₂-DRI production modes, as well as a higher proportion of recycled materials.
- Accompaniment to customers who are actively managing their transition, which currently represent 76% of the total amount of the financing portfolio related to steel manufacturing.



1.5. Cement

BBVA has set a target to reduce its carbon emissions intensity by 17% in the cement sector between 2020 and 2030, measured in kilograms of CO₂/ton of cement (Scope 1 and 2).

CEMENT

Emissions intensity in Kg CO₂/ton of cement



FINANCING PORTFOLIO

+15% Mn€ 2020-2023²

Of which **83%** are customers who actively manage their transition³

Challenge to grow the business in the **absence of decarbonization technologies**

Support **for customers advancing in their transition**



● BBVA Portfolio ● Sector Average Intensity

¹ Alignment metrics as of December 2023.

² Change in the financing portfolio in millions of euros between 2020 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, etc.).

³ Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRi), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

The portfolio alignment metric for the cement sector follows the PACTA methodology compatible with the Institute for Sustainable Futures Net-Zero Scenario by 2050 (ISF-NZ). The PACTA methodology is based on the identification of the Group's financing related to customers in cement manufacturing. In the cement sector, the methodology measures emissions from the manufacture of cement, not its derivatives.

2023 Performance

In the case of the cement portfolio (713 Kg CO₂/tonne of cement as of December 2023), the increase is explained by improvements in the quality of the data and the incorporation of a new database for customer emissions with higher intensity levels for the entire portfolio. The emissions intensity of 2023 shows a moderate increase compared to 2020, resulting slightly above the global market.

Portfolio management between 2022 and 2023 reflects exposure growth of 15% in the last 12 months resulting from growth with customers in the sector who are actively managing their transition in addition to the support of a less advanced customer but who is making progress relevant according to internal transition assessment tools, such as the TRi.

Actions with customers

- / Selective business strategy depending on customers' progress as they scale decarbonization pathways.
- / Accompaniment to customers who are actively managing their transition, which currently represent 83% of the total amount of the financing portfolio related to cement manufacturing.

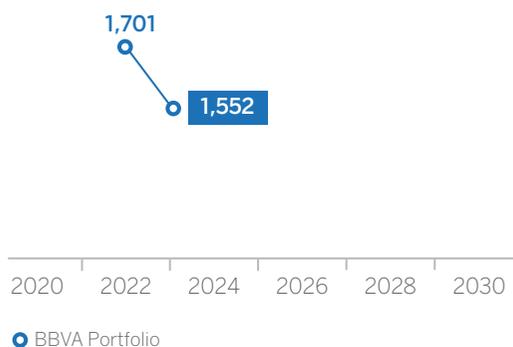


1.6. Coal

In 2021, BBVA announced its objective to eliminate its exposure to coal-related activities by 2030 in developed countries and by 2040 globally (under the terms of the Environmental and Social Framework).

COAL

Total amount in €Mn



FINANCING PORTFOLIO
-9% Mn€ 2022-2023¹
 Of which **85%** are customers who are expected to manage their transition in time to meet the thermal coal phase-out objective²

Thermal coal phase-out in 2030 in developed countries and in 2040 globally³

Support for the financing of sustainable projects to support the transition of the sector

This decision, included in BBVA’s Environmental and Social Framework, is configured as one of the main tools to identify customers and projects exposed to potential social and environmental controversies and is aligned with the main standards and best practices in the sector and in the geographies in which they operate.

As established in BBVA’s Environmental and Social Framework, coal customers are defined as those customers, both new and existing, with more than 5% of their revenues derived from thermal coal mining for power generation, or with revenues derived from power generation and more than 5% of installed capacity for power generation derived from thermal coal. The objective of gradual and orderly exit of exposure will fall on those customers with more than 25% of revenues from thermal coal mining for power generation or more than 25% of installed capacity for power generation derived from thermal coal.

In the case of existing customers that exceed this threshold and do not have published coal phase-out targets, exposure to these customers will be phased out in an orderly and progressive manner as their commitments expire¹⁵. For existing customers above this threshold whose published carbon phase-out targets do not meet BBVA’s 2030 target in time, exposure will not be increased until the customer’s target is aligned with BBVA’s.

2023 Performance

The coal portfolio has decreased by 9% compared to 2022, excluding the project financing business. This reduction is due to lower exposure to coal-related activities as customer financing matures.

Actions with customers

- Supporting the financing of sustainable projects to support the transition of the sector.
- Customers expected to manage their transition in time to meet the thermal coal phase-out target represent 85% of the financing portfolio¹⁶.

15. The total amount of the financing portfolio weighted by revenues from thermal coal mining or installed capacity for thermal coal-fired power generation with coal customers (defined under the terms of the Environmental and Social Framework) amounts to 1,552 million euros as of December 31, 2023. The total amount of the financing portfolio weighted by revenues from thermal coal mining or installed capacity for thermal coal-fired power generation with coal customers that have limited expectations of making the transition in time to meet BBVA’s coal phase out target as of the same date amounts to 225 million euros.

16. The financing portfolio considers drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, and others)

¹ Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others).

² Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others) that corresponds to customers who are expected to transition in time to meet thermal coal phase-out target.

³ In the terms provided in BBVA’s published Environmental and Social Framework.



1.7. Aviation

BBVA has set a target to reduce its carbon emissions intensity by 18% in the aviation sector between 2022 and 2030, measured in grams of CO₂/PKM (Scope 1).

AVIATION

Emissions intensity in gCO₂/pkm



¹ Alignment metric as of December 2023. The gCO₂/PKM metric of BBVA's portfolio is adjusted by the belly freight factor. Without considering this factor, the emissions intensity data in the base year 2022 is 103 gCO₂/PKM and in the year 2023 it is 106 gCO₂/PKM, according to disclosure of Pillar 3 as of December 2023. Applying the reduction objective to 2030 on the base year without the belly freight factor, the emissions intensity objective to 2030 is 85 gCO₂/PKM.

² Variation in the financing portfolio in millions of euros between 2022 and 2023 considering drawn and undrawn financing (such as loans, unused revolving credit lines, guarantees, ECA lines, among others);

³ Percentage calculated in terms of the volume of loans in the portfolio, which includes both drawn and undrawn financing (such as loans, unused revolving lines of credit, guarantees, ECA lines, among others). Data as of December 2023. Customers who are actively managing their transition are considered to be those classified as "Advanced", "Robust" or "Moderate" according to internal transition assessment tools such as the Transition Risk Indicator. Indicator -TRI), considering its medium-term emissions reduction objectives and levers for the management of said emissions and its committed investments to execute its transition plan.

The portfolio alignment metric for the aviation sector follows the PACTA methodology compatible with the International Energy Agency's Net Zero scenario (IEA_NZE). The PACTA methodology is based on the identification of the Group's airline-related financing. In the case of the aviation sector, the metric analyzes airlines by measuring emissions per passenger kilometer of flights operated.

2023 Performance

The aviation portfolio metric (89 gCO₂/PKM as of December 2023) increases slightly compared to 2022 but remains below the global market average. The variation is due to a change in the portfolio mix given the timely amortization of certain existing positions with customers. The portfolio mix is expected to recover throughout 2024 while BBVA continues to work with its customers in the design and execution of transition strategies in line with the maturity of this industry.

Actions with customers

- ✓ The decarbonization of the aviation sector is closely linked to the industrial-scale transition to sustainable aviation fuels (SAF).
- ✓ Supporting the financing of fuel efficiency improvements, in particular through fleet renewal.
- ✓ Accompaniment to customers who are actively managing their transition, which currently represent 87% of the total amount of the airline-related financing portfolio.

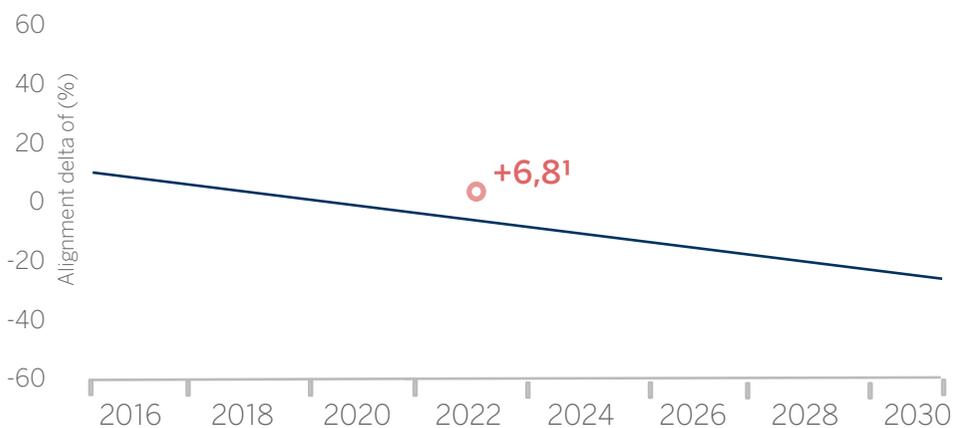


1.8. Shipping

BBVA has set a target in 2030 to match the trajectory set in 2018 by the International Maritime Organization (IMO).

SHIPPING

Alignment delta in $gCO_2/(dwt^* \text{ nautical mile})$



— Trajectory set in 2018 by the International Maritime Organization

* DWT (Deadweight tonnage).

⁽¹⁾ Alignment metrics as of December 2022.

The portfolio alignment metric for the shipping sector is compatible with the IMO standard. This standard analyzes the financing to each vessel exceeding 5,000 tons and establishes a baseline according to the emissions of each type of vessel (Scope 1). The variables for calculating the Annual Efficiency Ratio (Annual Efficiency Ratio) expressed in $g CO_2/DWT\text{-nm}$, include the deadweight tonnage (DWT), the nautical miles (nm) traveled in the year and the fuel type.

In calculating the alignment, BBVA has calculated the percentage difference between the intensity of each financed ship and the decarbonization trajectory set by IMO for that particular ship type and for the year 2022. It is expressed as (+/-):

- / A score of 0% represents a portfolio that is exactly in line with the decarbonization trajectory.
- / A negative score indicates that the portfolio intensity is lower than that required by the decarbonization trajectory.
- / A positive score indicates that the portfolio intensity is higher than that required by the decarbonization trajectory.

Actions with customers

- / Promote the adaptation of the fleet to ships with decarbonization trajectories lower than those established by the IMO.
- / Supporting customers with transition plans aimed at making their fleet more efficient.

Calculation of financed CO₂e emissions

BBVA continues to work on the measurement of emissions financed in the retail and wholesale portfolios. To carry out this measurement, BBVA has adopted the PCAF (Partnership for Carbon Accounting Financials) methodology. This calculation will cover all the portfolios included in the scope of the PCAF standard (first edition) and the Group's significant geographical areas, providing a global view of the emissions financed.

In the defined roadmap, the calculation at the end of December 2023 includes the measurement of financed emissions in the scope of loans to companies, project financing, commercial real estate, mortgages and automotive in the scope of BBVA, S.A. (without the Portugal branch), BBVA Mexico, BBVA Colombia and BBVA Peru. In parallel, the Group is working to incorporate the rest of the portfolios and geographical areas by June 2024, in accordance with the regulatory deadlines defined in relation to the publication of the financed emissions.

The result of the estimation is expressed both in terms of absolute emissions financed and economic intensity (absolute emissions per million euros financed). In addition,

the quality score is presented as defined in the PCAF methodology, which evaluates the availability and reliability of the data used in the calculation by the entities. This score ranges from 1 to 5, with 5 being the worst score assigned when using sector estimates or industry trends using emission factors provided by PCAF, and 1 being the best score when based on individual-level reported and verified emissions data of the counterpart.

Throughout 2023, two major lines of improvement in the calculation of financed emissions have been carried out. The first is the update of factors provided by PCAF to estimate financed emissions when reported data is not available (score 3 to 5). The second line of work has consisted of calculating, from emissions reported by customers, a greater part of the financed emissions (score 1 and 2).

Due to the expansion of the geographical scope and the aforementioned lines of improvements, the results at the end of 2022 and at the end of 2023 are not directly comparable. On the other hand, the results of these improvements are reflected in a better calculation quality score.

