Analysing the role of Banks in accelerating Climate Action and for Spain's Green Recovery

Briefing Document by:

CLIMATE STRATEGY & PARTNERS

February 2022

"Most banks have started to adapt their practices to meet [the ECB's] supervisory expectations. But only the practices of a few have been shown to have a discernible impact on their strategy and risk profile (...)

The time for action is now."

Frank Elderson

European Central Bank Executive Board member[1]

[1] European Central Bank. (2021). *How well are European banks managing their climate-related and environmental risks?* [Website]. Retrievedfrom https://www.bankingsupervision.europa.eu/press/blog/2021/html/ssm.blog211122~72e867b385.en.html

CLIMATE & STRATEGY
PARTNERS

About Climate Strategy & Partners

Climate Strategy is a leading policy advisory and consulting firm in areas of climate finance, innovation, energy efficiency investments and the corporate strategies and Government policies required for the Transition to a net-zero emissions economy. For 13 years, the Climate Strategy team has been providing global companies, banks and Governments advice on how to accelerate the economic transition to a low carbon economy. Climate Strategy's chief executive, Peter Sweatman, has authored or co-authored 18 white papers, and is rapporteur to the EU Commission and UN Environment Finance Initiative's Energy Efficiency Financial Institutions Group (EEFIG). Climate Strategy has supported energy transition policy development in Mexico, France, UK and Spain and continues to implement leading low carbon business solutions for global clients. 6 years ago, Climate Strategy launched a subsidiary called Energy Efficiency Capital Advisors which has structured and executed ten energy efficiency placements worth over Euro 60 mm from Iberian cities, companies and buildings for international investors.

About this Briefing

One of the most notable outcomes from COP26 in Glasgow was the announcement of a commitment from the Glasgow Financial Alliance for Net Zero (GFANZ) to accelerate the decarbonization of the global economy.[2] GFANZ comprises over 450 leading financial firms, across 45 countries responsible for assets of over $130 trillion.

GFANZ recognises that each bank, insurer, company, advisor and investor needs to adjust their business models, and quickly develop and implement credible climate action plans to enable the transition to a low-carbon, climate resilient future. Each financial institution begins this journey from a different starting point and their business mix, geographical and product footprint, and existing client base, will determine the scale of their challenge, its speed and its components. Furthermore, as economies recover from the Covid-19 pandemic, there are unique opportunities to build back better, leveraging a historic input and support from public money. Financial institutions and their clients can play a key role as multipliers of these public funded programmes to accelerate the alignment of countries' economies with a net-zero emissions trajectory.

This briefing document specifically looks at the climate finance transition of the three largest Spanish banking groups in the context of the 2021 covid-19 recovery in Spain, a country which recently passed its Climate Law[3] and has clear plans to quickly decarbonise its economy.[4]

Spain's banking system is concentrated with its three largest banking groups (Banco Bilbao Vizcaya Argentaria (BBVA), CaixaBank and Banco Santander) representing over 70% of the market in 2020[5] and 55%[6] of assets managed in 2021 in Spain. Interestingly, two of these groups also have a significant international footprint with a strong presence in the UK, USA and in Latin America. Moreover, in 2022 given the speed and size of the Spanish government's recovery funds, Spanish banks can also play an important role accelerating their deployment by extending financing into the real economy as the overall financial system aligns with the Paris Agreement.

This briefing document examines the current plans of BBVA, CaixaBank and Banco Santander to accelerate climate action and their engagement in green recovery efforts in Spain. It compares the climate work of these banks with international best practices and with peers and offers recommendations on how to increase overall climate ambition, and how to provide specific support to deliver a green recovery in Spain. For these purposes, Climate Strategy & Partners (CS) has relied on data gathered from public sources and has used the set of GFANZ coalition documents and other international market best practices and related NGO and civil society references. Ahead of publishing this briefing, CS shared a draft with each of the Spanish banks mentioned above to ensure they had the opportunity to review for errors and in case CS had misinterpreted any of the many commitments that they have made. All three banks read the draft and responded with their comments which CS has taken into consideration.

