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Sustainable Finance

GRI 102-11, 103-1, 103-2, 103-3, 412-1, 412-3, FS1, FS2, FS5, FS7, FS8, FS11
SASB FN-CB-410a.2, FN-AC-410a.2, FN-IB-410a.3, FN-IN-410a.2, FN-AC-410a.3, FN-IN-410b.2

Grupo Financiero BBVA México incorporates sustainability in its day-to-day activities and in everything it does, both in relations with customers and in internal processes. It is aware of the outstanding role of banking in the transition towards a more sustainable world through its financial activity and is willing to play a relevant role. GFBB seeks to accompany its retail, business, corporate and institutional customers in adopting more sustainable habits that help reduce their emissions, using data-based tools and solutions that help them control their consumption and emissions. To do this, it constantly works to make a wide range of products available to you, both for investment and financing.

Management

BBVA has made it a priority to “help our customers in the transition towards a sustainable future,” inspired by the SDGs adopted by the UN, with a focus on climate change and inclusive and sustainable social development.

BBVA has working groups specifically designed to develop sustainable solutions for customers and to promote responsible communication and marketing practices directed at them.

Grupo Financiero BBVA México has implemented strategies that favor the creation of sustainable markets. GFBB aims to enhance the positive impact through financial instruments, aligning itself with initiatives such as:

- United Nations Environment Programme Finance Initiative (UNEP FI)
- Equator Principles
- Principles of Responsible Investment (PRI)
- Principles of Responsible Banking (PRB)
- UN Global Compact
- Carbon Disclosure Project (CDP)
- Green Finance Advisory Council (Consejo Consultivo de Finanzas Verdes, CCFV)



We make it a priority to help our customers in the transition to a sustainable future.

2025 Commitment

SASB FN-AC-410a.1



Grupo Financiero BBVA México has participated as an **underwriter in 46% of the ESG issuances in the local market**. With this, it positions itself as the leading bank in stock market financing in this segment.

In 2018, BBVA presented its commitment to contribute to the fulfillment of the SDGs established by the United Nations and the challenges derived from the Paris Climate Agreement. This commitment is based on the following three lines of action.

The commitment has a goal of mobilizing EUR 200,000 million in sustainable finance and fighting climate change, between 2018 and 2025. At the end of December 2020, BBVA had already reached EUR 50,154 million in sustainable financing. This means achieving half of its target for that period a year ahead of schedule.

1 Finance

Originate new financing to curb climate change and promote the SDGs by mobilizing EUR 200 billion between 2018 and 2025 for green activities, sustainable infrastructure, agribusiness, entrepreneurship and financial inclusion.

2 Manage

Minimize the environmental and social risks associated with GFBB's activity and its potential direct and indirect negative impacts and progressively align its activity with the Paris Agreement. Also, among others, the objective was set that 100% of the energy contracted by BBVA be renewable in 2030.

3 Involve

Incorporate all stakeholders to collectively promote the contribution of the financial sector to sustainable development.

Sustainable Development Goals (SDGs) Bond Framework

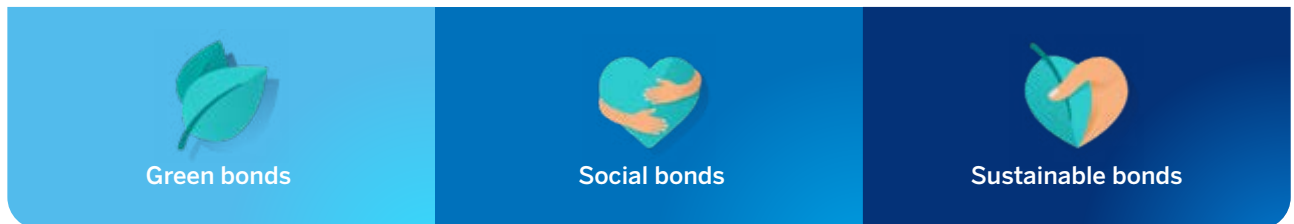
Its objective is to finance projects and entities that contribute to the fulfillment of the SDGs and their specific targets, particularly in the following SDGs:



