

BBVA

Creating Opportunities

Environmental and Social Framework

Madrid, March 2023



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Given that some of our clients operate in sectors with a potential environmental and social impact, we have developed a specific Environmental and Social Framework (hereinafter referred to as the "Framework") as part of our commitment to promote sustainable development and human rights. At BBVA we believe that clients who manage their business responsibly are more successful in the long run. That is why we include, in relation to this Framework, environmental and social aspects in the due diligence process for decision making.

The application of this Framework allows us to better understand our clients' activities, to manage the expectations of our stakeholders and to mitigate social and environmental risks.

This Framework, which is voluntary for BBVA, derives from **BBVA's General Sustainability Policy** and **BBVA's Corporate Social Responsibility Policy**. It aims to help to achieve and support the Sustainable Development Goals (hereinafter "SDGs"), to promote the fight against climate change and to strengthen our commitment to human rights.



02 Purpose and scope

This document contains the standards of reference, general exclusions applicable to **the mining, agribusiness, energy, infrastructure and defense sectors** and it also sets forth prohibitions in terms of clients and projects specific to each of them.

The sectors covered by it have been selected due to their potential impact on nature and communities. The Framework is one of the main tools to identify clients and projects exposed to potential social or environmental controversies and to accompany them in their transition.

This Framework ¹ is applicable to new clients and new projects (or to extensions of existing ones) from its publication date ². For the sake of clarity, when necessary in order not to compromise the viability of a pre-existing project or pre-existing client or their ability to repay their debt, their restructurings and/or refinancings will be allowed.

Provisions for the energy, mining, agribusiness and infrastructure sectors apply to **Corporate & Investment Banking** clients, **actively managed**³, **with financing products**⁴, in all entities of the BBVA Group. Provisions for the defense sector apply to all BBVA Group entities and customer segments.

For the purposes of this Framework, the general exclusions and prohibited activities

apply to the mining, agribusiness, energy, infrastructure and defense sectors.

In the case of:

- **Clients**: they will imply the non-provision of financial services to clients in the defense sector. In the other sectors (mining, energy, agribusiness and infrastructures), a specific due diligence will be carried out, which may entail not initiating the relationship with the client or the application of an engagement plan with measures focused on understanding and intending to correct the situation, as established in the internal procedure to implement this Framework. The provisions of section 12 of this Framework shall be taken into account in relation to the coal activity included in the mining and energy sectors.
- **Projects**⁵: if BBVA concludes that any of the circumstances described in the prohibited activities or general exclusions apply to a project, it will not take part in that project.

(1) With the exception of section 12 "Decarbonization objectives: thermal coal sector provisions", whose scope is defined therein.

(2) Although this Framework is applicable to new clients and new projects from its publication date, and not to existing ones as they refer to pre existing contractual relations, a review process of the stock of clients (in accordance with the scope provided for in this Framework) has been carried out, on a best efforts basis, for the progressive implementation of the measures contemplated herein to such stock.

(3) Big corporates with CIB products needs, that require a relationship manager (according to segmentation based on business criteria reviewed regularly).

(4) This Framework covers the following products and service: corporate loans, structured finance, including project finance, acquisition finance, bridge financing and bond underwriting.

(5) For the purposes of this Framework, projects will be understood as project finance transactions or other financing transactions with a specific purpose in any of the affected sectors.

03 Framework implementation procedure

BBVA's standard risk, compliance and operations processes and tools include the identification, assessment and monitoring of environmental and social risks of its clients and operations. Decisions are based on internal information or, where appropriate, information provided by independent external analysts. Decisions on human rights issues also take into account the information available in the [UN Guiding Principles Reporting Database](#).

BBVA has a specific internal procedure for the implementation of the Framework, which establishes the process to be followed on environmental and social due diligence, in order to oversee its compliance in the following two areas:

Clients

New clients will be assessed to see if the client's activity is in line with this Framework, based on a third party ESG (environmental, social, and governance) analysis, and if so, they will be accepted.

This due diligence process will be updated from time to time as long as the relationship with the client is maintained.

In case that the outcome of this due diligence process shows non-compliance with the Framework, this will be shared with the Risk Department and the client's financial program will show that the client may be subject to an engagement plan.



Transactions

Compliance with this Framework in the case of transactions is covered by the due diligence process for the client, with the exception of transactions directly related to a specific project or defense activity. These latter transactions will be assessed on a case by case basis to analyze that none of the general exclusion criteria exist and that they are not intended for the prohibited activities defined for each sector. For the application of the Framework to projects, BBVA has a specific procedure for wholesale financing operations admissions subject to the Equator Principles.

The outcome will be negative if BBVA concludes that an exclusion or prohibition applies to a specific project or a defense activity, and BBVA will not take part in them.

International standards of reference

BBVA expects its clients to do business under industry-leading **standards and best practices** in the geographies in which they operate, and particularly in the environmental and social aspects.