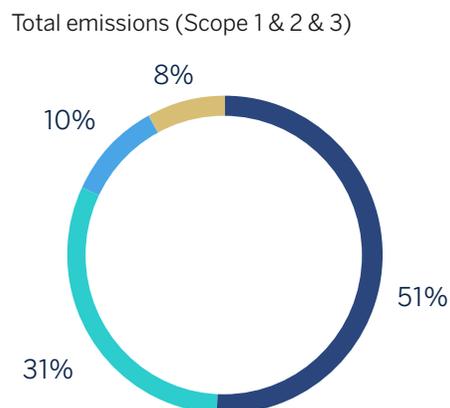
The level of financed emissions calculated at the end of 2022, which included only the lending portfolio in the BBVA S.A. perimeter, excluding branches in Portugal, was 39.9 million tons of CO₂e¹⁷. The result of the calculation of the financed emissions for the same perimeter as of December 2023, after improvements in data, updating of factors and exposure variations, stands at 81.4 million tons of CO₂e, originating most of the increase in emissions financed by methodological improvements and updating of emission factors.

For the total perimeter calculated in 2023, that is, BBVA S.A. lending portfolios (excluding the branches in Portugal), Mexico, Colombia and Peru, a total calculation of financed emissions of 159.1 million tons of CO₂e has been obtained, considering scope 1 & 2 & 3 emissions, and 66 million tons of CO₂e taking into account only scopes 1 & 2, significantly reducing the risk of double counting that scope 3 entails and its lower quality in the available data.

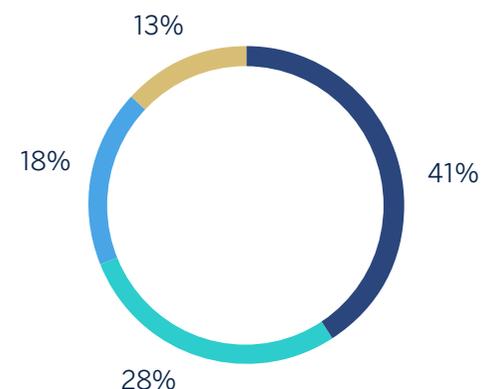
The distribution by geography is as follows:

17. TCFD BBVA 2022 report published in March 2023 (34.5 MM tCO₂e in terms of the prudential perimeter of Pillar 3 published in EINF 2022).

GRAPH 04. Distribution of financed emissions by geography (percentage, 2023)



Emissions (Scope 1 & 2)



■ Spain ⁽¹⁾ ■ Mexico ■ Peru ■ Colombia

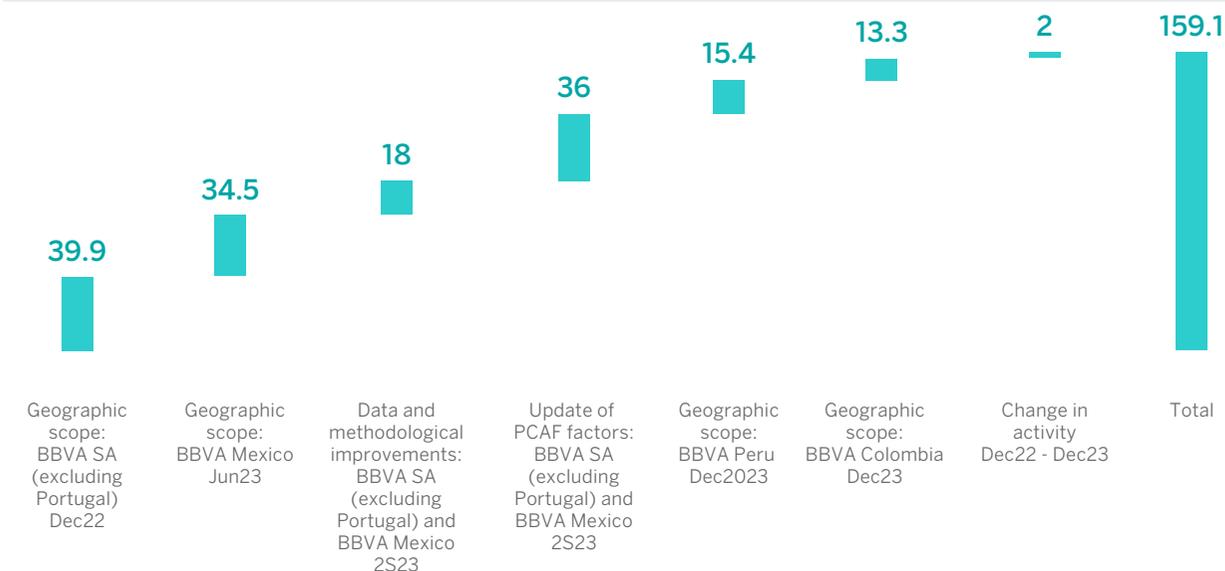
⁽¹⁾Data of BBVA S.A. without Portugal

As indicated, throughout the year work has been done to include the calculation of financed emissions in BBVA Mexico’s lending portfolio, with the figure being equivalent to 34.5 million tons of CO₂e in June 2023. The methodological and available data carried out in the second part of the year on portfolios of BBVA S.A. (excluding the branches in Portugal) and BBVA Mexico, and therefore not directly attributable to a change in portfolio positioning, lead to an increase in financed emissions of +18 million tons of CO₂e. Additionally, the update of the emission factors provided by PCAF causes an increase in emissions of +36 million tons of CO₂e in the perimeters of

BBVA S.A. (excluding branches in Portugal) and BBVA Mexico. Finally, the inclusion in the calculation of the lending portfolios of BBVA Peru and BBVA Colombia in December 2023 provides an increase of +15.4 million tons of CO₂e and 13.3 million tons of CO₂e, respectively.

The following graph shows the impact of the different factors that explain the evolution of the calculation of financed emissions during 2023:

GRAPH 05. Evolution of the calculation of financed emissions between December 2022 and December 2023 (MtCO₂e)



It is relevant to indicate that the emission factors updated by PCAF in 2023 have suffered a substantial increase in the level of emissions intensity compared to those used in the calculation in 2022. These factors generally present a comparatively higher emissions intensity in the geographies incorporated into the calculation in 2023 (Mexico, Colombia and Peru).

The results of the measurements as of December 2023 are detailed below, by wholesale sectors most relevant in emissions, and the rest of the retail portfolios:

In the future, fluctuations can be expected in the measurement of financed emissions, both due to the revision of emission factors provided by PCAF and due to greater use of data reported by customers to the extent that its publication becomes generalized.

TABLE 07. Financed emissions as of December 31, 2023

Sector	2023 ¹						2022 ²			
	Financed emissions (MtCO ₂ e)			Intensity (tCO ₂ e/M€)			Score	Financed emissions (MtCO ₂ e)	Intensity (tCO ₂ e/M€)	Score
	Total	Scope 1 & 2	Scope 3	Scope 1 & 2	Scope 1 & 2 & 3					
Manufacturing	71.7	16.5	55.2	471	1,577	3.6	16.4	756	4.6	
Electricity, gas, steam and air conditioning supply	13.2	55.2	6.5	569	555	3	756	671	4.9	
Wholesale and retail trade	20.9	471	16.8	179	730	4.3	4.6	*	*	
Mining and quarrying	30.0	1,577	5.7	5,430	1,268	2.8		2,264	4.9	
Transportation and storage	4.3	3.6	2.4	208	261	4.2	2.4	448	4.5	
Agriculture, forestry and fishing	7.6	16.4	2.2	1,540	608	4.1	2	1,116	4.4	
Other sectors	6.6	756	4.4	52	109	4.1	*	*	*	
Mortgages	2.7	4.6	—	29	—	3.7	*	*	*	
Other retail portfolios	2.1	6.7	—	293	—	4.5	*	*	*	
Total	159.1	65.9		289		3.8	*	*	*	

* Data not reported within the Non-financial information statement 2022.

(1) Includes data from BBVA, S.A (without Portugal), BBVA Mexico, BBVA Peru and BBVA Colombia.

(2) Includes data from BBVA S.A without Portugal.

Channeling sustainable business

BBVA is promoting the development of sustainable products or products that promote sustainability to capture the incremental business it represents, and takes a differentiated approach for each customer segment. These segments include wholesale customers (corporate and institutional), business customers, and retail customers, in addition to the offer of sustainable investment products aimed primarily at retail customers through BBVA AM and its asset managers in the geographies where they operate.

The development of products and services is accompanied by constant interaction and dialogue with customers, the banking industry and the public sector, to help integrate sustainability into their financial decisions, identify best practices and take into account the regulatory trends.

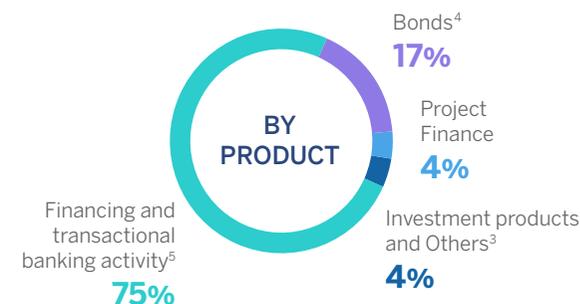
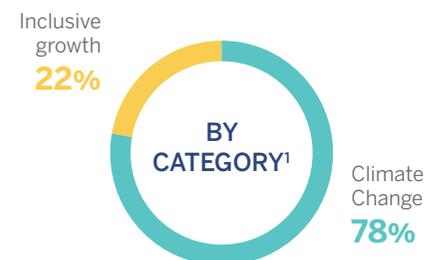
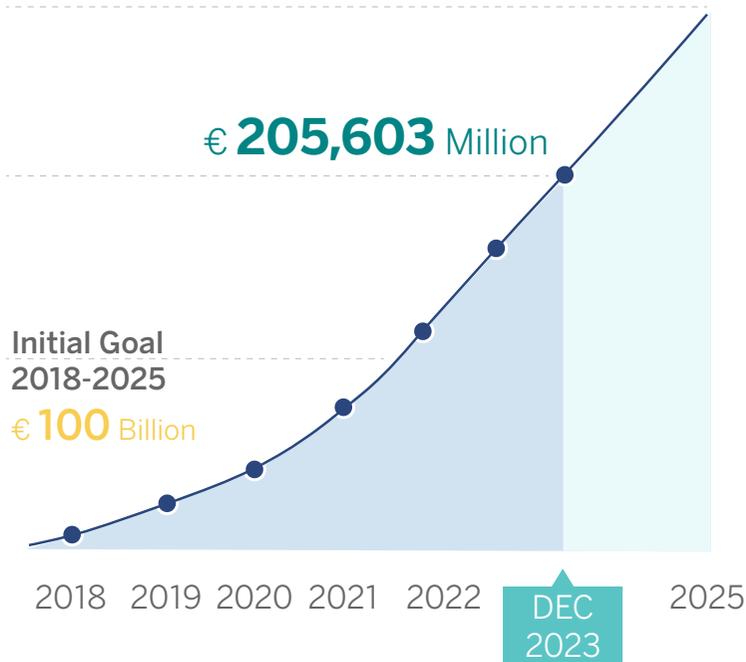
BBVA increased its 2025 Goal for channeling sustainable business in 2021 and 2022, tripling its initial objective and setting it at 300,000 million euros in the period 2018 - 2025.