The SDG framework is governed by the Principles of the International Capital Market Association (ICMA) for Green Bonds, the Guide for Social Bonds and the Guide for Sustainable Bonds, where they establish four fundamental requirements:

- Use of proceeds
- Process for expenditure evaluation and selection
- Management of Proceeds
- Reporting

Pursuant to the ODS Framework, Grupo Financiero BBVA México can issue three types of bonds:



These are debt instruments which proceeds shall be used exclusively to finance, in whole or in part, green, social, sustainable projects (as appropriate) that are aligned with the four essential components of this framework.



Process for expenditure evaluation and selection

For the selection, evaluation, management and dissemination of projects, Grupo Financiero BBVA México shall follow the process below:

1. The Sustainable Finance working group reviews a prospective list of eligible projects.
2. BBVA's SDG Bond Committee conducts an additional review of the projects selected and labeled and decides which ones will finally be included in each bond issued under the framework.
3. The Responsible Business department will have a final veto over the list of selected projects.
4. Grupo Financiero BBVA México will control the use of proceeds from green, social or sustainable bonds issuances in accordance with the framework.
5. Grupo Financiero BBVA México will monitor the use of proceeds from green, social and sustainable bond issuances in accordance with their characteristics.

Grupo Financiero BBVA México may publish a report on the follow-up of the bond on an annual basis, to guarantee the correct application of the issuance framework.



Green bonds

In 2021, Grupo Financiero BBVA México released the issuance of the following green bonds:

Green bond	Amount of the issuance
FIRA	\$700 million
Coca Cola FEMSA	\$9,400 million
Grupo Bimbo	\$1,750 million
Volaris	\$1,500 million
Betterware	\$1,500 million



Social bonds

In 2021, Grupo Financiero BBVA México released the issuance of the following social bonds:

Social bond	Amount of the issuance
BID Invest: first social bonus that promotes gender equality	\$2,500 million
Central American Bank for Economic Integration: first COVID social bond	\$5,000 millions

Sector Regulations

BBVA believes that customers who manage their business responsibly are more successful in the long term. Therefore, environmental and social aspects were included in the due diligence process for decision-making.

Objective

To address sector-specific sustainable issues and provide clear guidance on the procedures to be followed in managing customers and transactions in these sectors.

This management framework includes processes that allow Grupo Financiero BBVA México to better understand customer activities, manage stakeholder expectations, mitigate risks and contribute to compliance with BBVA's Responsible Banking Policy. All of this is aimed at supporting the achievement of the SDGs, playing a key role in the fight against climate change and strengthening the commitment to Human Rights.

The standards are applied in the Corporate Banking and Investment Banking activities carried out by all entities, business lines, branches, subsidiaries and geographies of BBVA.

BBVA established general exclusions. It will not provide financial services to projects or customers whose main business is associated with the following environmental and social activities or impacts:

- Companies for which there is credible evidence (court decisions or relevant disputes) of material violations of applicable laws and regulations, or of participation in human rights (HR) abuses regardless of the country.
- Activities that use child or forced labor as defined in ILO Conventions.
- Projects that involve the resettlement or violation of the rights of indigenous and/or vulnerable groups without their free, prior and informed consent.
- Projects located in or near UNESCO World Heritage sites, Ramsar-listed wetlands, Alliance for Zero Extinction sites, and areas of the International Union for Conservation of Nature Categories I-IV.
- Company based in countries under financial sanctions from the European Union, the United States and the United Nations.

To ensure the implementation of the standards, BBVA has due diligence processes in place for the acceptance of customers, the evaluation of transactions and the internal development of new products.

