



Asset Management

Information on the policy on integrating sustainability risks into the investment decision-making progress

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BBVA Asset Management, S.A., SGIC

BBVA Asset Management, S.A., S.G.I.I.C. (hereinafter, the Management Company or BBVA AM), consistent with BBVA Group's house view and strategy, is committed to the responsible investment principles and integrates ESG (Environmental, Social and Good Governance) factors into its investment process. In its commitment to sustainability for over 20 years, BBVA AM has been taking steps to integrate non-financial aspects in the investment decisions, in their monitoring and in risk and control processes.

Through various in-house and external studies (we have) BBVA AM has been able to verify that the integration of information on factors related to the environment, social or corporate governance improves the portfolios in terms of risk-return, as it enables better informed investment decision-making and to control risks in a more comprehensive way. The Management Company's sustainability policy defines its sustainable investment approach and defines the criteria considered in the entity's investment and risk control process. This ambitious policy establishes the mandatory criteria for all the investments managed by the entity and are integrated in the procedures of the Management Company referred to Investments and Risk Management activities.

The Management Company performs an ESG assessment of the different assets where it invests both directly, in securities of private issuers (equities and fixed income) and governments, as well as indirectly through funds from third-party managers and ETFs. In all cases, their extra financial characteristics are evaluated in order to determine their sustainable quality. These analyses include the Management Company's proprietary criteria together with information from leading providers specialized in the field of sustainability.

Its impact on portfolios includes both the exclusion of sectors and companies with the worst-rated ESG indicators, as well as the development of engagement activities with investee companies through the exercise of voting at shareholders meetings, direct interaction with companies, etc. ., in order to improve its sustainable profile where necessary. In this way, BBVA AM seeks both to improve the quality of its clients' investments and to apply the best ESG practices in society.

The implementation of the sustainability policy affects mainly to all assets and portfolios under management. Regardless of the existence of a catalog of sustainable funds, which have specific sustainable objectives and strategies. BBVA AM also believes in the advantage of including these factors in all its investments, therefore, integration, exclusion, voting and engagement criteria will be established in all portfolios.

The exceptions are those portfolios for which the application of the sustainability policy is incompatible with the attainment or development of its investment objective, among which are: portfolios that replicate an index; portfolios of vehicles with a specific target return launched before the approval of the sustainability policy; portfolios composed of illiquid instruments acquired prior to the approval of the sustainability policy; portfolios under specific mandates of institutional clients that are not compatible with the sustainability policy; or portfolios that have an investment policy limited to certain assets or specific issuers and that, for that reason, do not allow the implementation of the sustainability policy.

The Management Company participates in numerous fora promoting sustainability best practices to different market members, regulators and stakeholders.