Between 2018 and 2023, BBVA mobilized a total of 205,603 million euros in sustainable business, distributed as follows:

Accumulated Channeling 2018-2023 (BBVA Group)

New Goal 2018-2025

€ 300 Billion



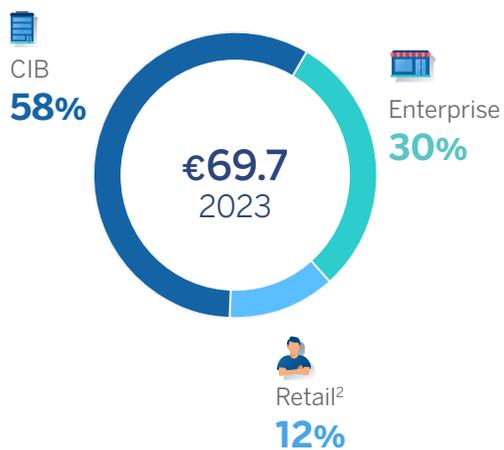
(1) In those cases where it is not feasible or sufficient information is not available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the available information.
 (2) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 7,700 million euros in the period from 2018 to 2023 to support vulnerable entrepreneurs with microcredits.
 (3) Investment products art.8 or 9 under SFDR or similar criteria outside the EU managed, intermediated or marketed by BBVA, includes deposits under the Sustainable Transaction Banking Framework until its replacement by the CIB Sustainable Products Framework (both frameworks published on the bank's website), insurance policies related to energy efficiency and inclusive growth, and electric vehicle autorenting, mainly.
 (4) Bonds in which BBVA acts as bookrunner.
 (5) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market and best practices), such as those linked to environmental and/or social indicators.

Channeling 2023 (BBVA Group)

CATEGORY BREAKDOWN¹ (Billions)



CUSTOMER BREAKDOWN (Billions)



BREAKDOWN BY AREA OF ACTIVITY (Billions)

CLIMATE CHANGE



INCLUSIVE GROWTH



(1) In those cases where it is not feasible or sufficient information is not available to allow an exact distribution between the categories of climate change and inclusive growth, internal estimates are made based on the available information.

(2) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 1,450 million euros in 2023 to support vulnerable entrepreneurs with microcredits.

(3) It covers more than one area of action, but with the information available it is not possible to make an exact assignment.

Channeling 2023 (BBVA Group)

PRODUCT BREAKDOWN

(Billions)

 CIB



 ENTERPRISE



 RETAIL¹



(1) Includes the activity of the BBVA Microfinance Foundation (BBVAMF), which is not part of the consolidated Group and which has channeled around 1,450 million euros in 2023 to support vulnerable entrepreneurs with microcredits.

(2) Bonds in which BBVA acts as bookrunner.

(3) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market and best practices), such as those linked to environmental and/or social.

(4) Investment products art.8 or 9 under SFDR or similar criteria outside the EU managed, intermediated or marketed by BBVA. includes deposits under the Sustainable Transaction Banking Framework until its replacement by the CIB Sustainable Products Framework (both frameworks published on the bank's website), insurance policies related to energy efficiency and inclusive growth, and electric vehicle autorenting, mainly.

(5) Includes insurance policies related to energy efficiency and inclusive growth.

For the purposes of the 2025 goal, channeling is considered as any mobilization of financial flows, on a cumulative basis, in relation to activities, customers or products considered sustainable or that promote sustainability primarily in accordance with internal standards inspired by existing regulations, market standards such as the Green Bond Principles, the Social Bond Principles and the Sustainability Linked Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles, Social Loan Principles and Sustainability Linked Loan Principles of the Loan Market Association, existing regulations and best market practices. The foregoing is without prejudice to the fact that such mobilization, both initially and at a later time, may not be recorded in the balance sheet. To determine the amount of sustainable business channeled, internal criteria are used based on both internal and external information, whether public, provided by customers or by a third party (mainly data providers and independent experts).

To determine the channeling, the following standards are taken into account:



Internal standards

Internal standards inspired by the European taxonomy (as they consider the element “substantial contribution” to the environmental objectives defined by said taxonomy) and best market practices, which may additionally present a certain degree of flexibility when applied in non-European geographic areas in order to reflect their different national situations and avoid the exclusion of emerging markets. In countries where local taxonomies exist, these could be applied.

Additionally, given its important presence in emerging countries, BBVA has developed an internal standard for inclusive growth, defining activities that can be considered sustainable due to their contribution to social objectives. This standard has been developed based on the United Nations SDGs, international principles on Human Rights, the Social Bond Principles, best market practices and the draft EU social taxonomy. Because social aspects have very local and regional characteristics, own methodologies have been developed and thresholds have been established based on national and international indicators.

CIB framework for sustainable products: applicable to certain products of BBVA’s CIB activity such as transactional banking products or some structured products of the Global Markets activity. It is based on the SDGs, market practices and internal standards, with the opinion of an independent third party. This Framework is public and is available on the BBVA shareholders and investors website.



Market standards

for products and activities based on the **use of funds**

Mainly the Green Bond Principles and the Social Bond Principles of the International Capital Markets Association, as well as the Green Loan Principles and the Social Loan Principles of the Loan Market Association. Additionally, other market standards such as the SDGs are taken into account.



Market standards

for products and activities linked to **sustainability**¹⁸

Mainly, the Sustainability Linked Bond Principles of the International Capital Markets Association and the Sustainability Linked Loan Principles of the Loan Market Association.

In addition to internal and market standards and best practices, the existing regulations on the matter are taken into account (highlighting the Taxonomy Regulation 2020/852 and the Disclosure Regulation 2019/2088).

Likewise, BBVA considers its customers' activities to comply with internal standards and applicable regulations, supported by external data providers and using company-level certifications of recognized prestige in the market.

The channeling of sustainable business referred to above is a metric that may differ from other metrics of a regulatory nature. In particular, this metric differs from the metrics to be broken down according to the European Taxonomy (Regulation 2020/852, Delegated Regulation 2021/2178, Delegated Regulation 2022/1214, Delegated Regulation 2023/2485 and Delegated Regulation 2023/2486) as well as the information to be disclosed under the implementing technical standards (ITS) on Pillar 3 information relating to environmental, social and governance risks¹⁹. The reasons for these differences derive mainly from the different criteria used in the different metrics. In general, the following stand out:

- I. While channeling includes mobilization of financial flows in relation to activities, customers or products considered sustainable or promoting sustainability in accordance with existing regulations, internal and market standards and best practices, regulatory metrics are constructed based on environmentally sustainable economic activities in accordance with existing regulations;

- II. While channeling includes mobilization of financial flows that may not be recorded on the balance sheet (e.g., certain transactional banking activity, mutual funds or bonds in which BBVA acts as bookrunner, etc.), regulatory metrics primarily include on-balance sheet exposures²⁰;

- III. While the concept of channeling is cumulative (reflects accumulated balances originated since 2018) and includes the total flow mobilized at the time of origination, the regulatory metrics only include the current exposure, mainly on the balance sheet, as of the date on which the information of the exercise in question refers;

- IV. While the concept of channeling includes mobilization of flows that contribute to a purpose of a social nature such as inclusive growth and other environmental objectives, regulatory metrics only consider the contribution to an environmental purpose.

Among the sustainable business mobilization solutions aimed at contributing to the fight against climate change and promoting inclusive growth, the following stand out:

¹⁸. Generally, linked to a series of indicators or criteria related to ESG aspects, thus trying to encourage positive behaviors in terms of sustainability.

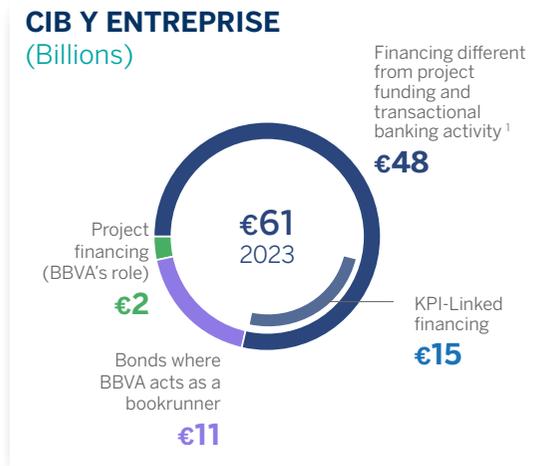
¹⁹. Incorporated in Commission Implementing Regulation (EU) 2022/2453 of 30 November 2022 amending the technical implementing rules laid down in Implementing Regulation (EU) 2021/637.

²⁰. According to the regulatory definition (FINREP) of exposure: outstanding risk on loans and advances, as well as bonds in the investment portfolio.

Products for wholesale customers - CIB and enterprises

In 2023, the mobilization of sustainable business with wholesale customers amounted to around 61 billion euros, 51 billion euros linked to climate change and almost 10 billion linked to inclusive growth.

In 2023, BBVA has continued to be very active in financing sustainable projects, participating in the channeling of 1.63 billion euros (taken from BBVA) of sustainable business in the following main areas:



(1) It fundamentally includes products whose funds are allocated to activities considered sustainable (in accordance with both internal and market standards, existing regulations and best practices), as well as products linked to sustainability (in accordance with both internal and market standards and the best practices), such as those linked to environmental and/or social indicators.

1.52 Bn EUR

In projects related to climate change (renewable energy, energy efficiency, sustainable mobility...).

0.11 Bn EUR

In projects related to inclusive growth (civil infrastructure sector, telecommunications sector as facilitators of access to new technologies, etc.). For example, BBVA has participated in unique operations in transportation infrastructure for the economic development of vulnerable regions, such as the “Vía 40 Express” project in Colombia, which connects Bogotá with the country’s main port on the Pacific Ocean, benefiting more than one million people in 13 municipalities and will be an important source of job creation during its construction.

In the field of financing and transactional banking activity, 48.28 billion euros have been channeled during 2023, 41.60 billion euros related to climate change and 6.68 billion euros linked to inclusive growth. Noteworthy:

15.12 Bn EUR

correspond to the financing and transactional banking activity linked to the performance of environmental and/or social indicators: 14.58 billion euros linked to climate change and 0.54 billion euros to inclusive growth. In this way, BBVA promotes the environmental and social behavior of companies, applying a price bonus for the achievement of established objectives in relation to environmental and/or social indicators, such as the reduction of scope 1, 2 and 3 emissions, the efficient use of resources such as water or waste, the increase in women occupying management positions or the reduction of workplace accidents. Of these 15.12 billion euros, 1.55 billion euros correspond to confirming linked to sustainability based on an evaluation and classification of suppliers based on sustainability criteria.

33.16 Bn EUR

correspond to financing and finalist transactional banking activity: 26.48 billion euros related to climate change, where areas such as energy or mobility stand out, and 6.14 billion of millions related to inclusive growth, highlighting areas of actions like financial and social inclusion or infrastructure.

In its transition toward sustainability (adaptation to climate change, mitigation or contribution to inclusive growth), it has also acted as bookrunner in issuances of green bonds (5.90 billion euros), social bonds (1.72 billion euros), and sustainable bonds -with both a green and social component- (2.24 billion euros) and bonds linked to environmental and/or social indicators (1.18 billion euros) from customers in the United States, Mexico, South America and Europe, including Spain. The total volume disintermediated by BBVA during 2023 amounts to 11 billion euros, where activity with European customers stands out. BBVA continues to support the development of the green and social bond market in Latin America and Europe, leading inaugural bond issues in these regions.

Wholesale customers CIB (corporate and institutional)

During 2023, BBVA's wholesale customer area has channeled around 40 billion euros, highlighting solutions that help drive improvement for its customers in aspects related to sustainability, focusing on **THREE STRATEGIC LINES:**

1. CONFIRMING LINKED TO SUSTAINABILITY, based on an evaluation and classification service of suppliers of corporate customers based on sustainability criteria. This allows them to offer better discount prices on their invoices to those who score higher in relation to those criteria. This solution also can help corporate customers reduce their scope 3 emissions.

2. FINANCING OF NEW CLEAN TECHNOLOGIES, focusing on the development of specialized knowledge to finance clean technologies such as batteries (for energy transportation or storage), green hydrogen, biofuels, with the aim of accompanying customers in the transformation of their production models.

3. PROMOTION OF THE FINANCING OF RENEWABLE ENERGY PROJECTS, especially solar and wind, with a special focus on the United States.

Enterprise customers

In 2023, the contribution of the Corporate and Business Banking (CBB) business area has been particularly relevant, by channeling approximately 20.9 billion euros, which represents 30% of the annual total, compared to the 21% it represented during 2022. This notable contribution has been achieved thanks to the support of **THREE STRATEGIC LEVERS:**

1. The development of a simple and scalable value offer, establishing a sector dialogue with each customer that covers two aspects:

A. SUSTAINABLE SOLUTIONS AIMED AT GENERATING POTENTIAL ECONOMIC SAVINGS, prioritizing cross-cutting issues such as energy efficiency, fleet renewal, water management, circularity, agriculture, social infrastructure and the promotion of entrepreneurship.