Industry covered



Mining



Energy



Agriculture



Infrastructure



Defense



When the commercial or control functions responsible for identifying and evaluating environmental and social risks, as part of the due diligence processes, determine the existence of potential material risks, they refer the customer or the transaction to a specialized unit for environmental and social risk for a more in-depth review. For this review, a dialogue is carried out with the customer to gather as much information as possible and assess the possible mitigating measures. If the analysis concludes that it is a high-risk customer or transaction and that it does not comply with the Standard, the decision will be referred to the CIB Leadership for a final decision.

Industry Standards are global and exemptions will only occur exceptionally and can only be granted by the CIB Leadership. Exemption requests must be clearly justified and supported by all decision-making bodies. The opinion of the environmental and social team will be required. Said team may, in turn, request the opinion of the Legal, Compliance and Responsible Business area.

Principles of Responsible Investment (PRI)

In 2005, United Nations, with the support of the principal asset managers, launched a global initiative for the capital market to incorporate the evaluation of ESG factors into investment decision-making and the term of Responsible Investment, which encompasses not only the

traditional analysis of financial factors but also the evaluation of these ESG factors.

The six Principles for Responsible Investment make up a set of voluntary and aspirational investment principles that offer a set of possible actions to incorporate ESG issues within the investment practice. These Principles can be consulted on the website.

Grupo Financiero BBVA México currently has an investment fund with the ESG label, the classification is equity, it has the MSCI global market index as a benchmark. This fund invests in ETFs or investment funds listed in countries and regions, as well as topics that have the ESG label.

Within the portfolio of Grupo Financiero BBVA México, issuers with a C rating will be part of the portfolio only if they are part of the benchmark without being able to have overweighting. A global committee has been created that sanctions the products that GFBB can market as ESG. As a general rule, to be able to label them as ESG, 60% of the assets in which they are invested must have the ESG denomination.



The BBVAESG fund has **assets of MXN 549 million** and the assets are invested through ETFs with the ESG label.

Approach to incorporate ESG factors in investments

The financial management of the investment funds is carried out through BBVA Asset Management México, S.A. de C.V., Sociedad Operadora de Fondos de Inversión, GFBB.

The investment process incorporates sustainability criteria, considering the specifics of the various assets, such as:



Third-Party Funds

All funds incorporated into portfolios are subjected to a demanding due diligence process, as one of its fundamental aspects, it incorporates the analysis of the integration of sustainability, both in the investment process of the selected funds and in their management entities. For this analysis we have Quality Funds, a team of BBVA experts specialized in the selection and monitoring of international funds.

This analysis is materialized in a sustainability rating (A+, A, B or C). For similar funds, in case of equality of return/risk from a strictly financial point of view, preference will always be given to the vehicle with the best sustainability rating. Also, the possibility of supplementing this rating with extra financial information on the instruments in which these third-party vehicles invest is being evaluated.



Corporate Equity and Fixed Income

The investment process for these two asset classes is expected to culminate with the preparation of an internal rating of the various issuers. Currently, the financial analysis of the issuers is complemented with a questionnaire on extra financial aspects (environmental, social and corporate governance) that are integrated into the investment process.



Government Fixed Income

Within the analysis and selection process, there are specific reports from suppliers specialized in sustainability that are integrated with the rest of the financial information.



Policies and procedures for proxy voting and collaboration with the investee

In Mexico, an active exercise is carried out of the political rights that correspond to GFBB as participants in the capital of the issuers. For the exercise of these political rights, BBVA, through the Asset Management area in Mexico, has a procedure in place that explains when to vote and how the direction of the vote is decided.

Also, interaction with issuers has increased in order to make them see the commitment to sustainability and emphasize those aspects that they should improve in order to contribute to their own sustainability improvement. If there is an interest greater than 2% in the capital of a company, GFBB attends the meetings and votes, or if it is relevant for the investments. For the decision of the votes, there is an internal analysis plus the opinion of the ISS companies. Additionally, initiatives are signed, together with other members of the AMIB, to demand greater transparency in ESG factors from companies.