---

[2] GFANZ. (2021). *Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition.* [Website]. Retrieved from https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/

[3] MITECO. (2021). *Teresa Ribera aplaude la aprobación en el Congreso de los Diputados de la primera Ley de Cambio Climático y Transición Energética de España icono barra herramientas*.[Website]. Retrieved from https://bit.ly/32hEfFH

[4] European Union. (2021). *National energy and climate plans (NECPs)*. [Website]. Retrieved from https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

[5] Europa Press. (2020). *CaixaBank-Bankia, BBVA-Sabadell y Santander sumarían una cuota de mercado en España de más del 70%*. [Website]. Retrieved from https://www.europapress.es/economia/finanzas-00340/noticia-caixabank-bankia-bbva-sabadell-santander-sumarian-cuota-mercado-espana-mas-70-20201118134645.html

[6] Cinco Días. (2021). *CaixaBank AM integra Bankia Fondos tras su inscripción en la CNMV*. [Website]. Retrieved from https://cincodias.elpais.com/cincodias/2021/07/16/companias/1626432375_710609.html

Santander Asset Management. (2021). *Presentación Corporativa 1T 2021*. [Website]. Retrieved from https://www.santanderassetmanagement.es/wp-content/uploads/2021/05/sam_q1_2021_intranet_presentation_esp.pdf

Sánchez, S. (2021). *Ibercaja, Kutxabank y Mutua roban clientes de fondos a BBVA.* Expansión. [Website]. Retrieved from https://www.expansion.com/mercados/2021/08/18/611c2419e5fdea59748b462b.html

As a core reference, and local benchmark, the Spanish Green Growth Group (*Grupo Español de Crecimiento Verde* – GECV) and its members (including the Spanish banks) published a Best Practice Guide for developing climate action plans for COP26 providing "12 Key Steps for Companies Delivering Net-Zero Emissions: Best Practice Guide to turn Net-Zero Emissions Targets into Climate Action Plans." This Best Practice Guide, documented by CS for GEVC, provides a detailed summary of the best practices identified from leading international climate initiatives, and is used to structure this comparative benchmark analysis.

All information contained in this briefing document is obtained by Climate Strategy & Partners from publicly available sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. This briefing paper has been compiled with the contribution from reports published by many experts and organisations. Particular thanks go to ShareAction, Reclaim Finance, Vivid Economics, el Instituto Internacional de Derecho y Medio Ambiente (IIDMA), BankTrack and Rainforest Action Network, whose reports have been included in this briefing. All opinions are subject to change and the acknowledgement and thanks to any organisation does not imply their endorsement to the final text.

This report is written by Peter Sweatman, Chief Executive of Climate Strategy & Partners (info@climatestrategy.com). Peter was supported by Adriana Rodriguez as research associate, and Mauricio Yrivarren as research associate and for graphic design. The views expressed do not necessarily represent the decision or the stated policy of Climate Strategy & Partners nor does citing of trade names or commercial processes constitute endorsement. The designations employed and the presentation of the material in this publication do not imply the expression of any opinion whatsoever on the part of Climate Strategy & Partners nor the authors concerning the legal status of any country, territory, city or area or of its authorities, or concerning delimitation of its frontiers or boundaries.

Copyright 2022 © Climate Strategy & Partners.

With acknowledgement of the source, reproduction of all or part of the publication is authorized, except for commercial purposes. More information can be found at www.climatestrategy.com or requested via email info@climatestrategy.com or on Twitter @ClimateSt

Table of Contents

1

International, EU and Local Context

Climate change impacts the global financial system in two important ways.[7] First, looking forward, with the ratification of the Paris Agreement, and the adoption of the Sustainable Development Goals (SDGs), financial institutions sit at the centre of the energy and climate transition as they finance energy systems and societal infrastructure. Second, climate change adds systemic risks to financial institutions' existing balance sheets, threatening to strand investments not aligned with the Paris Agreement which must be addressed quickly to prevent financial instability.