In addition to the industry standards and recommendations mentioned in each sector, BBVA considers the following declarations, conventions and initiatives, within its responsible banking framework:

- Universal Declaration of Human Rights
- United Nations 2030 Agenda for Sustainable Development Goals (SDG)
- Paris Agreement of the United Nations Framework Convention on Climate Change
- International Labor Organization (ILO) Conventions
- United Nations Manifesto for a Global Economic Ethic
- United Nations Global Compact (UNGC)
- UN Guiding Principles on Business and Human Rights
- OECD Guidelines for Multinational Enterprises
- Global Reporting Initiative
- Carbon Disclosure Project (CDP)
- UNEP FI Statement on Sustainable Development and Positive Impact Initiative
- IFC Performance Standards and Environmental, Health and Safety Guidelines
- Equator Principles
- Principles for Responsible Investment (PRI)
- Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
- UNEP-FI Principles for Responsible Banking
- Collective Commitment to Climate Action in the financial sector
- Science-Based Targets Initiative
- 2 Degrees Investing Initiative



05 General exclusions

The provisions of section 2 of this Framework shall apply when BBVA has sufficient evidence that one of the following cases applies:

- Clients for whom BBVA has sufficient evidence that they incur in material violations of applicable human rights laws and regulations⁶, or that are involved in human rights abuses, regardless of whether such involvement violates local legislation in each country.
- Clients for whom BBVA has sufficient evidence that child or forced labor—as these concepts are defined in the ILO Conventions—are being used.
- Projects involving resettlement or violation of the rights of indigenous or vulnerable groups without their free, prior and informed consent (FPIC).
- Projects that put UNESCO World Heritage sites, Ramsar-listed wetlands, Alliance for Zero Extinction sites, and International Union for Conservation of Nature category I-IV sites at risk.
- Clients subject to financial sanctions by the EU, the US and the United Nations⁷.

06 Development and approval

The Global Area of Sustainability is responsible for developing and coordinating this Framework. The Global Head of Sustainability is responsible for its approval.

This version of the Framework will be applicable from the date of its cover page, without retroactive effects, until the date it is replaced, as the case may be, by a later version. The current version reflects the trends in sustainability, social and environmental risks, as well as stakeholders expectations at the time it was prepared. Future revisions of the document will take into account these issues, along with best practices and industry standards.

Once a year, or whenever any event occurs that requires changes to this Framework, the Global Area of Sustainability will review it and submit any updates and modifications deemed necessary or appropriate at any given time to the Global Head of Sustainability for his or her consideration.

(6) Those regulations that are taken into account at each time by the independent external analysts who carry out the corresponding due diligence process.

(7) International financial sanctions are coercive measures against States, entities or individuals that pose a threat to international peace and security. Chapter VII of the United Nations Charter provides the legal basis for the imposition of coercive measures within the United Nations. At EU level, restrictive measures are defined as a key tool of the Common Foreign and Security Policy (CFSP). The U.S. Treasury Department, and in particular the Office of Foreign Assets Control (OFAC), enforces and administers economic and commercial sanctions in order to protect national security and U.S. foreign policy.

07 Mining sector provisions

OBJECTIVE SCOPE: mining.

SUBJECTIVE SCOPE:

Clients: Companies or groups that hold mining assets that represent a significant part of their total assets and which explore, develop or exploit such assets.

Projects: new mine developments (greenfield) and/or expansion of existing projects (brownfield), covering the phases of mine planning and development, operation, in situ processing of extracted minerals, mine closure and restoration.

7.1. Background

The mining sector is one of the most important industries as it produces resources and raw materials that can be used to develop the economy and communities. It also accounts for a large fraction of several countries' income.

Exploration of mineral resources is expanding into new areas as the world's population and economy grow, increasing the likelihood of impacts on the environment and local communities. Mining is also a key sector for the transition to a low-carbon economy, as it can provide the mineral resources needed for innovation and renewable energy storage systems.

More and more metals now come from recycling and business models based on the circular economy, but it is still necessary to explore and develop the primary sources of minerals.

7.2. Client best practices

BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence
- Disseminate or provide information on their performance related to water use, waste and greenhouse gas emissions
- Make sufficient commitments to manage environmental and social aspects under the best industry practices and standards
- Have a transition policy toward sustainability and have a plan to decrease coal revenues by 2023, aligned with BBVA coal phase-out calendar
- Develop tailing storage plans according to industry best practices such as Global Industry Standard on Tailings Management
- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans
- Implement a responsible sourcing policy

7.3. Mining standards and industry best practices

At the time this Framework was issued, BBVA considers industry best practices, international standards and treaties such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector
- Principles of the International Council on Mining and Metals (ICMM)
- Extractive Industries Transparency Initiative (EITI)
- Voluntary Principles on Security and Human Rights (Voluntary Principles)
- International Labor Organization (ILO) in the C 176 Safety and Health in Mines Convention (1995)
- OECD Due Diligence Guidance for Responsible Supply Chains of minerals from Conflict-Affected and High Risk Areas relative to tin, tantalum, tungsten, their ores and mineral derivatives and gold
- Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposals
- Kimberley Process Certification Scheme
- World Nuclear Association Sustaining Global Best Practices in Uranium Mining and Processing
- Minamata Convention on Mercury
- International Cyanide Management Code
- Initiative for Responsible Mining Assurance (IRMA)



7.4. Prohibited activities

The provisions of section 2 of this Framework shall apply when BBVA has sufficient evidence that clients and/or projects are involved in the following activities:

Clients

- Clients producers for whom there is evidence of controversies related to Mountaintop Removal mining (hereinafter MTR)
- Coal clients⁸ with more than 25% of revenues coming from thermal coal mining for power generation.
- Clients for whom there is evidence of controversies related to artisanal or small-scale mining

Projects

- New coal mines or expansion of coal mines
- Mountaintop Removal (MTR) extraction methods
- Artisanal or informal mining
- Extraction, processing and marketing of asbestos
- Mines without site closure and recovery plans
- Mines without occupational health and safety management plan
- Mines with tailings dams not managed according to industry best practices
- Projects that dispose of tailings in coastal or shallow waters
- Seabed mines
- Mines in areas of armed conflict



(8) According to the definition provided for in section 12 of this Framework.

08 Agribusiness sector provisions

OBJECTIVE SCOPE:

agriculture, livestock and fisheries.

SUBJECTIVE SCOPE:

Clients: companies or groups whose main activity is the cultivation and production of agricultural, forestry, livestock and fishing products, in particular high-impact products such as palm oil, soy, cocoa, coffee, cotton, tobacco, beef, rubber, intensive aquaculture and forest products.

Projects: new developments and/or expansion of existing projects which include the production and/or processing phases of agricultural, forestry, livestock and fisheries products.

This Framework includes activities related to land cultivation, forest management, livestock and fisheries. Agricultural products may be food-related (cereals, fruits, fish, etc.) or not food-related (cotton, wool, wood, etc.).

Activities not covered by this Framework:

- manufacture or distribution of agricultural machinery, pesticides and fertilizers;

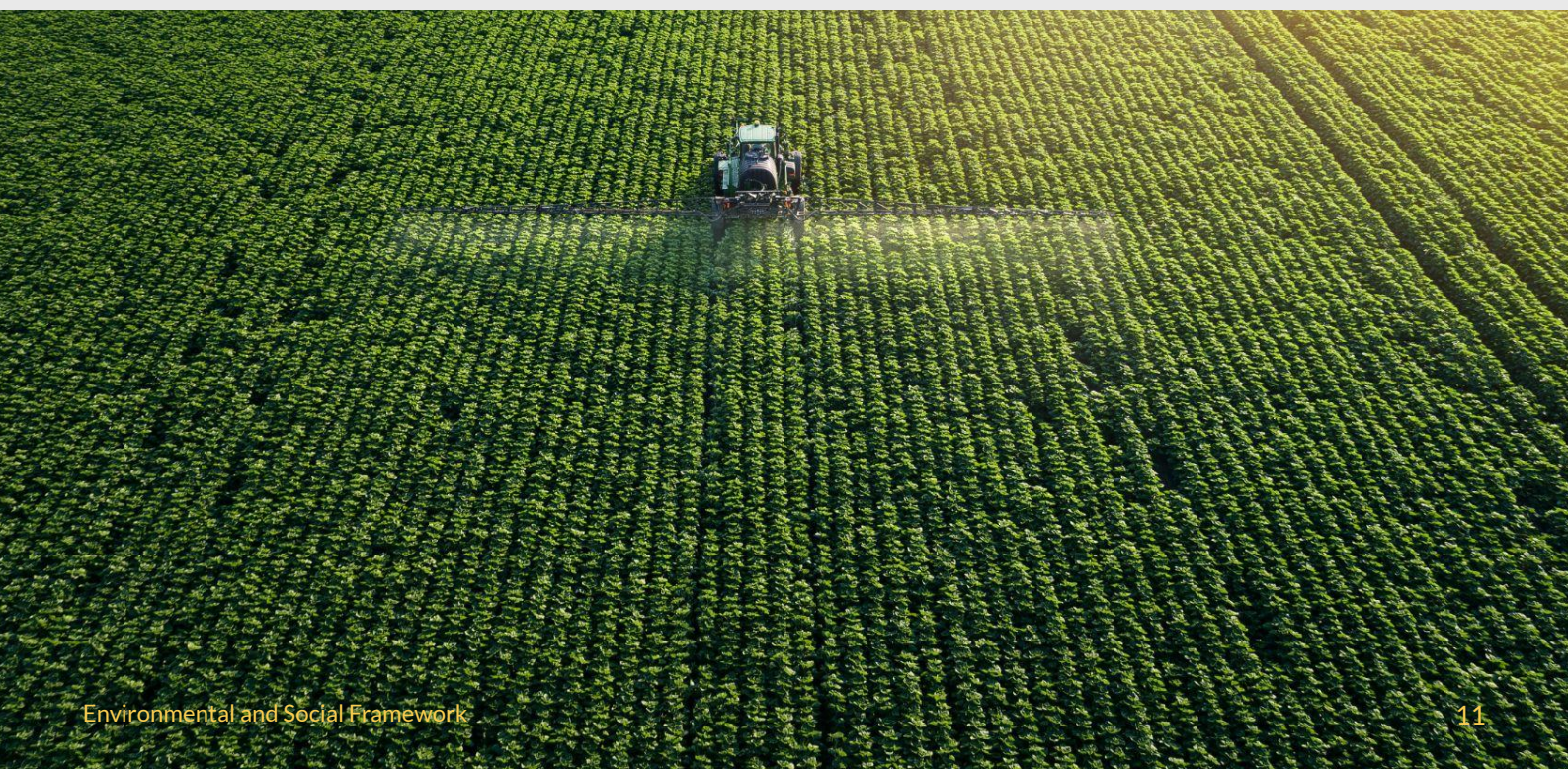
- manufacture of processed food and beverages
- food and beverage distribution

8.1. Background

Agriculture, forestry, livestock and fisheries cover people's primary needs, are an important source of income and provide a livelihood for millions of people. Investing in agriculture is one of the most effective strategies for improving food security and promoting sustainability.