BBVA has set **intermediate targets to decarbonize its portfolio** in four CO₂-intensive industries⁶.

⁶ To learn more about BBVA's investment in the community, go to [page](#).

Sustainable solutions

With the aim of accompanying the entire customer portfolio of Grupo Financiero BBVA México in adopting more sustainable habits and reducing emissions, there are sustainable solutions developed for each category of customers.



Retail customers

Grupo Financiero BBVA México has tools and solutions based on data that help them control consumption and emissions. A wide catalog of both investment and financing products is made available to you. The following initiatives stand out:

- Promote mobility
- Loans in energy efficiency
- Investment funds and pension plans with sustainable investment criteria
- Cards with recycled plastic

Low-emission car insurance and financing

In Mexico, the advances in the leasing of equipment linked to sustainability stand out, therefore, in 2019 an agreement was signed with the IFC to promote this product. It also offers individuals products for the financing of low-emission cars and insurance for these vehicles. Within the range of credit products, some of them have attractive benefits for customers such as preferential rates, this with the aim of making these products more attractive in the market.



Companies, corporate and institutional customers

Sustainable financing for companies and the development of new standards and products are actively promoted. Some of the advances in this line of business include:

- Carbon footprint compensation loans
- Rental financing solutions used in energy efficient goods or sustainable mobility
- Financing solutions with environmental or social impact metrics
- Offer of agricultural financing for organic food production

BBVA wants to accompany its wholesale customers in the transition towards a more sustainable world using green financing for companies, letters of credit, leasing and green bonds, sustainable corporate loans, project and green sector financing and transactional banking, among others.

ESG Advisory

To complete the sustainable offering, the ESG Advisory service is a data-based advice and oriented to facilitate the commitments that customers are making, each from a different starting point, to align with the Paris Agreement and advance the United Nations 2030 Agenda. BBVA offers value-added information on regulation, best practices, challenges and opportunities that its sectors face on the road to sustainability. In addition, it provides an overview of the entire set of sustainable products and services that can be offered from CIB, both from a debt and equity point of view. Efforts are being focused on specific sectors such as oil & gas, utilities, automotive and infrastructure, along with cross-cutting issues, such as energy efficiency.



Financial support to farmers

Together with the Ministry of Agriculture and Rural Development (SADER), the operation continued to provide direct support to 969,171 farmers in rural areas, especially grain producers, in order to increase production, through the granting of debit cards and a hub account which is the means for producers to access the resources granted by SADER.



Financing under the Equator Principles

Energy, transport and social services infrastructures, which drive economic development and create jobs, can have impacts on the environment and society. BBVA's commitment is to evaluate the financing of these projects to reduce and avoid negative impacts and thus enhance their economic, social and environmental value.

All project financing decisions should be based on the criterion of profitability adjusted to principles, which means meeting the expectations of stakeholders and the social demand for adaptation to climate change and respect for human rights.

BBVA has adhered, since 2004, to the Equator Principles (EP), which provides for a series of standards that serve to manage environmental and social risk in project financing. The EPs were prepared based on the Policy and Performance Standards on Social and Environmental Sustainability of the International Finance Corporation (IFC) and the Environment, Health and Safety General Guidelines of the World Bank. These principles have become the benchmark for responsible financing.

The analysis of the projects consists of subjecting each transaction to an environmental and social due diligence process, including potential impacts on human rights. The first step consists of assigning a category (A, B or C) that represents the risk level of the project.

1 Category A

Projects with potentially material adverse social or environmental impacts that are irreversible or unprecedented.

2 Category B

Projects with potentially limited adverse social and environmental impacts that are few, generally site-specific, and largely reversible and easily addressed through mitigation measures.