B. USING ADVANCED DATA ANALYTICS to develop consultation tools, such as the carbon footprint calculator for customers.

This has allowed us to establish a richer strategic dialogue with customers, adopting a commercial approach focused on specific sectors of activity. In this context, the decarbonization strategy and sector plans have become a crucial axis. Specific sector plans are being developed, such as construction in almost all geographies, as well as in the agri-food sectors in Mexico, Spain and South America, and in areas such as the hotel sector, transportation and logistics, among others.

2. The integration of sustainability into the business model of the countries' commercial network of companies begins through good commercial planning, the incentive model and the network management model. At the same time, progress is being made in the adoption of a risk model that allows customers and operations to be analyzed with ESG criteria.

3. The creation of teams of product specialists and salespeople in all geographies, with the aim of increasing the capillarity of the business.

These levers, during 2023, have begun to be taken to South American countries after the good results achieved in other geographic areas where the model was more consolidated, such as Spain and Mexico. This has increased the capillarity of the CBB business.

Products for retail customers

During 2023, the BBVA Group contributed to the channeling of sustainable business through various products for retail customers in a total of 8.6 billion euros²¹, 2.8 billion euros linked to climate change and 5.8 billions linked to inclusive growth.

Customized digital solutions for the energy efficiency and mass consumption market

In 2023, within the scope of sustainable solutions for retail customers, BBVA has promoted personalized digital solutions aimed at the mass consumer market. These data-driven tools and solutions offer customers a vision of the potential savings they can obtain by adopting energy-saving measures in their homes and transportation. The objective is to promote more sustainable practices to contribute to the reduction of CO₂ emissions.

²¹. Of these 8.6 billion euros, around 2.5 billion euros correspond to financing for small and medium-sized companies and 1.6 billion euros correspond to Consumer Finance.

Over the course of 2023, BBVA has channeled 162 million euros in solar panels, 43 million euros in financing for energy efficiency measures for households and 350 million euros for financing the acquisition of hybrid or electric vehicles. These solutions are being promoted transversally in the geographies in which the BBVA Group operates:



Since 2021, BBVA in Spain uses data analytics to calculate the carbon footprint of individual customers, obtaining an approximate estimate of the amount of CO₂ emissions to the atmosphere, based on gas and electricity bills and the expenses incurred on fuel and other means of transportation. The main purpose is to offer customers solutions focused on energy savings, based on this data.

Thus, personalized solutions have been developed that calculate the possible savings on customers' energy bills when installing panels or purchasing an electric car. To this end, BBVA has established alliances with several companies dedicated to the installation of self-consumption products. Through the mobile application, the customer is offered the installation of

the panels and a financing solution adapted to this product. As a result, during this year, around 16,500 solar panel installations have been financed. In relation to sustainable mobility, the customer is also offered demonstrations showing the potential savings they can obtain by purchasing a electric or hybrid vehicle. A catalog of vehicles from dealers associated with the consumer financing business is made available. In addition, through the mobile application, customers are also offered the possibility of leasing vehicles with various options for electric and hybrid models.



From the beginning of 2023, the tool for calculating customers' carbon footprint is available. Additionally, BBVA is working with a strategic partner, one of the main installers of photovoltaic panels in the country, to make available to customers in 2024 the same solar panel acquisition experience developed in Spain. This will include simulators that will estimate savings when switching appliances for more efficient models, as well as the option to explore electric and hybrid vehicles.



REST OF GEOGRAPHIES

Turkey has a tool for retail customers to calculate their carbon footprint since 2022 and in Argentina it will be developed in 2024.

Additionally, alliances have been developed to promote energy efficiency in homes in Colombia and Argentina as well as new alliances with large businesses for the financing of appliances with a high energy efficiency label, water savers and sustainable mobility in Argentina and Colombia.

It is also worth mentioning that, the BBVA Group sells mortgages for homes with high energy ratings in all the geographies in which it operates, except in Mexico, where work is being done to offer it. During 2023, BBVA has channeled approximately 862 million euros in mortgages for homes with high energy ratings.

Solutions to promote entrepreneurship and financial inclusion

As part of its inclusive growth strategy, in 2023, BBVA has continued to promote entrepreneurship as a lever for social development. Among other significant actions, the financing of:

■ LOW-INCOME ENTREPRENEURS

Through the activity of microfinance institutions supported by the BBVA Microfinance Foundation. In 2023, around 1,450 million euros have been channeled through productive microcredits that, during this year, have been delivered to more than 3.2 million entrepreneurs in situations of vulnerability or poverty.

■ WOMEN ENTREPRENEURS

For example, through the Women Entrepreneurs program in Turkey, through which nearly 828 million euros have been channeled impacting around 20,000 female entrepreneurs.

■ OTHER ENTREPRENEURS AND MICROBUSINESSES

For example, through support to PFAEs (Persons with Economic Activities) in Mexico, through loans and other products, channeling around 652 million euros during the year that have benefited almost 90,000 entrepreneurs and microenterprises.

During 2023, BBVA has also developed specific solutions and products to promote the financial inclusion of unbanked and underbanked people (segments such as people with disabilities, rural population, young people, seniors) in those geographies where the Group operates. Some examples of this are:



MEXICO

A digital solution has been promoted for individuals who were previously unbanked, with a special focus on women and young people. In this way, the banking access of almost 230,000 people has been promoted.



TURKEY

In July 2023, the program for the banking of women was launched, through which participants are supported with training for employability and financial education and are offered basic financial products such as a savings account, credit card at no cost or microcredits for entrepreneurship, among others.



ARGENTINA

The marketing of BBVA VOS has been promoted, an account at no cost to the customer that, once the necessary objectives to access a Credit Card have been achieved, gives automatic access to it. In 2023, more than 82,000 BBVA VOS accounts were registered. 43% of those registrations activated the account by making money deposits and 68% of the activated accounts managed to reach the credit card. Through this product, in 2023, more than 9,500 people, who initially could not access credit due to lack of credit history, were able to access it. The product includes financial and digital support and education.

The integration of sustainability in the BBVA Asset Management business

BBVA Asset Management (hereinafter BBVA AM), the Group's investment management unit that brings together all of its asset management activities around the world, has developed a governance model in which there is coordination with the GSA to ensure the alignment with the Group's strategy.

The sustainability governance model has been structured around the Sustainability Governance Group (hereinafter, GGS), made up of global heads of Product, Investments, Risks, Control & Compliance and the person responsible for Sustainable Investments. The GGS, therefore, is the framework in which they are responsible for designing the sustainability strategy as well as the plans for its execution and, subsequently, presenting it to the global head of Asset Management and Private Banking and its steering committee, for approval.

BBVA AM's sustainability strategy has been structured around four pillars:



1. ESG risk integration

The model of integrating factors:

- **ENVIRONMENTAL** (climate change, pollution, waste management and good practices for the preservation of the ecosystem, etc.),
- **SOCIAL** (among others, human capital management and social responsibility in product creation); and
- **GOOD GOVERNANCE** (good corporate governance practices) of BBVA AM focuses on the development of an internal rating model for the assets under management.

To build the rating, BBVA AM applies its own methodology and relies on the information received from external providers and, thus, an ESG rating is granted to each company. This rating is available for stocks, corporate bonds, governments and funds managed by third parties, and currently covers a significant percentage of BBVA AM's investment universe. It has 3 levels and the ESG Risk Integration Policy establishes that investments cannot be made in the instruments with the lowest rating of the three levels. This policy applies to all vehicles and portfolios managed at AM in Europe and Mexico.



2. Exclusions

Exclusions are not the center of the sustainability strategy but are necessary to avoid investment in certain activities. These exclusions apply to all vehicles and portfolios that are managed and focus on companies that fail to comply with international treaties and standards linked to labor rights, anti-corruption policies and human rights, as well as companies that carry out activities that are considered inherently harmful to society (such as controversial weapons; coal extraction, for companies with an exposure greater than 25% of their activity; and the exploration and production of oil & gas in the Arctic and in bituminous sands, for companies with an exposure greater than 10% of their activity). Investments in countries with UN arms embargoes and sanctions for money laundering are also excluded, and companies belonging to the tobacco, alcohol and gambling sectors are left out of the investment universe, in the case of sustainable products. This policy applies to live investments made in AM Europe and AM Mexico.

3. Commitment

By commitment, at BBVA AM we fundamentally understand the way in which it interacts with the companies in which it invests, with international and regulatory organizations, with other investors and other stakeholders or interested parties. In practice, commitment is expressed in two ways: voting at shareholder meetings and engagement.

In relation to voting activities, work has been done to expand the companies in which the right to vote is exercised, including, in addition to European companies, those from the United States and Canada, with the support of external advisors. Voting activities are carried out in vehicles and portfolios managed in Spain, Portugal, Luxembourg and Mexico.

Commitment activities are manifested in adhering to a series of international commitments and initiatives that reflect the commitment to sustainability, responsible investment and involvement in future challenges such as the fight against climate change:

- UNPRI: United Nations Principles for Responsible Investment
- Net Zero Asset Managers Initiative
- Net Zero Engagement Initiative

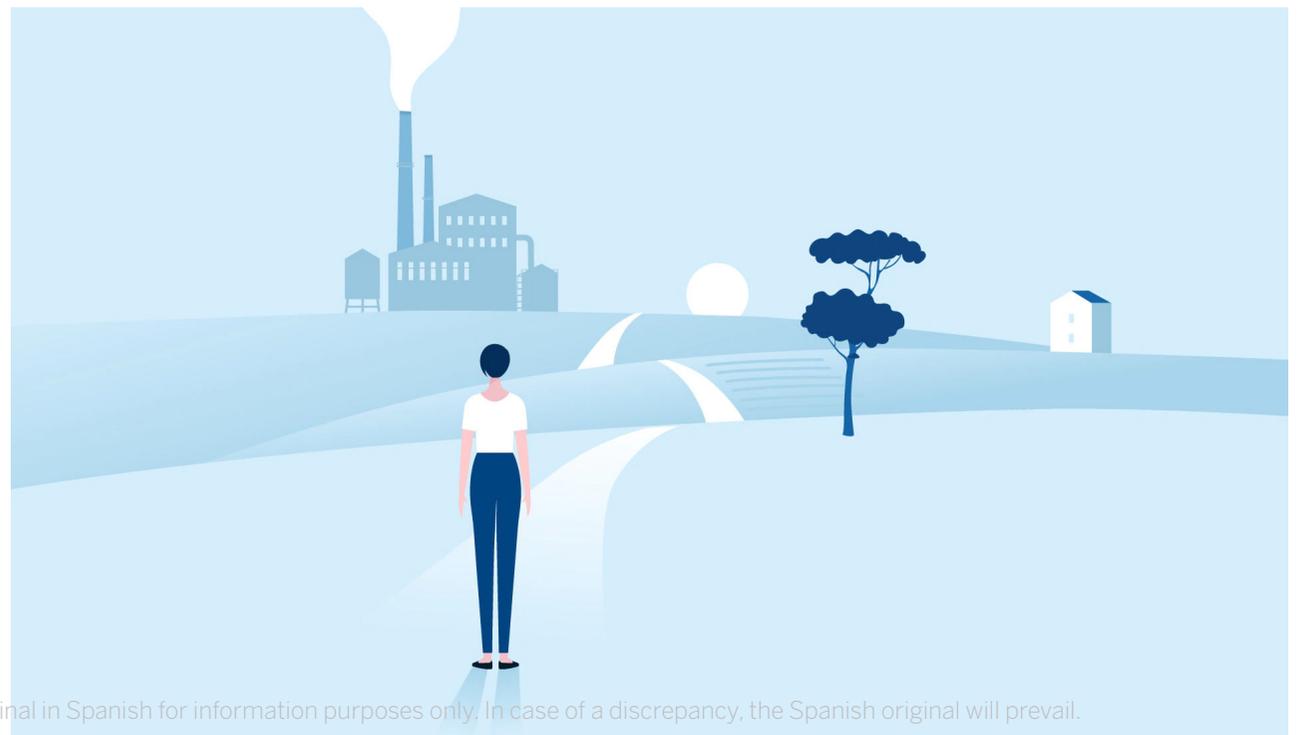
4. Impact Strategy

At BBVA AM, the impact strategy is used to identify activities and investments and evaluate their impact, positive or negative, on social and/or environmental aspects. This allows us to check whether a company in the investing universe has an impact on any of the 17 SDGs established by the United Nations.