This industry is also a vital source of food, and is of increasing importance for other sectors such as the production of consumer goods (palm oil), the textile industry (cotton) and construction (wood).

However, strong and growing demand for such products, exacerbated by population growth, puts pressure on the environment and local communities, and this is a phenomenon that requires careful consideration.



8.2. Client best practices

BBVA expects its clients to be able to:

- Implement recognized sustainability certification standards and processes in their industry
- Make sufficient commitments to manage environmental and social aspects under the best industry practices and standards
- Adopt sustainable agriculture techniques that promote soil fertility and minimize erosion impact, GHG emissions and water usage
- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans
- Implement a responsible sourcing policy (including commodities traders & processors)
- Have a policy and strategy towards zero deforestation in their production and supply chains that contains commodity-specific commitments and comply with No-Deforestation, No-Peat and No-Exploitation (NDPE) requirements.

8.3. Agricultural standards and industry best practices

At the time this Framework was issued, BBVA considers industry best practices, international standards and treaties for the agricultural sector such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector

- Principles for Responsible Agricultural Investment that Respects Rights, Livelihoods and Resources (FAO, IFAD, UNCTAD and World Bank)
- The WWF 2050 Key Performance Criteria
- Convention on Biological Diversity (1992) and the Nagoya protocol (2010)
- Cartagena Protocol on Biosafety
- Stockholm Convention on Persistent Organic Pollutants (POPs)
- FAO-OECD Guidance for Responsible Agricultural Supply Chains
- Assured Food Standards (AFS)
- Global Good Agricultural Practice (GAP)
- Sustainable Agriculture Practice Standard and Sustainable Agriculture Initiative Platform

PALM OIL

- Roundtable on Sustainable Palm Oil (RSPO)
- RSPO Principles and Criteria for Responsible Palm Oil Production

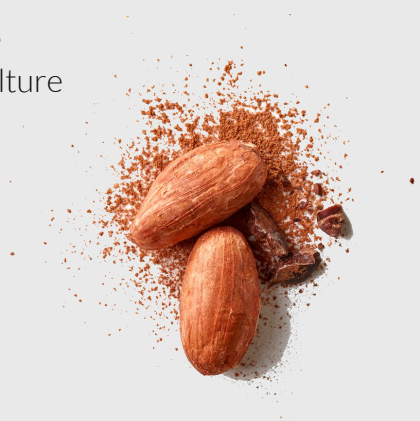
SOYBEANS

- Roundtable on Responsible Soy Association (RTRS)
- Basel Criteria for Responsible Soy Production
- CGF Sustainable Soy Sourcing Guidelines



COFFEE, TEA, COCOA, SUGAR, COTTON

- Common Code for the Coffee Community (4C)
- Tropical Commodities Coalition for Sustainable Tea Coffee and Cocoa (TCC)
- Ethical Tea Partnership (ETP)
- World Cocoa Foundation (WCF)
- Rainforest Alliance Sustainable Agriculture Standard (SAN)
- UTZ Certified
- Bonsucro
- Better Cotton Initiative



TIMBER

- Forest Stewardship Council (FSC) Certification
- Program for the Endorsement of Forest Certification (PEFC)
- FSC Chain of Custody Certification



TOBACCO

- World Health Organization (WHO) Framework Convention on Tobacco Control



AQUACULTURE AND FISHERIES

- The FAO's Code of Conduct for Responsible Fisheries and Fisheries Management: The Ecosystem Approach to Fisheries, Technical Guidelines for Responsible Fisheries
- The Aquaculture Stewardship Council
- Voluntary guidelines on responsible governance of tenure of land, fisheries and forests (FAO, 2012)
- Agreement to Promote Compliance with International Conservation and Management Measures by Fishing Vessels on the High Seas (FAO)
- The UN Resolutions pertaining to sustainable fisheries (including ban of driftnets)
- Marine Stewardship Council (MSC) certifications



BEEF PRODUCTION

- The Global Roundtable for Sustainable Beef (GRSB)
- Standards Cattle Production System (SCPS)



8.4. Prohibited activities

BBVA provides services to the productive and commercial agents that form part of the agricultural, livestock and fishing production chain, but the provisions of section 2 of this Framework shall apply when BBVA has sufficient evidence that clients and/or projects are involved in the following activities:

Clients

- Clients for whom there is evidence of controversies related to the production or trade of substances subject to international prohibitions
- Clients engaged in the production, processing and marketing of palm oil through companies that are not members or are not in the process of becoming members of the Roundtable for Sustainable Palm Oil (RSPO)
- Clients engaged in non-health related animal testing unless required by local law
- Clients for whom there is evidence of controversies related to the production or trade of products regulated by the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES)