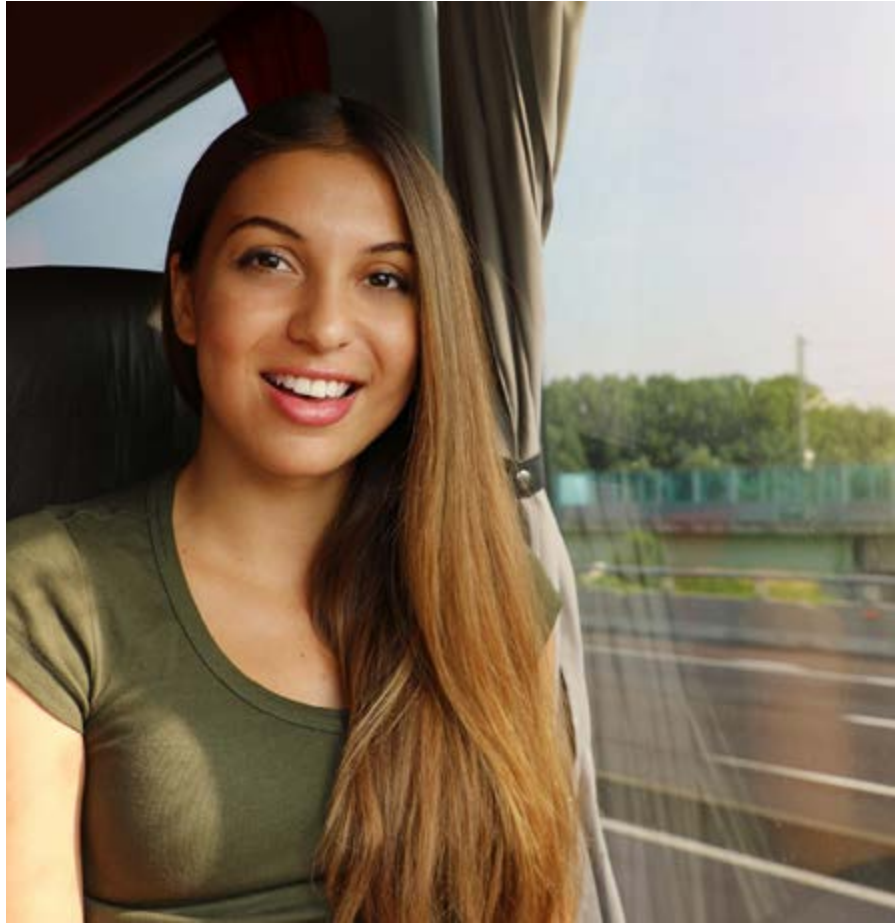
3 Category C

Projects with minimal or no social or environmental impacts.

The review of the documentation provided by the customer and the independent advisers allows assessing compliance with the requirements established in the EPs depending on the category of the project. The financing contracts incorporate the environmental and social obligations of the customer. The application of PEs at BBVA is integrated into the internal processes for structuring, admitting and monitoring transactions and is subject to periodic controls by Internal Audit.

BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous communities. In these cases, the free, prior and informed consent of the communities must be obtained regardless of the geographical location of the project, even in projects in countries where a robust legislative system is assumed to guarantee the protection of the environment and the social rights of their habitants. If potential risks are detected, the transaction must include effective management of these risks, as well as operational mechanisms for managing claims.

In 2020, the fourth version of the EPs entered into force. This update, after an extensive public consultation period, incorporates new and more demanding requirements in the review of projects in relation to human rights and climate change. BBVA has actively participated in the updating process and its contribution in recent years has been recognized with a new mandate in the Steering Committee of the Equator Principles Association.