Numerous global and European institutional initiatives address the role of the financial sector in the climate transition. As the world intends to emerge from the Covid-19 pandemic more efficiently, delivering sustainable economic growth while not harming the environment (directly or indirectly), the financial sector has to accelerate the implementation of its net-zero commitments and be resilient to climate change risks.

Greening the International Financial System

Recent studies indicate that global climate finance ought to grow by eight times ($436 billion[8]) to meet the $5 trillion[9] required per annum for climate action by 2030. The Glasgow Climate Pact decision reached in COP26 calls upon financial institutions to accelerate the alignment of their financing activities with the goals of the Paris Agreement. In addition, it highlights the urgency of significantly scaling up finance this decade to address the gaps in the implementation of the goals of the Paris Agreement.[10]

Given the GFANZ COP26 announcement, prima facie[11], its 450 member banks have projected $130 trillion[12] climate finance for the transition, and hence this would seem to be "enough". Moreover, many international initiatives supported by public and private actors have been created to facilitate and support the "greening" of financial institutions' balance sheets and have published guidelines for this purpose.[13] These initiatives provide a set of immediate practices that financial institutions can implement when developing credible and science-based climate action plans, to ensure the appropriate management of climate risks, and to reach net zero emissions by 2050. Transparency and standardisation are both cross-cutting elements among these initiatives, which facilitate the efficient capital allocation to sustainable activities.[14]

[7] González. C, & Núñez, S. (2021). *Markets, Financial Institutions and Central Banks in the Face of Climate Change*. Banco de España. Documentos Ocasionales N.º 2126. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

[8] WRI. (2021). *State of Climate Action 2021: Systems Transformations Required to Limit Global Warming to 1.5°C.* Retrieved from https://files.wri.org/d8/s3fs-public/2021-10/state_climate_action_2021.pdf?VersionId=QBSICe3wSlKmOHc1rYyhdx3j3iSCqual

[9] *Ibid.*

[10] UNFCCC. (2021). *Glasgow Climate Pact.* [Website]. Retrieved from https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

[11] At first sight. Sourced from: Cambridge Dictionary. (2022), *Meaning of prima facie in English*. [Website]. Sourced from https://dictionary.cambridge.org/dictionary/english/prima-facie

[12] GFANZ. (2021). *Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition*. [Website]. Retrieved from https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/

[13] González. C, & Núñez, S. (2021). *Markets, Financial Institutions and Central Banks in the Face of Climate Change*. Banco de España. Documentos Ocasionales N.º 2126. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

[14] González, C. (2021). *Panorámica de Iniciativas Institucionales Globales y Europeas en Finanzas Sostenibles.* Banco de España. Boletín Económico 3/2021. Retrieved from https://repositorio.bde.es/bitstream/123456789/17537/1/be2103-art30.pdf

The chart below outlines the nature and variety of the international initiatives addressing the financial sector including: regulatory schemes, UN-convened alliances or partnerships, investor groups, and civil society initiatives.

GRAPH 1:
Mapping of global initiatives addressing different types of climate action in the financial sector

Source: Own creation by Vivid Economics and Climate Strategy & Partners (2021)