Projects

- Burning of natural ecosystems to clear land for the development of agricultural or livestock projects
- Clearing of High Conservation Value and High Carbon Forests
- Projects in International Union for Conservation of Nature (IUCN's) Key Biodiversity Areas, Brazilian Amazon and Cerrado
- Production of first-generation biofuels
- Use of substances prohibited by the Stockholm Convention, listed in Annex III to the Rotterdam Convention, WHO Class 1A or 1B or listed in the SIN list
- Exploitations of palm oil not certified or not in the process of being certified by the Roundtable on Sustainable Palm Oil (RSPO)
- Palm oil exploitation in swamps and peat-rich areas
- Vessels operating with drift nets longer than 2.5 km or using drift nets intended for the capture of species listed in Annex VIII of EU Regulation 1239/98
- Deep Sea Bottom trawling (deeper than 600 m below sea level)



09 Energy sector provisions

OBJECTIVE SCOPE:

- exploration, production, transport and refining of oil and gas
- renewable energy projects: wind, solar, hydroelectric, biomass and biofuels
- thermal power generation plants (gas combined cycles and coal plants)
- transmission and distribution of electricity

SUBJECTIVE SCOPE:

Clients: Companies or groups that own energy assets that represent a significant part of their total assets and take part in the exploration, development or exploitation of those assets

Projects: New projects, acquisitions and expansions of energy exploration, development, generation or transmission projects

9.1. Background

The energy sector plays an important role in economic well-being and development. For communities to develop, they must have secure and affordable access to energy. However, some activities can potentially have a negative impact on the environment and local communities. This is why strict regulation, the application of best practices and the transition to a low-emission energy model, which BBVA strongly supports, are necessary.

Oil and Gas: although their relative weight in the global energy mix is going down, industry continues to explore and develop new assets in an increasingly challenging setting, whether due to applied technology (fracking) or a remote and challenging operating environment (deep water) or in countries which are institutionally weak or in conflict.



Thermal power generation: thermal generation technologies with fossil fuels contribute to the stability of electrical systems when production from renewable sources is low. However, they have potential environmental and social impacts, particularly their contribution to climate change. While coal-fired power plants are the most emission-intensive, natural gas plants are conceived as a transitional technology to a low-carbon energy mix.

Renewable energy: this is the cleanest form of energy generation. However, renewable energies also have environmental and social impacts, particularly large-scale water projects, which, despite their important contribution to renewable energy supply, flood control and water supply, can have an adverse environmental impact on their surroundings.

9.2. Client best practices

In its strategy to promote a more sustainable energy model, BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence
- Have standards and processes in place for the cleanup of discharges in high sea operations and spills in offshore operations
- Make sufficient commitments to manage environmental and social issues under the best industry practices and standards

- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans (including a review of impacts in biodiversity from hydroelectric projects as well as an assessment of the life cycle of renewable projects)
- Implement a responsible sourcing policy

BBVA supports power companies in their transition to more sustainable energy sources and in reducing their greenhouse gas (GHG) emissions. Clients are encouraged to adopt an energy transition strategy that defines GHG emission reduction goals, targets for investment in renewable energy or increasing low-carbon energy sources in the generation mix, and pledges not to increase coal-fired power generation capacity.



9.3. Energy standards and industry best practices

At the time this Framework was issued, BBVA considers industry best practices, international standards and treaties for the energy sector such as:

- IFC environment, health and safety guidelines specific to the sector
- Extractive Industry Transparency Initiative (EITI)
- International Petroleum Industry Environmental Conservation Association (IPIECA)
- Petroleum Governance Initiative
- Global Gas Flaring Reduction Initiative
- International Energy Agency (IEA) Golden Rules
- The International Convention for the Prevention of Pollution from Ships (MARPOL)
- Oil Spill Response Project
- World Commission on Dams (WCD) Framework
- International Hydropower Association Sustainability Assessment Protocol
- Energy and Biodiversity Initiative (EBI)
- The Roundtable on Sustainable Biomaterials (RSB) Principles and Criteria

9.4. Prohibited activities

The provisions of section 2 of this Framework shall apply when BBVA has sufficient evidence that clients and/or projects are involved in the following activities:

Clients

- Coal clients with revenues derived from power generation with more than 25% of installed capacity for the generation of electric power from thermal coal
- Clients involved in the construction and operation of nuclear power plants or uranium enrichment facilities in countries sanctioned for this purpose by the United Nations, the European Union or the United States
- Clients involved in any activity related to tar sands without a diversification strategy and where this activity represents more than 10% of its total production



Projects

- New coal-fired power plants and expansion of existing power plants
- New projects or expansion of existing projects of exploration, drilling and extraction of oil and gas (conventional and nonconventional ⁹⁾)
- Arctic ¹⁰ exploration, production and transport of oil and gas projects
- Exploration, production and transport of tar sands
- Single hull oil transport vessels
- Large dams that are not built under the World Commission on Dams framework
- New hydroelectric plants without adequate environmental and social risk management systems in relation to dam safety, environmental impact, labor regulations and population resettlement.
- Oil and gas extraction operations in areas of armed conflict



(9) For these purposes, "nonconventional" means Arctic oil and gas projects, fracking, tar sands and ultra-deep waters.