An internal analysis methodology, which relies on information received from external providers, has been developed for the selection of investment strategies aligned with the SDGs and to identify and monitor

instruments for financing sustainable projects. To do this, it is verified that the activities or investments have a positive impact on some SDG, meeting a series of minimum requirements in relation to minimum safeguards and no significant damage. This definition has been developed following the criteria established by EU regulations to define a sustainable investment.

This criterion for identifying sustainable investments is used in the construction of portfolios of sustainable products, investment funds, pension plans and discretionary management portfolios.



BBVA AM established the objective of accompanying the companies and issuers in which it invests in their decarbonization objectives, to achieve net zero portfolios in the year 2050. During 2022, BBVA AM made public the following intermediate objectives for 2030²² and the assets for which these objectives have been set:

TABLE 08. **Assets under management (BBVA Asset Management): alignment targets**

Metric	Baseline year (2021)	Target 2030	Market Scenario	Methodology	% Assets under Management
Equity and corporate fixed income assets. Sovereign fixed income (euro zone)					
% assets aligning or aligned with Net Zero	26%	60%		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	22% (12% + 10%)
Equity and corporate fixed income assets					
Average Intensity (million t) Scope 1, 2 WACI ¹	173tCO ₂ / €M sales	50% Reduction in emissions	IEA Net Zero 2050	Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	12%
Sovereign fixed income (euro zone)					
CCPI ²	56.5 CCPI	Annual improvement		Paris Aligned Investor Initiative (PAII), Net Zero Investment Framework	10%

Initial commitment to decarbonize 22% of its portfolio of assets under management. These assets are part of the portfolios managed in Europe and Mexico and comprise Eurozone sovereign bonds (10% of total assets under management) and equities and corporate bonds (12%). Asset classes for which there is no reliable data or methods are outside the scope of the project for the time being. However, this is just an initial commitment. It will be reviewed in the coming years to widen its scope. Assets not included: Third party Funds, cash and equivalents, real estate and private equity, sovereign fixed income issued by agencies.

(1) Weighted average carbon intensity

(2) Climate Change Performance Index

Sustainability and climate risk management, in particular, is integrated into BBVA AM's general risk management and control processes.

During 2023, BBVA AM continued to expand the offering of sustainable products, that is, products that incorporate sustainability objectives or metrics in their investment policy in line with the SFDR; with 2 new pension plans in Spain and an investment fund in Turkey, so the total number of investment vehicles that incorporate sustainability objectives and metrics rose to 36 (33 in 2022).

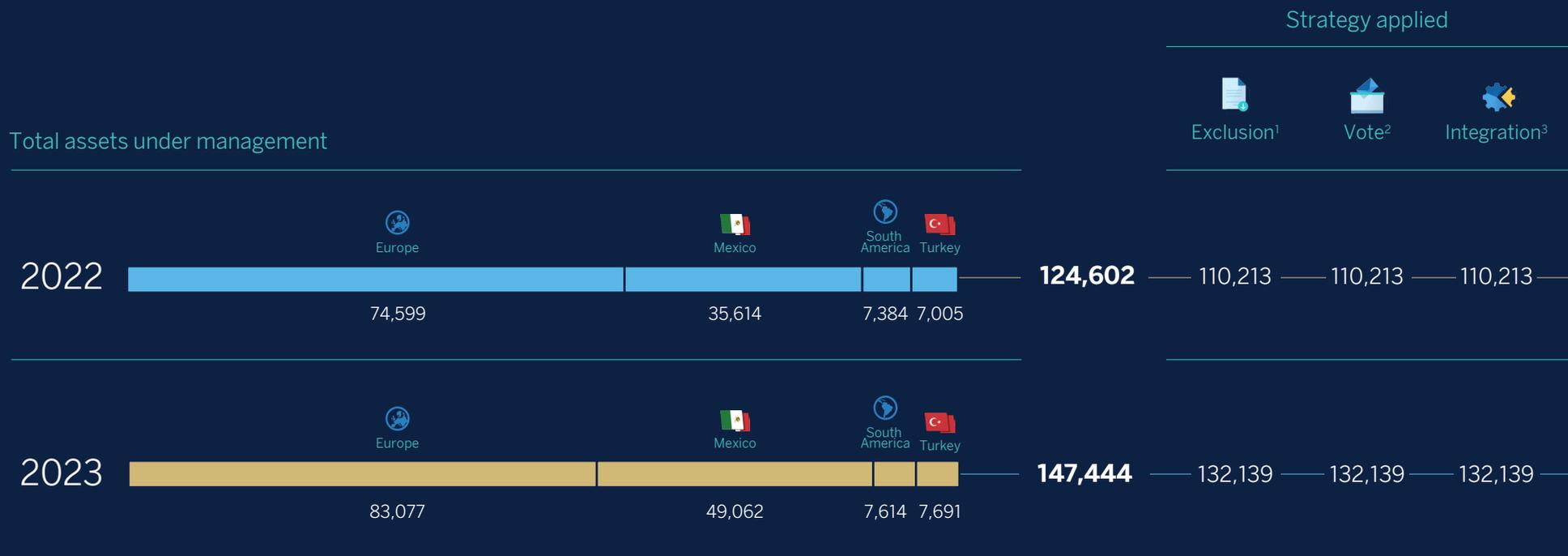
The assets managed in sustainable solutions at the end of 2023 are 7,438 million euros (in 2022, 7,020 million euros) and net deposits have been -316 million euros (in 2022, 976 million euros).

In the retail banking segment, 3,018 million euros correspond to funds that promote ESG characteristics (in 2022, 3,133 million euros), 109 million euros correspond to funds with a sustainable investment objective (in 2022, 108 million euros) and 2,802 million euros correspond to pension plans that promote ESG characteristics (in 2022, 2,593 million euros).

22. The achievement and progressive advancement of decarbonization objectives will depend to a large extent on the actions of third parties, such as customers, governments and other stakeholders, and, therefore, may be materially affected by said actions, or by lack of it, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological and regulatory developments, war conflicts, the evolution of the climate and energy crises, etc.). Consequently, these objectives may be subject to future revisions.

Assets under management

BBVA Asset Management. Millions of euros



(1) The exclusion strategy, with the exclusion policy approved in 2022, applies to assets managed in Europe and Mexico.

(2) The voting strategy is applied to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European and U.S. geographical areas and in the business of AM Mexico for those issuers that generate voting rights and their issuers are in the Mexican geographic area.

(3) The integration strategy is applied in SRI pension plans and mutual funds of the Europe business and, since 2022, AM Mexico.

Management of direct environmental impacts

As a financial entity, BBVA has a direct environmental impact through the use of natural resources.

BBVA has a clear commitment to society and the environment. Thus, the global strategy for managing direct environmental impacts is structured around three main axes:



Calculation of the environmental footprint, including the expansion of the scope of carbon footprint calculation with new categories²³ reported in 2023:

23. The data for scope 3 emissions corresponding to purchased goods and services (3.1) and capital goods (3.2) are calculated based on the Group's total annual turnover and include those companies whose billing is recorded through the global technological platform that supports all phases of the supply process in the BBVA Group in Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay, including the companies BBVA, S.A., BBVA Mexico, S.A., Banco BBVA Peru, BBVA Colombia, SA, BBVA Banco Provincial, S.A., Banco BBVA Argentina, S.A., BBVA Seguros Mexico, S.A., BBVA Pensiones Mexico, BBVA Seguros Salud Mexico, BBVA Mexico Foundation, BBVA Mexico Brokerage House, BBVA Servs. Adm. Mexico, BBVA Operadora Mexico, BBVA Axial Tech S.A. de CV, Multiasistencia S.A. de CV, Gran Jorge Juan, S.A., COPESA, S.A., SEDAE, S.A., SECOSEG S.A. de CV, Banco Occidental, S.A., Aplica Nextgen Servicios, Aplica Nextgen Operadora, SECOBAN, S.A., Multiasistencia Operadora, Futuro Familiar S.A. de CV and Financiera Ayudamos, S.A..

The data for scope 3 emissions corresponding to activities related to the consumption of fuels and energy not accounted for in scope 1 or 2 (3.3) include the countries Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain companies of the BBVA Group, which represent 5.3% of the total employees of the BBVA Group, are not included in the perimeter. BBVA Group.

The data for scope 3 emissions corresponding to leased downstream assets (3.13) include the countries Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay.

- 3.1: Goods and services acquired, including credit card transportation and distribution, cash management services, and storage and logistics services.
- 3.2: Capital goods.
- 3.3: Activities related to the consumption of fuels and energy not accounted for in scope 1 or 2.
- 3.13: Downstream leased assets. Includes emissions from buildings owned by BBVA rented to third parties.

The rest of the Scope 3 categories not included in the footprint calculation (except for 3.15, corresponding to financed emissions, see [CALCULATION OF FINANCED EMISSIONS](#) in chapter [ALIGNMENT METRICS](#)) are considered either not material or not applicable due to the nature of the BBVA Group's business.



Reduction of environmental impact, including: the reduction of consumption through energy efficiency initiatives and water and paper consumption, the use of electricity from renewable sources, and the awareness and involvement of employees and other stakeholders on the path toward a low-carbon economy.



Purchase and retirement of carbon credits for an amount equivalent to Scope 1, 2 and part of Scope 3 emissions (category 5 waste, category 6 emissions from business travel and category 7 employee commuting to work)²⁴ from high quality projects. In addition, BBVA collaborates in the development of Voluntary Carbon Markets through its participation in initiatives with regulators and other stakeholders.

Likewise, BBVA also contributes to the development of new and innovative low-carbon technologies through investments in climate equity funds with a focus on decarbonization, investing in technologies with enormous impact potential (more detail in the [INVESTMENT IN CLIMATE FUNDS](#) within chapter [MAIN ADVANCES IN THE EXECUTION OF THE STRATEGY](#)).

24. No carbon credits are purchased for an amount equivalent to the following Scope 3 categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy-related activities (not included in Scope 1 or 2); Category 4 upstream transportation and distribution; Category 8 upstream leased assets; Category 9 downstream transportation and distribution; Category 10 processing of products sold; Category 11 use of products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. For information on Category 15 Investments, see the [CALCULATION OF FINANCED EMISSIONS](#) of chapter [ALIGNMENT METRICS](#).

I. Calculation of the environmental footprint



1. Carbon footprint

In terms of its own carbon footprint, BBVA's emissions are made up of:

- **SCOPE 1 greenhouse gas emissions**, comprising direct emissions from the combustion installations of the company's own buildings (including data centers), fuel for the vehicle fleet and refrigerant gases.
- **SCOPE 2 greenhouse gas emissions**, including indirect emissions related to the production of electricity purchased and consumed by buildings (including data centers) and branches.
- **SCOPE 3 greenhouse gas emissions**, which include other indirect emissions. In previous years it included emissions from business travel (by plane and train), emissions from waste management and emissions from employee commuting to the workplace. This year, BBVA has expanded the calculation of its footprint, reporting the rest of the material and applicable categories due to the nature of the Group's business.
- **SCOPE 1 and 2 emissions and SCOPE 3 emissions** are calculated taking into consideration the GHG Protocol standard established by the WRI (World Resources Institute) and the WBCSD (World Business Council for Sustainable Development). The process of measuring and calculating the additional Scope 3 categories has been carried out with an external supplier, which follows the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

BBVA's environmental performance data obtained in 2023 and the evolution with respect to 2022²⁵ are shown in the following table:

²⁵. Consumption associated with the first months of 2022 was affected by low attendance at corporate buildings as a result of the COVID-19 pandemic.