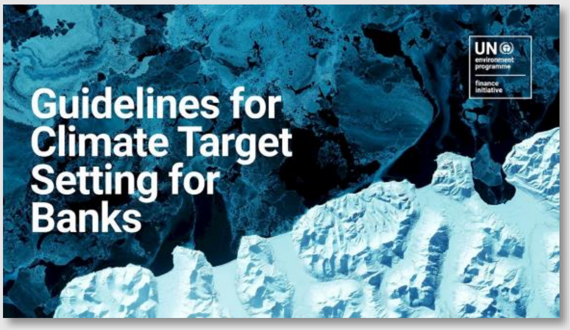
The Glasgow Financial Alliance for Net Zero (GFANZ) brings together existing and the latest net-zero finance initiatives into one sector-wide coalition[15] with over $130 trillion in assets.[16] A core component of this coalition, the Net-Zero Banking Alliance (NZBA), was launched in April 2021 and is a major driving force behind the banks' climate strategies and implementation timelines. NZBA is an industry-led and UN-convened effort that includes 95 banks representing 43% of global banking assets.[17] These NZBA members have committed to net zero emissions by 2050, or sooner, for Scopes 1, 2 and 3 consistent with a maximum temperature rise of 1.5ºC, prioritising the most GHG-intensive and GHG-emitting sectors, relying on credible and well-recognized decarbonisation scenarios that limit reliance on negative emissions technologies.[18]

[15] GFANZ. (2021). *About.* [Website]. Retrieved from https://www.gfanzero.com/about/

[16] GFANZ. (2021). *Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition.* [Website]. Retrieved from https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/

[17] UNEP FI. (2021). *Net-Zero Banking Alliance Members*. [Website]. Retrieved from https://www.unepfi.org/net-zero-banking/members/

[18] UNEP FI. (2021). *Net-Zero Banking Alliance Commitment Statement.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf



The UNEP FI "Guidelines for Climate Target Setting for Banks" is the baseline for all NZBA signatory banks to set scenario-based intermediate targets by 2030, or sooner.[19] NZBA signatories have up to 3 years to adopt these guidelines and establish targets for all, or a substantial majority of their carbon-intensive sectors.[20] Aside from establishing a set of conditions to develop intermediate targets, these guidelines also require banks to elaborate a thorough transition plan[21] to meet the targets. Under NZAB banks are also required to review their interim targets every 5 years[22] and publish and share their progress annually with UNEP FI to demonstrate that they are implementing required climate actions.[23]

Launched in December 2020, the Net Zero Asset Managers (NZAM) alliance, is the GFANZ chapter for asset managers with 220 signatories representing $57 trillion in assets under management.[24] As part of the pledge to reach net zero emissions by 2050 (or before), in line with the 1.5ºC goal, signatories commit to engage with asset owners' clients to assist them in reaching their decarbonisation goals, set an interim target for the proportion of assets to be managed in line with the net zero pledge, and review this interim target every 5 years with the ultimate goal of covering 100% of assets under management. For the selected proportion of assets, signatories commit to set a 50% emissions reduction target for 2030, taking into account portfolio scopes 1 and 2 and material scope 3 emissions ("to the extent possible"); prioritise real economy emissions reductions; and, if using offsets, invest in long-term carbon removal, where no technologically and/or financially viable alternatives to eliminate emissions exist.[25]

Asset managers also commit to creating investment products aligned with a net zero trajectory, and to publish annual physical and transitional climate risk disclosures and climate action plans.[26] Finally, for all assets under management, signatories commit to engage with asset owner clients and related stakeholders to establish a clear shareholder voting policy that is consistent with its net zero pledge and to follow direct and indirect policy advocacy in line with its targets.

[19] *Ibid.*

[20] UNEP FI. (2021). *Guidelines for Climate Target Setting for Banks.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf

[21] *Ibid.*

[22] *Ibid.*

[23] UNEP FI. (2021). *Net-Zero Banking Alliance Commitment Statement.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf

[24] NZAM. (2021). *Commitment*. [Website]. Retrieved from https://www.netzeroassetmanagers.org/#our_commitment

[25] *Ibid.*

[26] *Ibid.*

European Sustainable Finance and Recovery Context in 2022

Launched in 2019, the EU Green Deal[27] is Europe's flagship policy, designed to enable the continent to become climate-neutral by 2050. Enshrined in the 2021 European Climate Law,[28] it establishes an intermediary objective to reduce at least 55% of net greenhouse gas emissions by 2030 compared to 1990 levels. The EU is currently in the middle of a legislative process to enact several regulations and directives that will assist in meeting reduction targets (such as "fit for 55") and to reach net zero emissions.