(10) Arctic has the meaning stated in "[Arctic Council's Assessment and Monitoring Programme \(AMAP\)](#)".

10 Infrastructure sector provisions

OBJECTIVE SCOPE:

- transportation: highways, ports, terminals, airports, metro, tram and rail
- environmental: waste and water management (treatment, management and distribution)
- social: education and health
- telecommunications: cables and communication networks

SUBJECTIVE SCOPE:

Clients: Companies or groups that have infrastructures and/or participate in the construction, operation and exploitation of those infrastructure assets.

Projects: New developments and/or expansion of existing projects, covering the planning, construction, acquisition, operation and maintenance phases of infrastructure assets.

10.1. Background

As the world's population grows and living standards rise, the world faces an increasing demand for the development and expansion of infrastructure—such as transport and telecommunications networks or waste management facilities—to support and enable this growth. In cities, infrastructure investment is crucial in the shift toward the smart city model.

BBVA focuses its efforts on making the construction and operation of infrastructure compatible with sustainable development. This Framework is aligned with SDG 9: Build resilient infrastructure, promote sustainable industrialization and foster innovation. We therefore aim to finance the development of reliable, sustainable and quality infrastructure to support economic development and human well-being, with a special emphasis on affordable and equitable access for all.



Transport

It is an essential sector for trade growth, economic development and the opening up of territories, allowing the efficient movement of people and goods, including goods that are considered hazardous, such as oil or chemicals. At the same time, developing new transport infrastructure assets and the modernization and improvement of existing ones means that in many cases there is less consumption of fossil fuels and a fall in greenhouse gases. Urban transport infrastructure is particularly important when it comes to creating cities with better public transport and a healthier environment.

Environmental: water infrastructure and waste management

Fresh water is a finite and vulnerable resource, essential to sustain life, development and the environment. Demand is increasing due to population growth and urbanization, and to the growing needs of agriculture, industry, energy and households, producing water stress situations and impacts such as desertification, aquifer depletion and droughts. To avoid these situations, the SDGs set the goal of achieving universal access to affordable drinking water and adequate sanitation and hygiene services by 2030.

Recognizing the magnitude of the challenge of water scarcity, we encourage our customers to implement technically and financially feasible measures to reduce water consumption when operations or projects are water-intensive, and to avoid the release of effluents or, when not possible, minimize and manage their impact.

Waste management is an essential industry to reduce the consumption of raw materials, avoid pollution and progress toward a circular economy model. This is a great opportunity for our planet and humanity, which the SDGs have identified by setting goals for 2030 to encourage businesses to adopt sustainable practices, and to significantly reduce waste generation through prevention, reduction, recycling and reuse activities.

Social: educational and health infrastructure

Achieving quality education is key to improving people's lives and sustainable development. In line with SDG 4 to "ensure inclusive, equitable and quality education and promote lifelong learning opportunities for all", BBVA supports projects to advance the goal of building and adapting educational facilities that take everyone's needs into account and to offer safe, inclusive and effective learning environments for all.

Ensuring a healthy life and promoting well-being for all at any age is essential to sustainable development. BBVA is committed to delivering on SDG 3, which is "ensuring a healthy life and promoting well-being for all ages", and it supports projects and businesses that contribute to universal access to essential health services and affordable, quality medicines for all.

An opportunity for everyone

We recognize that the infrastructure sector faces potential environmental and social challenges, particularly large transport infrastructure. Properly managed, infrastructure is essential for economic development, environmental conservation and social well-being. BBVA works to identify and support business opportunities in the infrastructure sector, to achieve the SDG goals in health, education, water, infrastructure and cities.

10.2. Client best practices

BBVA expects its clients to be able to:

- Maintain health and safety records of their employees and/or areas of influence.
- Provide information on their performance related to water use, waste and GHG emissions.
- Make sufficient commitments to manage environmental and social issues under the best industry practices and standards.
- Evaluate the impact on the biodiversity of the projects prior to the launch and develop in advance action plans to monitor and mitigate its impacts as well as site closure and recovery plans.

10.3. Infrastructure standards and industry best practices

At the time this Framework was issued, BBVA considers industry best practices, international standards and treaties for the infrastructure sector such as:

- International Finance Corporation (IFC) environmental, health and safety guidelines specific to the sector
- OECD Framework for Better Governance of Infrastructure
- World Commission on Dams (WCD) Framework
- United Nations Environment Program (UNEP) Dams and Development Project
- Building Research Establishment Environmental Assessment Method (BREEAM)
- Leadership in Energy and Environmental Design (LEED)
- The United Nations Model Recommendations on the Transport of Dangerous Goods

10.4. Prohibited activities

The provisions of section 2 of this Framework shall apply when BBVA has sufficient evidence that clients and/or projects are involved in the following activities:

Projects

- Dams that are not built under the Framework of the World Commission on Dams (WCD)
- Facilities not complying with the Hong Kong Ship Recycling Convention
- Desalination plants that lack adequate measures to mitigate the impact of brine removal and/or extraction of seawater



OBJECTIVE SCOPE: defense

SUBJECTIVE SCOPE: clients¹¹ and transactions¹² involved in the manufacture, marketing or maintenance of defense material¹³.