TABLE 09. Carbon footprint (BBVA Group)^I

	2023	2022 ^{II}	Δ 23-22
Scope 1 emissions (tons CO ₂ e) ^{III}	38,005	41,380	(8)%
<i>Emissions from fuels in facilities (t CO₂e)</i>	10,280	12,233	(16)%
<i>Emissions from vehicle fleet fuels (t CO₂e)</i>	10,315	9,874	4%
<i>Emissions from refrigerant gases (t CO₂e)</i>	17,409	19,273	(10)%
Scope 2 emissions (tons CO ₂ e) market-based method ^{IV}	6,981	11,507	(39)%
Scope 2 emissions (tons CO ₂ e) location-based method ^V	203,407	202,770	— %
Scope 1 & 2 emissions (tons CO ₂ e) market-based method	44,985	52,887	(15)%
Scope 1 & 2 emissions (tons CO ₂ e) location-based method	241,412	244,150	(1)%
Scope 3 emissions (t CO ₂ e) ^{VI}	1,443,437	33,435	n/a
<i>3.1 Emissions from purchased goods and services (t CO₂e)^{VII}</i>	1,050,073	*	n/a
<i>3.2 Emissions from capital goods (t CO₂e)</i>	215,516	*	n/a
<i>3.3 Emissions from fuel and energy related activities (t CO₂e)</i>	69,447	*	n/a
<i>3.5 Emissions from waste management (t CO₂e)^{VIII}</i>	878	654	34%
<i>3.6 Emissions from business travel (t CO₂e)^{IX}</i>	29,128	14,460	101%
<i>3.7 Emissions from employees commuting (t CO₂e)^X</i>	73,779	18,321	303%
<i>3.13 Emissions from downstream leased assets</i>	4,616	*	n/a
Total CO ₂ e emissions (t CO ₂ e) market-based method	1,488,422	86,323	n/a
Total CO ₂ e emissions (t CO ₂ e) location-based method	1,684,849	277,586	n/a
Impact of emissions (Scope 1 & 2 (€)) ^{XI}	2,083,372	2,431,076	(14) %

n/a: not applicable

*: Data reported for the first time in 2023.

I. Data for scope 1, 2 and scope 3 emissions corresponding to activities related to fuels and energy (3.3), waste management (3.5), business trips (3.6) and employee travel (3.7), include the countries Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain companies of the BBVA Group, which represent 5.3% of the total employees of the BBVA Group, are not included in the perimeter. Some of the data for 2023 are estimates since at the close of the report, complete information for the year was not yet available.

The data for scope 3 emissions corresponding to purchased goods and services (3.1) and capital goods (3.2) are calculated based on the Group's annual turnover and include those companies whose turnover is recorded through the global technological platform that supports all phases of the supply process in the BBVA Group in Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay, including the companies BBVA, S.A., BBVA Mexico, S.A., Banco BBVA Peru, BBVA Colombia, SA, BBVA Banco Provincial, S.A., Banco BBVA Argentina, S.A., BBVA Seguros Mexico, S.A., BBVA Pensiones Mexico, BBVA Seguros Salud Mexico, Fundación BBVA Mexico, Casa de Bolsa BBVA Mexico, BBVA Servs. Adm. Mexico, BBVA Operadora Mexico, BBVA Axial Tech S.A. de CV, Multiasistencia S.A. de CV, Gran Jorge Juan, S.A., COPESA, S.A., SEDAE, S.A., SECOSEG S.A. de CV, Banco Occidental, S.A., Aplica Nextgen Servicios, Aplica Nextgen Operadora, SECOBAN, S.A., Multiasistencia Operadora, Futuro Familiar S.A. de CV and Financiera Ayudamos, S.A..

The data for scope 3 emissions corresponding to leased downstream assets (3.13) include the countries Spain, Mexico, Peru, Colombia, Argentina, Venezuela and Uruguay.

II. 2022 data differs from data published in the previous Non-Financial Information Statement because the estimates included at the end of the 2022 financial year have been replaced by the actual consumption available after the publication of said report and have been modified. certain values according to the new data.

III. Emissions derived from direct energy consumption (fossil fuels) and calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For its conversion to CO₂e, the IPCC Fifth Assessment Report and the IEA have been used as sources. Starting in 2021, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at facilities were included in this scope, applying DEFRA emission factors for the calculation of CO₂e emissions in all geographical areas, including Turkey.

IV. Emissions derived from electricity consumption and calculated based on contractual data and, failing that, on the latest available emission factors from the IEA for each country.

V. Emissions derived from electricity consumption and calculated based on the energy mix of each geographic area. The emission factors are the latest available according to IEA for each country.

VI. Indirect emissions derived from business travel (plane and train), waste management and employee travel have been calculated using emission factors published by DEFRA in 2023. The rest of the Scope 3 categories have been calculated by an external provider following the guidelines of the GHG Protocol Corporate Accounting and Reporting Standard and the Corporate Value Chain (Scope 3) Accounting and Reporting Standard.

VII. Emissions of purchased goods and services include the transportation and distribution of credit cards, cash management services, and storage and logistics services.

VIII. The data reported for 2022 on emissions from waste management differs from that published in the 2022 Non-Financial Information Statement due to a refinement of the data detailed in the Waste (Circular Economy) table in chapter "Reduction of environmental impact". The annual increase in these emissions is due to the effect of the COVID-19 pandemic on fiscal year 2022.

IX. The annual increase in emissions derived from business trips is due to the effect of the COVID-19 pandemic on fiscal year 2022.

X. The annual increase in emissions derived from the commuting of employees is due to the incorporation of emissions caused by the commuting of network employees in 2023 (in 2022 only the displacement of Central Services employees was taken into account). The 2022 data does not include emissions from SSCC employee posting in Turkey.

XI. The impact of greenhouse gas emissions for 2023 is calculated using only Scope 1 and 2 emissions and using the social cost of CO₂ factor based on a proportional estimate of the EPA's social cost of carbon for 2020 (51 \$/tCO₂) and for 2025 (\$56/tCO₂), (discount rate of 3%, with exchange rate 1.166€/€).



2. Other consumption

TABLE 10. Consumption (BBVA Group)ⁱ

	2023	2022 ⁱⁱ	Δ 23-22
Total water consumption (cubic meters)	1,579,399	1,654,134	(5) %
<i>Public water supply (cubic meters)</i>	<i>1,516,882</i>	<i>1,593,152</i>	<i>(5) %</i>
<i>Recycled water (cubic meters)</i>	<i>62,518</i>	<i>60,982</i>	<i>3 %</i>
Paper (tons)	2,917	3,717	(22) %
Total Energy (Megawatt hour) ⁱⁱⁱ	679,860	690,741	(2) %
<i>Energy from renewable sources (%)</i>	<i>88.8 %</i>	<i>83.5 %</i>	<i>6 %</i>
<i>Energy from non renewable sources (%)</i>	<i>11.2 %</i>	<i>16.5 %</i>	<i>(32) %</i>

I. The data shown include Spain, Mexico, Turkey, Peru, Colombia, Argentina, Uruguay and Portugal. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain BBVA Group companies, which represent 5.3% of total BBVA Group employees, are not included in the perimeter. Some of the data for 2023 are estimates since complete information for the year was not yet available at the publication date.

II. Data for 2022 differ from those published in the previous Non-Financial Information Statement because the estimates included at year-end 2022 have been replaced by the actual consumption available after the publication of that report and certain values have been modified in accordance with the new data. Likewise, the consumption of recycled water has been modified due to a refinement in the 2022 data.

III. It includes the consumption of electricity and fossil fuels (diesel oil, natural gas and LP gas), except fuels consumed in fleets. The renewable electricity figure for 2023 has reached 96% in BBVA Group.

II. Reduction of environmental impact

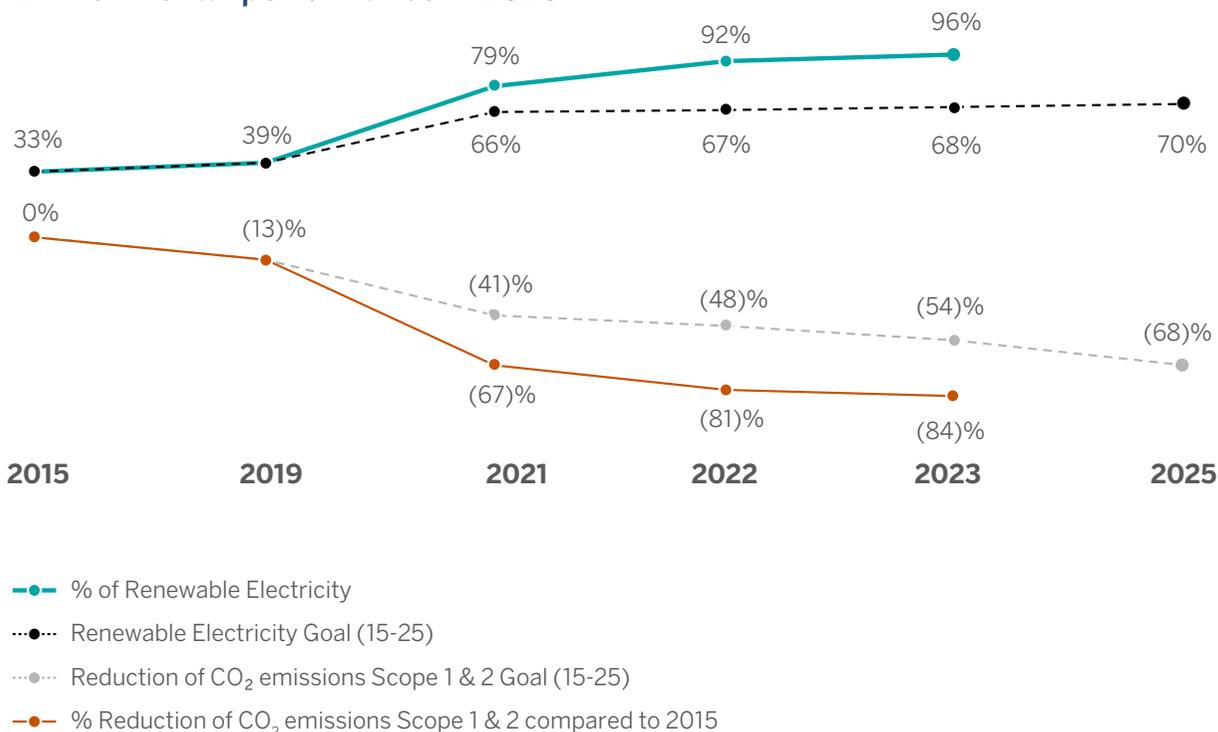
Goal 2015-2025²⁶

In its objective to reduce environmental impacts within the framework of Goal 2025 (Goal), BBVA set two targets:

- A.** To reduce 68% of scope 1 and 2 CO₂ emissions compared to 2015 and
- B.** To consume 70% of electricity from renewable sources by 2025, both already achieved in 2023.

In addition, BBVA has been a member since 2018 of the RE100 initiative, through which the world's most influential companies are committed to ensuring that their electricity is 100% renewable by 2050, although BBVA has set a more ambitious internal target of reaching that goal by 2030.

Environmental performance in 2023



26. To establish the goals for achieving the 2015-2025 Goal, the 2015 consumption data is taken as a reference. The 2015 and 2019 baseline data for scope 1 emissions have been subtracted, including the estimated emissions of Refrigerant Gases and Fleet Fuels, as their measurement has been incorporated in 2021.

Group Eco-efficiency Plan 2021-2025²⁷

In order to promote the reduction of direct impacts and the achievement of Goal 2025, in 2021 BBVA established a new Global Eco-efficiency Plan (PGE) for the period 2021-2025, defining more ambitious objectives, aligned with its climate strategy.

With regard to the evolution of these indicators of the eco-efficiency plan, the Group's environmental footprint shows very positive data with respect to the base year 2019, exceeding in all areas the objectives defined for this time, with reductions of (16%) in electricity consumption, (18%) in energy consumption, (26%) in water consumption, (48%) in paper and (50%) in net waste (all of them per employee) and (82%) in scope 1 and 2 emissions (according to the market based method). The percentage of renewable electricity consumption reached 96%, and the percentage of environmentally certified surface area reached 61%.