2021 Financing under the EP

Category	Transaction sector	Total Amount (in MXN)	Amount financed by Grupo Financiero BBVA México
B	Oil and gas	\$ 10,139,350,000	\$ 2,027,870,000
B	Real estate	\$ 2,585,534,250	\$ 1,292,767,125
B	Real estate	\$ 4,055,740,000	\$ 2,027,870,000
B	Real estate	\$ 1,622,296,000	\$ 1,622,296,000
B	Real estate	\$ 1,004,090,381	\$ 444,006,902
C	Real estate	\$ 2,737,624,500	\$ 963,238,250
B	Real estate	\$ 1,850,938,343	\$ 1,850,938,343
B	Infrastructure – transport	\$ 2,027,870,000	\$ 1,216,722,000
Total	8		

Financial inclusion and entrepreneurship

GRI 103-1, 103-2, 103-3, FS13 and FS14

As a financial institution and in addition to a sustainability strategy, generating access to financial services for Mexican families and thus generating economic growth is one of the main approaches of Grupo Financiero BBVA México's social investment. Using the Financial Inclusion Model, GFBB seeks to make its products and services available to everyone in order to support people to make informed decisions regarding their financial well-being and to raise awareness of possible risks and opportunities.

The model consists of the following actions:



Be relevant to the express segment and help him solve his basic needs related to money, for example: make transfers to unbanked family members who live outside the main urban centers, recharge money on his mobile, reducing travel times and costs, administration of payments, etc.



Bring basic financial services for cash transactions closer to 1,467 municipalities through more than 36,065 establishments in operation.



Facilitate the management of funds through digital tools in order to reduce the use of cash and promote formality in the country.

2021 Results



1,655 commercial banking branches covering 542 municipalities nationwide.



Of the **2,462 municipalities nationwide** the CNBV has registered in the location report, **Grupo Financiero BBVA México covers 1,508** through its network of banking correspondents, of which, only in 966 there is presence through the NETWORK of correspondents.



In 2021, **126.6 million transactions** were made, in an amount of **MXN 180 billion**, of which 119.9 million transactions correspond to the payment of credit cards in an amount of MXN 167 billion.



Grupo Financiero BBVA México by promoting the bankarization of the beneficiaries of **Money Remittances made by the migrant population**, as this allows them a better collection experience that is not achievable in cash settlements: **deposit of the remittance at any time or day, full or partial withdrawal of their money.**



During 2021, **more than 89% of the amount of the remittances were received directly on an account** and only 18% of the transactions were made in cash.

IDB Invest social bonus

In 2021, Grupo Financiero BBVA México continued to lead the issuance of gender social bonds, which once again represents a great milestone for gender equality in the country.

The gender social bond was issued under the IDB Invest sustainable debt framework, which is aligned with the Green Bond principles and with the Social Bond Principles issued by the ICMA and has the Second Party Opinion of Vigeo Eiris. The proceeds of the bond shall be used to finance projects under the sustainable debt framework of IDB Invest and that are focused on promoting women.



Grupo Financiero BBVA México placed the **first IDB Invest social bond that promotes gender equality**, and the amount of the issue was MXN 2,500 million.

To learn more about the bonus, visit [page](#).

BBVA 2021 Momentum

It is the largest acceleration program for social and environmental entrepreneurs in Mexico. **BBVA Momentum** aims to promote companies and entrepreneurs that offer solutions to social and environmental problems, in an innovative and sustainable manner. In response to the global situation, BBVA Momentum held its second edition completely online.

In 2021, 100 companies from various sectors with social or environmental impact received support through training, acceleration, support and financing under preferential conditions.