11.1. Background

BBVA recognizes the right of countries to defend themselves and consequently to develop, produce and possess weapons. However, BBVA considers that certain activities or products related to the defense industry are not aligned with its business principles and standards.

11.2. Industry standards and best practices

At the time this Framework was issued, BBVA considers industry best practices, international standards and treaties for the defense sector such as:

- United Nations Arms Trade Treaty (2014)
- Treaty on the Non-Proliferation of Nuclear Weapons (NPT) (1970)
- Geneva Protocol for the Prohibition of the Use in War of Asphyxiating, Poisonous or Other Gases and of Bacteriological Methods of Warfare (1925)

- Convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997)
- Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972)
- Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993)
- Convention on Cluster Munitions (2008)
- Council Common Position 2008/944/CFSP (2008)

11.3. Prohibited activities

BBVA will not support the provision of financial services to clients, subject to section 2 of this Framework, when it has sufficient evidence that clients or their transactions are involved in the following activities:

Clients

- Companies that sell arms to countries or groups subject to arms embargoes imposed by the United Nations, the European Union or the United States.

(11) In relation to this Framework, clients will be considered to be defense and security companies, or any company, institution, state agency or organization involved in the manufacture, trade or maintenance of defense and security equipment.

(12) For the purposes of this Framework, transactions cover any transaction involving clients and/or defense material.

(13) For the purposes of this Framework, defense material will be understood to be any material defined by the United Nations and the European Commission as a conventional weapon (including components, ammunition, spare parts, operation and maintenance) and dual-use materials (for civilian use that may be applied to military use).

- Manufacturers or traders of controversial weapons¹⁴ and their key components: anti-personnel mines, biological and chemical weapons, cluster munitions, depleted uranium and white phosphorus munitions and nuclear weapons (in the case of nuclear weapons, it shall only apply for countries that have not signed the Non-Proliferation Treaty or are in breach of it).
- Companies involved in manufacturing or commercializing nuclear weapons or their components in countries that are not signatories or in breach of the Non-Proliferation Treaty.
- Manufacturers of military assault weapons¹⁴ for civilian use.
- Companies that do not have the relevant export license.



- Production and trade of controversial weapons and their key components: anti-personnel mines, biological weapons, chemical weapons, cluster munitions, nuclear munitions, white phosphorus munitions and depleted uranium munitions.

Transactions

- Arms trade operations in countries sanctioned with arms embargoes imposed by the United Nations, the European Union and the United States.
- Arms trade operations in countries at high risk of human rights violations.
- Trading operations with intermediaries or where the end user is not a public organization (police and armed forces, defense departments, defense companies).

Specifically in the management of own and client funds, BBVA will not invest its own funds or those of its clients in any activity related to controversial weapons or directly in bonds issued by countries subject to arms embargoes imposed by the United Nations Security Council, the European Union and the United States. This prohibition also applies to third-party funds marketed by BBVA.

(14) In the definition of controversial weapons (anti-personnel mines, biological weapons, chemical weapons, cluster weapons, nuclear weapons, depleted uranium munitions and white phosphorus munitions), BBVA applies the criteria of the following international conventions:

- Anti-personnel mines: as defined in the convention on the Prohibition of the Use, Stockpiling, Production and Transfer of Anti-Personnel Mines and on Their Destruction (1997);
- Biological weapons: as defined in the Convention on the Prohibition of the Development, Production and Stockpiling of Bacteriological (Biological) and Toxin Weapons and on their Destruction (1972);
- Chemical weapons: as defined in the Convention on the Prohibition of the Development, Production, Stockpiling and Use of Chemical Weapons and on Their Destruction (1993);
- Cluster weapons: as defined in the Convention on Cluster Munitions (2008);
- Depleted uranium and white phosphorus munitions: as defined by the independent external adviser which prepares defense exclusion lists for BBVA, in the absence of international agreements and legal frameworks governing their use.
- Nuclear weapons: BBVA will not invest or provide financial services to companies directly involved in the development, production, testing or maintenance of nuclear weapons in countries that have not signed the Non-Proliferation Treaty (NPT) or in countries that do not comply with the NPT. Nuclear weapons are considered controversial because of the potential impact on the civilian population and their indiscriminate nature when used, but are not prohibited by international law. The NPT strictly regulates and oversees the ownership, production, proliferation and use of nuclear weapons. As part of this treaty, it is accepted that China, France, Russia, the United Kingdom and the United States may produce and possess nuclear weapons.

12 Decarbonization objectives: thermal coal sector provisions ¹⁶

BBVA targets zero exposure ¹⁷ to coal clients by 2030 in the developed countries and by 2040 globally, through engaging with them and actively monitoring its portfolio. BBVA will however continue to finance sustainable projects ¹⁸ for these clients in support of their transition.