In this context, 2021 also saw the Renewed Strategy in Sustainable Finance,[29] which aims to green European financial institutions, help deliver the continent's climate targets and enhance the climate resiliency of the financial system. Building on the work conducted for the 2018 EU Action Plan on Financing Sustainable Growth, this renewed strategy has the following three goals:

1	**Reorienting capital flows to sustainable investment.**
2	**Managing financial risks derived from climate change, environmental degradation and social issues.**
3	**Fostering transparency and long-termism in financial and economic activity.[30]**

From among the components of the Renewed Strategy in Sustainable Finance, the EU Taxonomy stands out as a critical driver to materially accelerate sustainable finance, as it provides a classification system to identify those investments that make a substantial contribution to climate change mitigation and adaptation, and that avoid harming other environmental objectives. The EU Taxonomy is designed to prevent greenwashing[31] and provide science-based definitions of what can be called a sustainable activity, and thereby aligning investments with the EU's 2030 climate targets and 2050 net zero objective.[32] Finally, the European Commission also proposed an EU Green Bond Standard aligned with the EU Taxonomy that sets out gold-standard benchmarks for companies and public authorities that wish to use green bonds to raise funds on capital markets.[33]

[27] European Commission. (2019). *COM/2019/640 final*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN

[28] Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law')

[29] European Commission. (2021). *Overview of sustainable finance*. [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en

[30] González. .C, & Núñez, S. (2021). *Markets, Financial Institutions and Central Banks in the Face of Climate Change*. Banco de España. Documentos Ocasioanles N.º 2126. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

[31] Behaviour or activities that make people believe that a company is doing more to protect the environment than it really is. Fuente: Cambridge Dictionary. (2022). *Greenwashing*. [Sitio web]. Disponible en https://dictionary.cambridge.org/dictionary/english/greenwashing

[32] Sweatman, P. (2020). *A credible and robust EU Taxonomy must be based on science*. Climate Strategy & Partners. [Website]. Retrieved from https://climatestrategy.es/en/informe_18.php

[33] European Commission. (2021). *European green bond standard.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en

In 2022, revamped non-financial disclosure legislation will drive increased transparency in companies and financial institutions' reporting of material climate and other environmental information. The European Commission's Corporate Sustainability Reporting Directive (CSRD) introduces more detailed reporting requirements, including a requirement to report according to mandatory EU sustainability reporting standards.[34] In July 2021, the Commission adopted a delegated act containing detailed sectoral criteria for all material climate mitigation and adaptation areas that completes the EU Taxonomy. Unopposed by Parliament or the EU Council, these detailed criteria became law in December 2021, and now financial institutions have to disclose their climate performance based on the EU Taxonomy benchmarks. Reporting using the EU Taxonomy is mandatory this year, from January 2022.[35]

Relevant for fund managers is the Sustainable Finance Disclosure Regulation (SFDR) that came into force in March 2021.[36] This regulation mandates funds to disclose the sustainability risks of their investments, it ranks funds based on their sustainability objectives and, based on this categorization, it poses annual disclosure requirements with a set of quantitative and qualitative performance indicators.[37]

The Commission's ambitions to align the financial system with its climate targets are not limited to the above-mentioned legislations. In a communication in July 2021, the Commission highlights that financial institutions must go beyond the management of sustainability risks and translate the European Green Deal goals into their long-term financing strategies and decision-making processes.[38] The Commission put forward a proposal to require financial institutions to disclose their sustainability transition and decarbonisation plans that include intermediate and long-term targets and actions of how they plan to reduce their emissions.[39] The European Central Bank (ECB) Executive Board member Frank Elderson, the supervisor, welcomed this proposed requirement of climate action plans from financial institutions.[40]

