

Statement on principal adverse impacts of investment decisions on sustainability factors summary.

Financial market participant **BBVA Asset Management, S.A., S.G.I.I.C.** (Código LEI: 95980020140005542272)

Summary

BBVA ASSET MANAGEMENT, S.A., S.G.I.I.C. (LEGAL ENTITY ID (LEI): 95980020140005542272) (hereinafter, "BBVA AM" or the "Asset Manager") considers the principal adverse impacts of its investment decisions on sustainability factors (hereinafter, referred to as "PAI").

The present statement is the consolidated statement on the PAI of BBVA AM and covers the year 2022.

The figures of the indicators presented in this statement have been calculated, exceptionally for 2022, taking the average of the levels of each indicator as of September 30th, October 31st, November 30th and December 31st, 2022, instead of the average of the levels at the close of each of the natural quarters of said year, given the impossibility of obtaining representative data on March 31st and June 30th. It has been understood that the results, despite referring only to the last part of the year, are more representative than if they had been taken throughout 2022, due to the absence of data during the first months of the year. Taking into account the continuous improvement of both data collection and their measurement, it is expected that in the next annual PAI statement, corresponding to 2023, sufficiently representative data have been obtained throughout the year and, therefore, the figures presented in the "Impact" column corresponding to each PAI indicator, are already calculated as the average of their levels at the close of each natural quarter.

Likewise, data coverage has not been complete during the last months of 2022 and for some indicators it has been so low that the Asset Manager does not consider that the results are very representative. In the "Explanation" column of the table that includes the PAI indicators, the level of information coverage by the data provider is detailed (it is the percentage included in the subparagraph "Coverage" within said column and refers to the percentage of assets under management by BBVA AM on which the calculation has been carried out). The increase in data coverage in future years could lead to a worsening of the levels of the indicators reported for said periods with respect to 2022, the reason being not a worse ESG quality of the investment portfolios, but rather the fact that more information is available relative to 2022.

BBVA AM voluntarily committed in March 2021, when Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector came into force (hereinafter "SFDR"), to monitor five PAI: the average carbon intensity scope 1 and 2, the average carbon intensity scope 1, 2 and 3, the separation of functions between CEO and President, gender diversity and biodiversity and ecosystem preservation practices. Once the regulatory technical standards which supplement SFDR (Regulation (EU) 2022/1288, hereinafter "SFDR RTS") were published (in the second part of 2022) and came into force (January 1, 2023), the Asset Manager modified its processes to monitor and/or manage the mandatory PAI (Table 1 of Annex I of the SFDR RTS) as well as two voluntary PAI; specifically, a climatic one, "Investments in companies without carbon emission reduction initiatives" (included in Table 2 of Annex I of the SFDR RTS) and a social one, "Lack of anti-corruption and anti-bribery policies "(included in Table 3 of Annex I of the SFDR RTS). The voluntary PAI were selected for being in line with the Asset Manager's belief in the importance of establishing a clear framework on how to reduce greenhouse gas emissions and fight against potential breaches of international standards with regards to climate and the protection of human and social rights from corrupt practices or bribery actions.

The process of monitoring and managing the PAI is carried out in accordance with the Policy to manage the Principal Adverse Impacts of BBVA AM, as well as other policies and/or strategies of the Asset Manager as highlighted below:

- For mandatory PAI 1 to 3 (GHG emissions of investee companies), 4 (exposure to companies active in the fossil fuel sector), 10 and 14 (social and labour matters) the BBVA AM Exclusions Policy is applied.
- For mandatory PAI 1 to 3 (GHG emissions of investee companies), 4 (exposure to companies active in the fossil fuel sector), 5 (share of non-renewable energy consumption and production), 6 (energy consumption intensity per high impact climate sector) and 15 (GHG intensity of investee countries), as well as for voluntary PAI "Investments in companies without carbon emission reduction initiatives" the Asset Manager's Climate Strategy is used, in line with the endorsement to the Net Zero for Asset Managers Initiative (an initiative that incites asset managers to commit themselves to reaching net zero by 2050, in line with the premises formed in the Paris Agreement).
- Mandatory PAI 7 to 9 (biodiversity, water and waste) and 16 ("Investee countries subject to social violations") are covered by the BBVA AM Control of ESG Integration Policy.
- For mandatory PAI 5 (share of non-renewable energy consumption and production), 6 (energy consumption intensity per high impact climate sector), 7 to 9 (biodiversity, water and waste), 11 , 12 and 13 (social and labor matters), BBVA AM carries out regular monitoring and periodic analysis of the ten companies in which it is invested that contribute most to these adverse impacts, in order to avoid investment in companies with weak progress and negative impact on each of them.
- The Engagement Policy can be potentially applied to all PAI. However, it is considered especially relevant for the voluntary PAI "Investments in companies without carbon emission reduction initiatives" and "Lack of anti-corruption and anti-bribery policies", and also as a consequence of the application of the BBVA AM Control of ESG Integration Policy or monitoring strategies, in cases where it is deemed appropriate to engage with the company or vote accordingly so as to urge it to improve its ESG performance, as it is the case for PAI 7 through 13.

With regard to PAI 17 and 18 no data is provided because: 1) BBVA AM does not make direct investments in real estate assets, 2) indirect investments in those assets are residual and 3) there is very little information available from external suppliers.

The Policy to manage the Principal Adverse Impacts and the rest of the procedures or policies applied in the management and monitoring of the PAI are agreed by the Sustainability and Risk Teams in BBVA AM, within the framework of the Sustainability Government Group formed in the BBVA Asset Management unit of the BBVA Group, and are supervised by the Risk and Compliance departments in BBVA AM.

Both the procedures and the aforementioned policies may be subject to review and update for their extension and/or alignment with reforms, new trends or regulatory changes.

During 2022 BBVA AM has worked with the data provider (MSCI ESG Research LLC or, where appropriate, other affiliates of its group) to collect available data. It has also decided to use the same provider for the year 2023. The meetings and the information periodically issued by the provider have allowed BBVA AM to become aware of the improvement in the depth and quality of the information. Nevertheless, it is expected that there will continue to exist a certain lack of data for many reasons, including the regulatory framework of sustainable finance within the EU, which is still being implemented. As a result, the dissemination of mandatory sustainability information will be staggered over time. Additionally, it should be also taken into account that in other jurisdictions outside the UE such an ESG legal framework is either in development or pending definition.

Finally, it should be noted that the Asset Manager, in its eagerness to improve the management of PAI, will be continuously reviewing the different procedures and policies applied and evaluating proposals by different data providers, as well as the data themselves and methodologies used by the current provider.

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