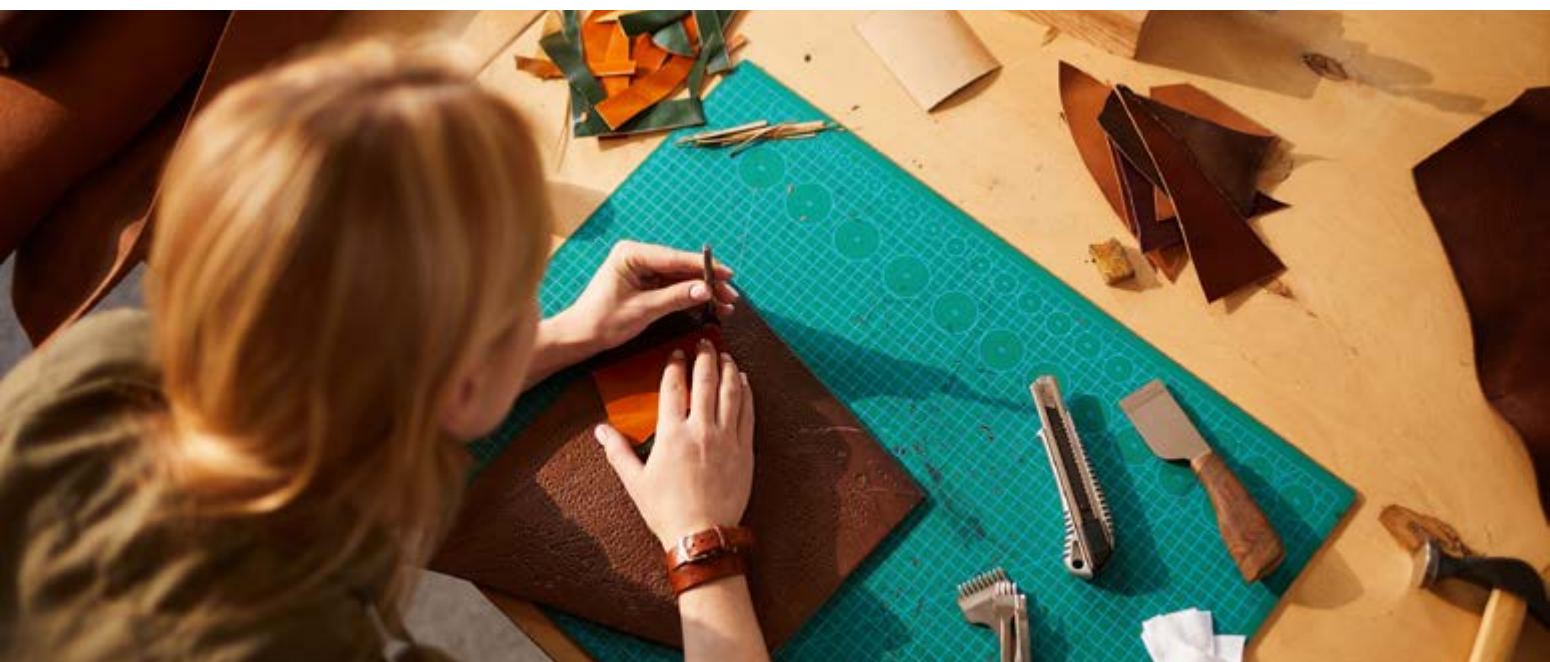
First stage

Online workshops, specialized consulting with specialists from the New Ventures network and an online course with the Instituto Tecnológico y de Estudios Superiores de Monterrey (ITESM).