Coal clients are defined as those, both new and existing, with revenues greater than 5 percent coming from thermal coal mining for power generation or clients with revenues derived from power generation with more than 5% of installed capacity for the generation of electric power from thermal coal. For clarification purposes, other indirect activities associated with the above, such as the trading activity or auxiliary services for mining, are excluded.

Except as provided for in the first paragraph of this section 12, BBVA will not support the provision of financial services to new coal clients subject to this Framework with more than 25% of revenues coming from thermal coal mining for power generation or more than 25% of the installed capacity for the generation of electrical energy from thermal coal.



(16) The scope (from an objective, subjective and temporal perspective) of the decarbonization provided for in this section is the one envisaged in it, and therefore it differs from the general Framework's scope detailed in section 2.

(17) The Non Performing Loans (Stage 3 exposures for the purposes of BBVA Group consolidated accounting according to rule IFRS9) are excluded from the calculation. For the sake of clarity, and notwithstanding the time limits for achieving this target, potential restructurings and/or refinancings of coal clients will be allowed, provided that said restructuring or refinancing is necessary in order not to compromise the viability of the project or the client or their ability to repay their debt. However, these restructurings or refinancings may not entail an increase of the total exposure to coal clients in the BBVA group entities subject to the Framework nor a breach of the time targets mentioned above.

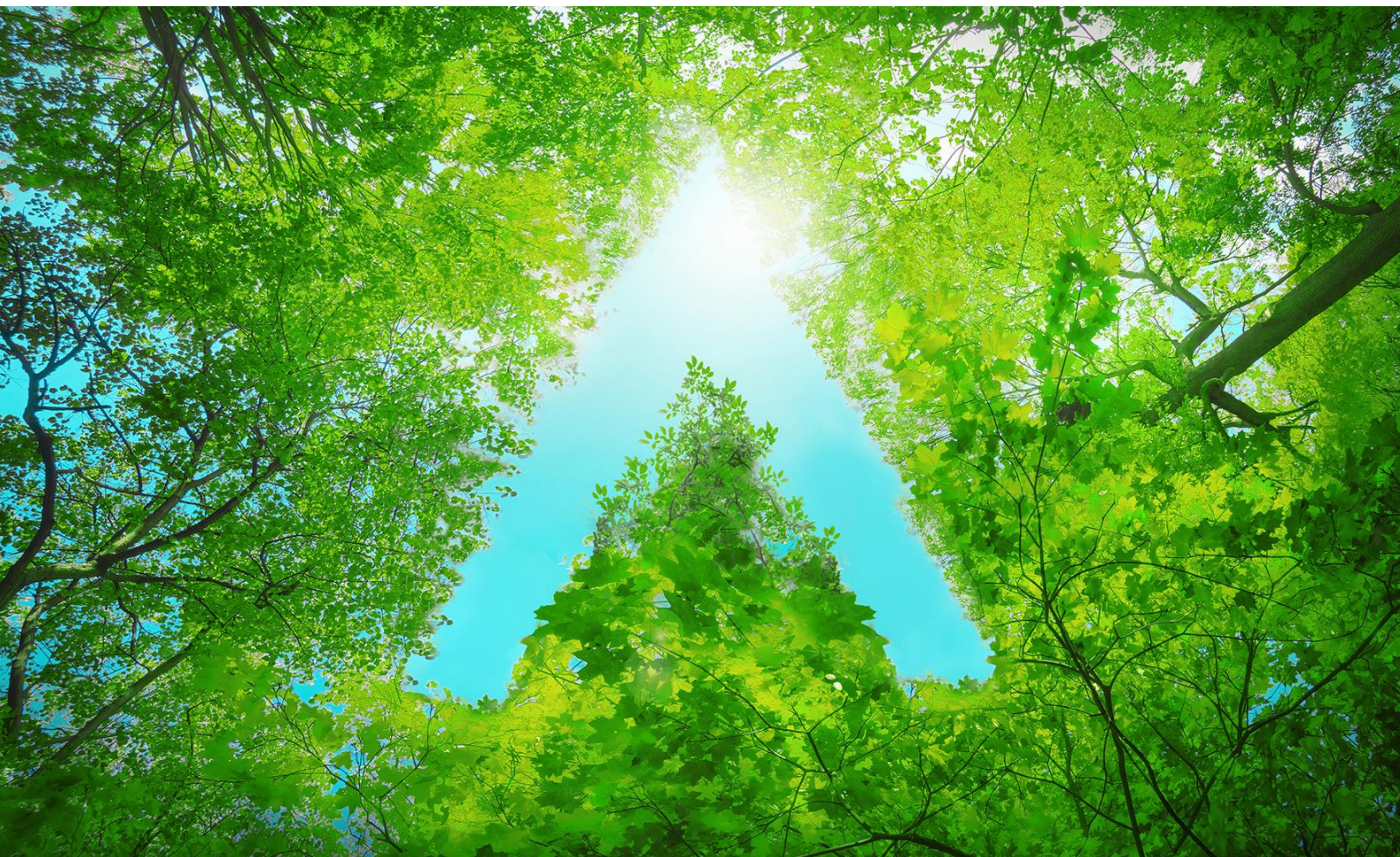
(18) Considered sustainable in accordance with existing regulations, internal standards inspired by existing regulations, market standards and/or best practices.

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