27. For the 2021-2025 Eco-efficiency Plan, 2019 is taken as the base, since the 2020 consumption values are affected by the effect of the COVID-19 pandemic. Corporate buildings recorded very low employee attendance due to the Group's conservative approach during the pandemic.

TABLE 11. Evolution of the global eco-efficiency plan indicators (BBVA Group)^I

	Values 2023	Achievement 2023 (Δ 23-19)	2023 interannual GEP Goal	2025 GEP Goal
Renewable electricity	96%	+58 p.p.	75 %	77%
Electricity consumption per employee (MWh/Employee) ^{II}	5.58	(16)%	(7)%	(10)%
Energy consumption per employee (MWh/Employee) ^{III}	6.06	(19)%	(6)%	(7)%
Water consumption per employee (m ³ /Employee)	14.08	(26)%	(5)%	(11)%
Paper consumption per employee (kg/Employee)	26.02	(48)%	(9)%	(11)%
Net waste per employee (t/Employee) ^{IV}	0.01	(53)%	(3)%	(4)%
Scope 1 & 2 carbon emissions (tCO ₂ e) ^V	44,985.40	(82)%	(64)%	(67)%
Environmentally certified area ^{VI}	61.0%	+20 p.p.	44 %	45%

I. Data corresponding to the last months of 2023 is estimates. The 2023 Vs 2019 Achievement indicators corresponding to Renewable Electricity and Environmentally Certified Area are expressed as absolute value of achievement in 2023 in order to be able to compare with the Global Eco-efficiency Plan targets 23-19 and 25-19. In incremental terms over 2019, the Renewable Electricity indicator has reached 146%, while the Environmentally Certified Area indicator has reached 48%.

II. Includes the sum of renewable and non-renewable electricity (per employee).

III. Includes the consumption of electricity and fossil fuels (natural gas, liquefied petroleum gas (LPG), diesel and coal), except fuels consumed in fleets.

IV. Net waste is the total waste generated minus the waste that is recycled. To obtain the 2022 achievement, the 2019 baseline data for net waste has been subtracted, including the estimate of recycled waste, since its measurement was not incorporated until 2020.

V. Includes Scope 1 (fuels in facilities and vehicle fleet and refrigerant gases), Scope 2 market-based. The 2015 and 2019 baseline data for Scope 1 emissions have been restated, including the estimate of emissions from Refrigerant Gases and Fleet Fuels, as their measurement has been incorporated in 2021.

VI. Includes ISO 14001, ISO 50001, LEED, Edge and WWF Green Office and Zero Waste certifications.

The achievement of these indicators has been possible thanks to the following 4 action vectors:

1. CONSUMPTION



With the aim of reducing BBVA's environmental footprint²⁸, the following lines of actions will be implemented:

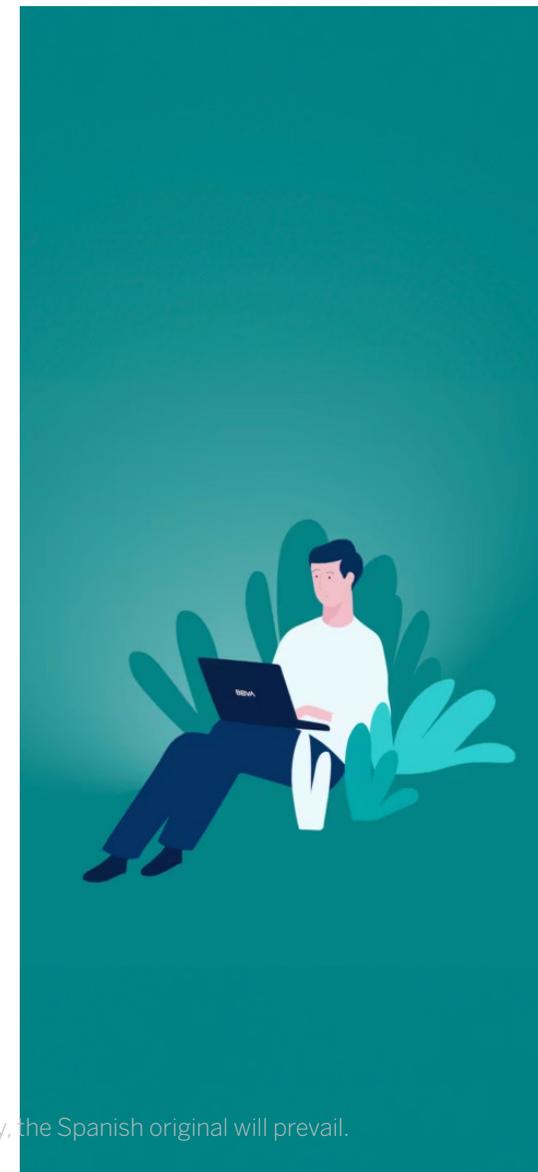
■ ELECTRICITY CONSUMPTION:

BBVA's strategy is focused on the use of renewable energy as it is the most important lever to contribute to the decarbonization of the energy markets where the Group is present. To this end, the strategy consists of reaching Power Purchase Agreements such as those already in place in Spain, Mexico, Turkey and Argentina, as well as acquiring renewable energy certificates such as Guarantees of Origin in Spain and Portugal, or International Renewable Energy Certificates (iREC) in Mexico, Turkey, Peru, Colombia and Argentina. We will also focus on the self-generation of renewable energy through the installation

of solar photovoltaic and solar thermal panels at the Group's facilities, as is already happening in several of our subsidiaries in Spain, Turkey, Argentina and Uruguay.

- Implementation of **ENERGY SAVING MEASURES** (ESM) in property management, with the aim of controlling and reducing consumption.
- Initiatives to **REDUCE WATER CONSUMPTION**, such as gray water recycling systems and the reuse of rainwater for irrigation at the headquarters in Spain and Mexico, and the installation of dry urinals in some of the buildings in Spain.
- Finally, digitization and print centralization measures to **REDUCE PAPER CONSUMPTION**, which is additionally recycled or environmentally certified in most geographic areas (Spain, Mexico, Turkey, Peru, Colombia, Argentina and Portugal) by 73% by 2023.

28. Certain geographical areas (Venezuela, Chile, Bolivia, Switzerland, the United States, Brazil and BBVA branches outside Spain) and certain BBVA Group companies, which represent 5.3% of total BBVA Group employees, are not included in the perimeter.



2. THE CIRCULAR ECONOMY



Waste generation is becoming a serious global problem, so part of BBVA's contribution to sustainable development includes moving from linear consumption practices to circular consumption practices. Thus, BBVA has been working for many years to reduce this impact through sustainable construction standards or with the implementation of Environmental Management Systems certified with ISO 14001 and additionally with the implementation of Aenor's Zero Waste certification in Ciudad BBVA, BBVA's headquarters in Spain and the Opplus building in Malaga. The objective is to minimize the amount of waste sent to landfills, which is why the Group's facilities have clearly differentiated and marked areas that allow for the correct segregation and subsequent recycling of waste.

TABLE 12. **Waste (circular economy) (BBVA Group)**

	2023	2022 ^I
Hazardous waste (tons)	329	570
<i>Recycled hazardous waste (tons)</i>	136	336
<i>Disposed hazardous waste (tons)</i>	193	234
Non-hazardous waste (tons)	2,339	2,523
<i>Non-hazardous waste (%)</i>	1,016	1,409
<i>Disposed non-hazardous waste (tons)</i>	1,323	1,114
Donated IT equipment (units)	5,659	1,154

I. The data on hazardous waste disposed of and non-hazardous waste disposed of for 2022 differs from that published in the 2022 Non-Financial Information Statement due to a refinement of the data due to improvements in the waste measurement methodology.

3. SUSTAINABLE CONSTRUCTION



Another objective is to guarantee the implementation of the best standards, both environmental and energy, in BBVA buildings, with the aim of achieving a large percentage of environmentally certified surface area. In this sense, BBVA facilities have several construction and management certifications.

Within the construction certifications, there are 19 buildings and 10 branches of the Group with the prestigious LEED (Leadership in Energy and Environmental Design) standard for sustainable construction. Among these buildings are the Group's main headquarters in Spain, Mexico, Turkey and Argentina. In addition, three of them have received the highest category of certification, LEED Platinum. Additionally, there are 8 WWF Green Office badges in Turkey and 33 Edge in Peru, certifications that promote the reduction of the ecological footprint and carbon emissions.

Regarding management certifications, BBVA has implemented an Environmental Management System based on the ISO 14.001:2015 Standard in different buildings, which is certified every year by an independent entity. Through this certification, the environmental performance in the operations of some of its buildings

is controlled and evaluated. This system is implemented in 92 buildings and 1,044 branches in the main countries where the Group operates. In 2023, BBVA in Portugal increased the area certified under this management system by certifying its headquarters in Lisbon (10,519 m²). Finally, during 2023, BBVA achieved certification for 31 buildings and 1,924 branches with an Energy Management System also certified by an independent third party and meeting the ISO 50.001:2018 standard.

4. CARBON FOOTPRINT



The reduction of the carbon footprint is one of the objectives established under the 2025 Goal, for which BBVA has implemented the following initiatives:

■ **WITH REGARD TO SCOPE 1 AND 2 CO₂ EMISSIONS**, the reduction of emissions comes from the strategies for reducing energy consumption and sustainable construction described in the previous chapters, the replacement of fleets with traditional fuels by hybrid and electric fleets, and reaching Power Purchase Agreements, as well as the acquisition of renewable energy certificates such as Guarantees of Origin or International Renewable Energy Certificates (iRECs).

■ **REGARDING SCOPE 3 CO₂ EMISSIONS**, BBVA is working on a series of measures not included in the Eco-efficiency Plan to reduce carbon emissions:

- **Waste**: through the implementation of certifications such as ISO 14,001:2015 and Zero Waste.
- **Employee commuting**: BBVA has 348 recharging points for 100% electric and plug-in hybrid vehicles (PHEV) in the Group's buildings available to its employees.
- **Business travel**: an awareness initiative has begun to be deployed, communicating to different areas of BBVA the footprint generated monthly for this reason and identifying levers and alternatives to reduce emissions, thus promoting employee awareness when it comes to planning their business trips.
- **Suppliers**: in 2023 BBVA implemented a sustainability module in the supplier evaluation process, which includes, among others, the management and measurement of their environmental impact.

III. Purchase of carbon credits

BBVA purchases and retires carbon credits in an amount equivalent to its CO₂ emissions from the categories over which it has direct management capacity (i.e., scopes 1, 2 and categories 5, 6 and 7 of scope 3)²⁹.

In order to ensure the quality of these carbon credits, BBVA has established some requirements that the selected projects must meet, among which are including the obligation to be certified under the highest quality standards such as VCS (Verified Carbon Standard by Verra), Gold Standard, American Carbon Registry (ARC), Climate Action Reserve (CAR) and Plan Vivo; and that they are CO₂ removal projects. Additionally, in 2023, BBVA developed an internal Voluntary Carbon Market standard, based on best practices, to evaluate high-quality carbon credit programs and types of credits that generate a real, additional and verifiable climate impact.

29. No carbon credits are purchased for an amount equivalent to the following Scope 3 categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy-related activities (not included in Scope 1 or 2); Category 4 upstream transportation and distribution; Category 8 upstream leased assets; Category 9 downstream transportation and distribution; Category 10 processing of products sold; Category 11 use of products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. For information on Category 15 Investments, see the [CALCULATION OF FINANCED EMISSIONS](#) of chapter [ALIGNMENT METRICS](#).

The projects selected in 2023 have been a reforestation/afforestation project in Colombia (Cumare) and a set of improved forest management projects in Mexico developed by Bioforestal Innovación Sustentable S.C. (Ejido Atopixco, Ejido La Selva and Ejido Zacualtipán).