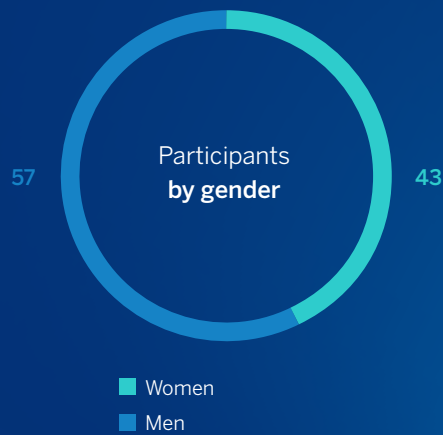
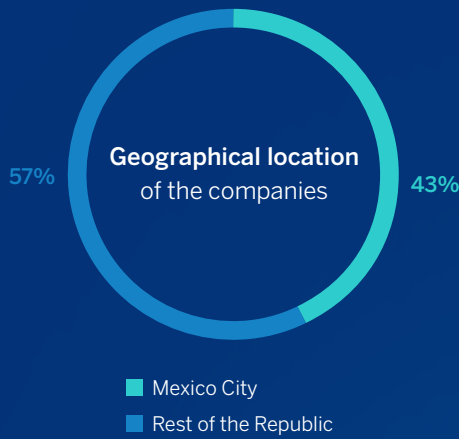
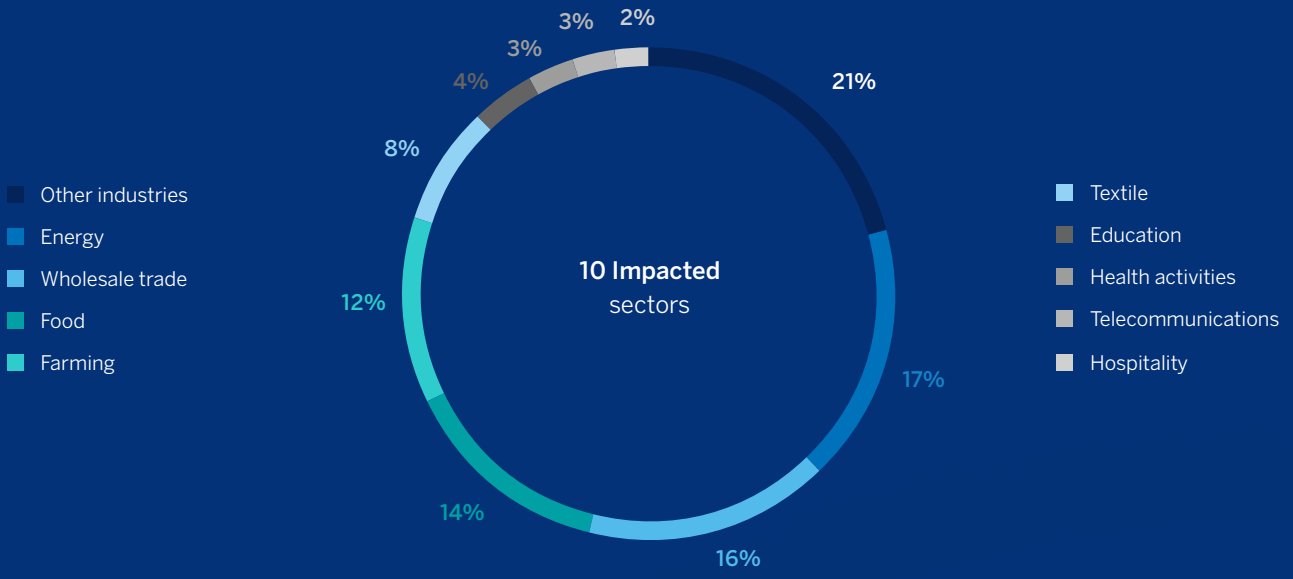
Second stage

Selection of the twenty entrepreneurs with the best score, who participated in a specialized online course taught by ITESM's EGADE Business School, closing on the Social Investment Day.

This ninth edition was the second year that Momentum Day was held, in which entrepreneurs from different generations were given the opportunity to gather together to strengthen the BBVA Momentum community through their experiences. The first Momentum Community events were also held, where every entrepreneur, by virtue of having participated in some edition of BBVA Momentum, has the right to attend the sessions. Experts on various topics participated, as well as entrepreneurs from the same community, who shared their experiences and learning.



Results 2021





BBVA Female Entrepreneur

Victoria 147

Grupo Financiero BBVA México's alliance with Victoria 147 provides knowledge, financial tools and digital capabilities to entrepreneurs and businesswomen to help them improve their personal and business financial health. Similarly, it seeks to position Grupo Financiero BBVA México with women entrepreneurs as the financial ally for their ventures and financial education as a lever for acceleration in their ventures and businesses.



41,167 women entrepreneurs trained from August 2020 to the end of 2021.

Ministry of Welfare

Grupo Financiero BBVA México made this collaboration to contribute to the welfare and quality of life of the elderly, where the State gives a pension of MXN 3,100 every two months through a debit card to 1,195,698 adults. greater.