The Renewed Strategy in Sustainable Finance also increases the relevance of the financial sector in enabling and assisting in the delivery of a just and green recovery after the pandemic. Under the NextGenerationEU recovery plan, the European Commission will raise €806.9 billion to aid Member States (MS) in building back a better economy after the Covid-19 crisis.[41] Delivering the climate transition is one of the implementation requirements for these funds as at least 37% of investments must target green objectives. MS have until 2026 to implement the portion of funds assigned to them.[42] The EU is using a diversified funding strategy to deliver the NextGenerationEU funds in which the role of financial institutions will be to act as intermediaries of these funds[43] and create leverage of the EU and Member States public funding with private investments.[44]

[34] European Commission. (2021). *Corporate sustainability reporting.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

[35] Commission Delegated Regulation (EU) …/... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by specifying the content and presentation of information to be disclosed by undertakings subject to Articles 19a or 29a of Directive 2013/34/EU concerning environmentally sustainable economic activities, and specifying the methodology to comply with that disclosure obligation (C/2021/4987 final)

[36] 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 (Text with EEA relevance)

[37] Cawley, L. & et al. (2021). *Sustainable Finance Disclosure Regulation: Detailed Rules on Disclosures.* [Website]. Retrieved from https://www.kirkland.com/publications/kirkland-alert/2021/02/sustainable-finance-disclosure-regulation

[38] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions Strategy for Financing the Transition to a Sustainable Economy. COM/2021/390 final.

[39] *Ibid.*

[40] Elderson, F. (2021). *How well are European banks managing their climate-related and environmental risks?* [Website]. Retrieved from https://www.bankingsupervision.europa.eu/press/blog/2021/html/ssm.blog211122~72e867b385.en.html

[41] European Union. (2021). *NextGenerationEU*. [Website]. Retrieved from https://europa.eu/next-generation-eu/index_en

[42] European Commission. (2021). *Recovery and Resilience Facility.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

[43] European Commission. (2021). *Funding strategy for NextGenerationEU: Questions and Answers.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

[44] Christie, R. et al. (2021). *Next Generation EU borrowing: a first assessment.* Bruegel. [Website]. Retrieved from https://www.bruegel.org/wp-content/uploads/2021/11/PC-22-101121.pdf

Spanish Covid Recovery in 2022

Spain is one of the EU countries whose economy was most severely affected by the COVID-19 pandemic. In 2020, the country's GDP shrank by 10.8%[45] making it the worst recession in 80 years. The country's unemployment rate sits at 14.1%[46] as of January 2022. According to the Bank of Spain, small and medium enterprises (SMEs) experienced the greatest loss in revenues in 2020[47]. As of October 2021, only 30%[48] of SMEs say they have recovered from the losses induced by the pandemic. This is a critical concern for the Spanish economy as SMEs sit at its core, with 90% of Spanish companies[49] having less than 10 employees.

Spain is the second largest recipient of EU COVID-19 recovery funds[50] receiving €140 billion from the NextGenerationEU programme (amounting to 11% of Spain's GDP). The Spanish Recovery and Resilience Plan allocates 39.7% these of recovery funds[51] to green investments and, compared to a set of 14 national recovery plans, it is one of the most diversified in terms of green innovation investments.[52] These funds provide a key opportunity to build a durable recovery[53] and a resilient, more inclusive economy to help deliver the European and Spanish climate targets.

