

**To Jeanne Martin
Senior Campaign Manager at ShareAction,**

Re: BBVA response to investors' letter about climate change and biodiversity

Madrid, July 30, 2021

Dear Jeanne,

Thank you very much for your letter. As you know, sustainability is a strategic priority at BBVA. We want to help our clients and society in their transition to a greener and more inclusive future and we are embedding sustainability in all our processes. This is a long journey but we are also well aware of the sense of urgency. We have done very relevant steps in the last few years but we will keep pushing it in line with our corporate purpose, which is to bring the age of opportunity to everyone.

One of the key pillars of our strategy is to nurture a close engagement with all our stakeholders in order to promote the systemic change we need. That's why we take a proactive role in key institutions such as UNEP FI or EBF, and promote collective initiatives as founding members such as the Principles for Responsible Banking, the Katowice Commitment or now as members of the Steering Group of the Net Zero Banking Alliance. In this regard, we really welcome your initiative and we appreciate the work you are doing and feedback provided. We wish to continue to engage with you on a regular basis as BBVA but also taking into account this systemic approach.

As expected, find enclosed our responses to the five issues mentioned in your letter.

Publish short-term (5-10 years) climate-related targets covering all relevant financial services ahead of your 2022 AGM

As members of the UN-convened Net-Zero Banking Alliance, we are committed to publish our first round of targets within 18 months since our signature on 21 April 2021. However, we are planning to anticipate it and we will publish intermediate targets (2030 in the highest emission sectors and greater exposure before the end of this year (oil & gas, power generation

automotive, cement and steel). This is in line with the Katowice Commitment we signed in December 2018.

Integrate the findings of the IEA Net-Zero scenario and/or another 1.5C scenario with low overshoot and minimal reliance on Negative Emission Technologies into your climate strategy.

As members of the UN-convened Net-Zero Banking Alliance, we are committed to use decarbonisation scenarios which: are from credible and well-recognised sources; are no/low overshoot; rely conservatively on negative emissions technologies; and to the extent possible, minimise misalignment with other Sustainable Development.

We inform you that we will use the IEA Net Zero by 2050 scenario or equivalent 1.5C scenarios with low overshoot as a minimum standard in our scenario analysis, climate strategy and target setting.

Phase out from coal by 2030 in OECD countries and by 2040 in non-OECD countries at the latest

As [announced in March 2021](#), BBVA will reduce to zero its exposure to coal-related activities, stopping the financing of companies in this business by 2030 in developed countries, and by 2040 in the rest of the countries of its footprint. This decision, which is included in the updated BBVA's Environmental and Social Framework, is in line with the Intergovernmental Panel on Climate Change's (IPCC) proposal. This aims to limit the rise in temperatures to a maximum of 1.5°C and achieve the ambition of a carbon neutral economy in 2050.

Ensure your financial statements are drawn up in alignment with a 1.5C-pathway

We are integrating climate risk into the management of all the bank's businesses and processes, including financial statements and all key risk categories following the TCFD recommendations. Our [latest TCFD report](#) published in June includes specific information about the role of the Risk and Compliance Committee and the integration of climate risk into the control framework based on the three lines of defense. A summary of this TCFD report is included in BBVA's Annual Report.

Commit to protect and restore biodiversity

BBVA is progressively integrating natural capital and biodiversity issues into the [Environmental & Social Framework](#) that is updated every year, the latest one in March 2021. We include proper due diligence processes of our clients and projects financed taking into account our clear commitment to respect Indigenous rights and environmental defenders following the FPIC (free, prior and informed consent) principle in all projects financed.

We support the development of the TNFD recommendations (Taskforce on Nature-Related Financial). Once developed and launched in 2023 we expect it will be a good framework to refine our biodiversity strategies, approaches and disclosures.

If you need any additional information, do not hesitate to contact us.

Sincerely,



Antoni Ballabriga
Responsible Business
Global Head