Other actions

In addition to the purchase of carbon credits, BBVA is contributing to the development of carbon markets through the following initiatives:

- In regulated markets, BBVA participates in government auctions in the EU ETS and futures markets since January 2023. Additionally, in June 2023, BBVA inaugurated its trading desk for regulated carbon markets, allowing its customers to access the purchase and sale of credits.
- In the voluntary markets, BBVA carried out a first operation on its own account to purchase carbon credits through its trading desk at the end of 2023. In addition, BBVA is one of the investors in Carbonplace, a carbon credit trading platform.

- BBVA is also involved in activities and initiatives such as participation in the development of reports such as the World Economic Forum's playbook on Voluntary Carbon Markets or participation in panels and forums such as the European Roundtable on Climate Change and Sustainable Transition. In addition, BBVA is present in the Advisory Board of EEX Global Carbon Index Family and LIFE COASE, a project co-founded by the EU Life Program of the European Commission.

Likewise, BBVA also contributes to the development of new and innovative low-carbon technologies through investments in climate equity funds focused on decarbonization, investing in technologies with enormous potential impact (more details in [INVESTMENT IN CLIMATE FUNDS](#) within chapter [MAIN ADVANCES IN THE EXECUTION OF THE STRATEGY](#)).

APPENDIX

APPENDIX 1

Alignment of BBVA Group's non-financial information to WEF-IBC and SASB standards

BBVA's objective is to disclose in a consistent, reliable and standardized manner the essential aspects of ESG (environmental, social and governance matters) related to its business. Among the different existing standards, BBVA includes its non-financial information in the Non-Financial Information Statement for the year 2023, included in this report, in accordance with the Global Reporting Initiative (GRI) guide.

Additionally and voluntarily, as of last year, BBVA has reported the WEF-IBC metrics as well as the SASB - Commercial Banks standards, SASB - Consumer Finance standards and SASB - Mortgage Finance standards.

■ WEF-IBC CORE METRICS

BBVA was one of the first entities worldwide to support the Measuring Stakeholder Capitalism initiative of the International Business Council (IBC) of the World Economic Forum (WEF).

■ WEF-IBC METRICS EXPANDED

Together with the core metrics, the expanded metrics allow for a broader and more detailed scope in the value chain; and convey the impact in a more tangible way.

■ SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

Commercial Banks standards, Consumer Finance standards and Mortgage Finance standards

The Sustainability Accounting Standards Board establishes standards to guide companies on the disclosure of relevant and consistent financial information in terms of sustainability. With the complete report of these metrics, the Group's management is more clearly reflected and identified for more accurate decision-making by customers.

APPENDIX 2

Table of contents of the TCFD recommendations

	TCFD Recommendations	BBVA's TCFD Report
Governance	<ol style="list-style-type: none"> 1. Board of Directors' oversight 2. Management's role 	<p>Section 01:</p> <ul style="list-style-type: none"> • Corporate bodies • Integration of sustainability into the executive level across areas
Strategy	<ol style="list-style-type: none"> 3. Description of risk and opportunities 4. Impact of risk and opportunities 5. Resilience 	<p>Section 02: Definition of risks and opportunities associated with climate change</p> <p>Section 02: Main advances in the execution of the strategy</p> <p>Section 02: Definition of risks and opportunities associated with climate change</p>
Risk management	<ol style="list-style-type: none"> 6. Organization for identifying and assessing risks 7. Organization for managing risks 8. Integration into overall risk management 	<p>Section 03:</p> <ul style="list-style-type: none"> • Integrating climate change into risk planning • Identification, Measurement and Integration of climate change into risk management <p>Section 04:</p> <ul style="list-style-type: none"> • Management of direct environmental impacts
Metrics and goals	<ol style="list-style-type: none"> 9. Disclose metrics & targets used 10. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG 11. Disclose targets and performance against targets 	<p>Section 04:</p> <ul style="list-style-type: none"> • Alignment metrics • Channeling sustainable business • Management of direct environmental impacts

APPENDIX 3

Transition plan - TCFD Table of equivalence

In 2023, BBVA incorporated for the first time, in the TCFD 2022, the elements of a **Transition Plan following the guidelines and recommendations for financial institutions published by the Glasgow Financial Alliance for Net Zero (GFANZ) in November 2022.**

Below there is a table of equivalences between both:

TABLE 13. Transition plan - TCFD Table of equivalence			
Transition Plan		TCFD	P.
Foundations	Objectives and priorities	STRATEGY Main advances in the execution of the strategy	34
	Products and services	METRICS AND GOALS Channeling sustainable business	90
Implementation Strategy	Activities and decision making	GOVERNANCE MODEL Integration of sustainability into the executive level across areas	24
		STRATEGY Main advances in the execution of the strategy	34
	Policies and conditions	MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	62
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Integrating climate change into risk planning	56
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	62
		STRATEGY Engagement strategy with customers, the industry and the public sector	40
Engagement strategy	Engagement with customers and portfolio companies	APPENDIX Appendix 1: Alignment of BBVA Group’s non-financial information to WEF-IBC and SASB standards	115
		STRATEGY Engagement strategy with customers, the industry and the public sector	40
	Engagement with to the industry	METRICS AND GOALS Channeling sustainable business	90
		STRATEGY Engagement strategy with customers, the industry and the public sector	40
Metrics and Targets	Metrics and Targets	STRATEGY Main advances in the execution of the strategy	34
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Integrating climate change into risk planning	56
		MANAGEMENT OF RISKS ASSOCIATED WITH CLIMATE CHANGE Identification, Measurement and Integration of climate change risk into risk management	62
		METRICS AND GOALS Alignment metrics	73
Governance	Roles, responsibilities and remuneration	STRATEGY Main advances in the execution of the strategy	34
		GOVERNANCE MODEL Corporate bodies	21
	Skills and culture	GOVERNANCE MODEL Integration of sustainability into the executive level across areas	24
		APPENDIX Appendix 4: Training	118

APPENDIX 4**Training**

In order to provide the necessary knowledge for the Group's professionals to address sustainability as a key and strategic focus in their different areas of activity (as part of the business accelerators), in 2023, more than 90 new courses have been added to the training catalog. Throughout the year, more than 53,500 professionals have completed at least one sustainability course, adding a total of more than 112,000 hours of training on the subject.

In relation to specialized training, in which more than 21,000 employees have participated, the following actions are noteworthy:

- Banking professionals for companies, SMEs and individuals, where more than 17,000 employees have been trained with a focus on products, risks, commercial systems and sectors.
- At CIB, several training programs have been developed for bankers and risk analysts on portfolio alignment by sector and use of the different internal tools developed for the management of the Group's objectives (dashboard on alignment with PACTA methodology and Transition Risk Indicator), in which around 500 employees have participated.
- Training aimed at different specialists who work on the design of sustainability solutions on key topics such as: risks, inclusive growth, reporting, standards, supply chain and sustainable agriculture, with a total of more than 3,700 trained professionals.
- Internal and external certifications, as well as specialization programs in collaboration with recognized international institutions, in which more than 600 professionals have participated.

Glossary

2DII 2	Degree Investing Initiative	EP	Equator Principles
AEB	Spanish Banking Association	ESG	Environmental, Social & Governance
ARC	American Carbon Registry	ESM	Energy saving measures
BBVA AM	BBVA Asset Management	EU ETS	The European Union's Emissions Trading Scheme
CBB	Corporate and Business Banking	FTP	Transfer pricing system
CCU	Carbon Capture, Use and Storage,	GFANZ	Glasgow Finance Alliance for Net Zero
CECA	Spanish Confederation of Savings Banks	GGG	Sustainability Governance Group of BBVA Asset Management
CFLI	Climate Finance Leadership Initiative	GHG	Greenhouse gases
CIB	Corporate & Investment Banking	GRI	Global Reporting Initiative
DEFRA	Department for Environment, Food & Rural Affairs	H₂-DRI	Direct Reduction of Iron with Hydrogen
DJSI	Dow Jones Sustainability Index	HLEG	High-Level Expert Group
DWT	"Deadweight tonnage"	HTR	High Transition Risk
EAD	Exposure at Default	ICAAP	Internal Capital Adequacy Assessment Process
EAF	Electric Arc Furnaces	ICMA	International Capital Market Association
ECB o BCE	European Central Bank	IEA	International Energy Agency
EEC	Energy Efficiency Certificates	IEA_NZE	The Net Zero Emissions by 2050 Scenario de la IEA
EFB	European Banking Federation	IMO	International Maritime Organization
EFR	European Financial Services Roundtable	IPCC	Intergovernmental Panel on Climate Change
EFRAG	European Financial Reporting Advisory Group		

ISF-NZ	Institute for Sustainable Futures Escenario Net-Zero para 2050	SDG	Sustainable Development Goals
ISSB	International Sustainability Standards Board	TAG	Thematic Advisory Group
IUCN	International Union for Conservation of Nature	TCFD	Task Force on Climate-Related Financial Disclosures
KPI	Key Performance Indicator	TNFD	The Taskforce on Nature-related Financial Disclosures
KYC	Know Your Customer	Tri	Transition Risk Indicator
NACE	Statistical Nomenclature of Economic Activities of the European Community	UNACC	National Union of Credit Cooperatives
NFIR	Non-financial information report	UNESCO	United Nations Educational Scientific and Cultural Organization
NFRD	Non Financial Reporting Directive	UNEP-FI	United Nations Environment Programme Finance Initiative
NGFS	Network for Greening the Financial System	UNEP-WCMC UN	Environment Programme World Conservation Monitoring Centre
NZBA	Net Zero Banking Alliance	UNPRI	United Nations Principles for Responsible Investment
PACTA	Paris Agreement Capital Transition Assessment	VCS	Verified Carbon Standard
PCAF	Partnership for Carbon Accounting Financials	WBCSD	World Business Council for Sustainable Development
PFAEs	Persons with Economic Activities	WEF	World Economic Forum
PGE	Global Ecoefficiency Plan	WEF-IBC	World Economic Forum - International Business Council
RSPO	Roundtable on Sustainable Palm Oil	WRI	World Resources Institute
SASB	Sustainability Accounting Standards Board		
SASG	Sustainability Alignment Steering Group		

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This document contains forward-looking statements that constitute or may constitute “forward-looking statements” (within the meaning of the “safe harbor” provisions of the United States Private Securities Litigation Reform Act of 1995) with respect to intentions, objectives, expectations or estimates as of the date hereof, including those relating to future targets of both a financial and non-financial nature (such as environmental, social or governance (“ESG”) performance targets).

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The information contained in this document reflects our current expectations and targets, which are based on various assumptions, judgments and projections, including non-financial considerations such as those related to sustainability, which may differ from and not be comparable to those used by other companies. Forward-looking statements are not guarantees of future results, and actual results may differ materially from those anticipated in the forward-looking statements as a result of certain risks, uncertainties and other factors. These factors include, but are not limited to, (1) market conditions, macroeconomic factors, domestic and international stock market movements, exchange rates, inflation and interest rates; (2) regulatory and oversight factors, political and governmental guidelines, social and demographic factors; (3) changes in the financial condition, creditworthiness or solvency of our customers, debtors or counterparties, such as changes in default rates, as well as changes in consumer spending, savings and investment behavior, and changes in our credit ratings; (4) competitive pressures and actions we take in response thereto; (5) performance of our IT, operations and control systems and our ability to adapt to technological changes; (6) climate change and the occurrence of natural or man-made disasters, such as an outbreak or escalation of hostilities; and (7) our ability to appropriately address any ESG expectations or obligations (related to our business, management, corporate governance, disclosure or otherwise), and the cost thereof. In the particular case of certain targets related to our ESG performance, such as, decarbonization targets or alignment of our portfolios, the achievement and progress toward such targets will depend to a large extent on the actions of third parties, such as customers, governments and other stakeholders, and may therefore be materially affected by such actions, or lack thereof, as well as by other exogenous factors that do not depend on BBVA (including, but not limited to, new technological developments, regulatory developments, military conflicts, the evolution of climate and energy crises, etc.). Therefore, these targets may be subject to future revisions.

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REPORT ON  2023



Our progress toward BBVA's Transition Plan