Climate action and green recovery efforts in Spain are driven by the Strategic Energy and Climate Framework presented in 2019 by the Ministry for Ecological Transition and the Demographic Challenge ("MITECO"). Spain's goal is to make the country carbon-neutral by 2050. Overall, MITECO expects to mobilise €241 billion of private and public investment by 2030.[54] Pillars of the Spanish Climate Framework include:

Action Plan:	**The Plan Nacional Integrado de Energía y Clima (Integrated National Energy and Climate Plan – PNIEC by its Spanish abbreviation) 2021-2030**
Legal Frame:	**The Ley de Cambio Climático y Transición Energética (Climate Change and Energy Transition Law)**
Ensuring Fairness:	**Ensuring Fairness: The Estrategia de Transición Justa (Fair Transition Strategy)**

[45] Chislett, W. (2021). *Challenges and opportunities for Spain in times of COVID-19*. Retrieved from http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp01-2021-chislett-challenges-and-opportunities-for-spain-in-times-of-covid-19

[46] Gobierno de España (2022). *Doble récord de caída del paro: baja en 74.381 personas, la mayor bajada de la serie en un mes de noviembre, y se amplía a nueve meses el periodo acumulado de descensos*. [Website]. Retrieved from https://www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/trabajo14/Paginas/2021/021221-desempleo.aspx

[47] Banco de España. (2021). *El Impacto de la Crisis del Covid-19 sobre la Situación Financiera de las Pymes Españolas*. Retrieved from https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/IntervencionesPublicas/DirectoresGenerales/economia/arce180221Cepyme.pdf

[48] Allievi., M. (2021). *Solo un 30% de las pymes asegura haber iniciado la recuperación económica*. [Website]. Retrieved from https://elpais.com/economia/2021-10-19/siete-de-cada-diez-pymes-asegura-que-aun-no-han-recuperado-el-nivel-de-actividad-prepandemia.html

[49] Chislett, W. (2021). *Challenges and opportunities for Spain in times of COVID-19*. Retrieved from http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp01-2021-chislett-challenges-and-opportunities-for-spain-in-times-of-covid-19

[50] Euractiv. (2021). *Spain, EU Commission agree on instrument to finance recovery plan*. [Website]. Retrieved from https://www.euractiv.com/section/economy-jobs/news/spain-eu-commission-agree-on-instrument-to-finance-recovery-plan/

[51] Commission Staff Working Document. Analysis of the recovery and resilience plan of Spain Accompanying the document Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Spain (SWD/2021/147 final)

[52] Eisl, A. (2021). *The European Recovery Plan as a Breakthrough for Green Innovation? Comparing 14 National Recovery and Resilience Plans*. Jacques Delors Institute. Retrieved from https://institutdelors.eu/wp-content/uploads/2021/12/PB211217_GreenInnovationNRRPs_Eisl.pdf

[53] OECD. (2021). *Spain: effective implementation of recovery plan will strengthen COVID-19 recovery.* Retrieved from https://www.oecd.org/newsroom/spain-effective-implementation-of-recovery-plan-will-strengthen-covid-19-recovery.htm

[54] Banco de España. (2021). *Markets, Financial Institutions and Central Banks in the face of Climate Change: Challenges and Opportunities*. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

To achieve net zero emissions by 2050, the Climate Change Law contains the following targets for 2030: reducing 23% of GHG emissions with respect to 1990 levels, increasing the share of renewable energy in the electricity mix to 74%, reaching 42% of renewable energy penetration in Spain's final energy consumption, and reducing primary energy consumption by 39.5%.

The EU recovery funds are a critical input to help deliver Spain's climate targets. Three policy areas stand out as the main targets of the allocation of financial contributions in Spain's Recovery and Resilience Plan: buildings renovation (20% of overall climate contribution), mobility (18% for long-distance mobility and 17.5% for urban mobility) and renewable energy (12% for renewables and 6% for renewable hydrogen).[55] The Integrated National Energy and Climate Plan (PNIEC) identifies public-private collaborations and the financial sector as the keys to implement recovery funds before 2026 and mobilize investment in these policy areas.[56] Spain's budget minister María Jesús Montero said in 2021 that "according to analysts, each euro of public money invested could bring another four euros [from private investment]."[57]

Large companies and banks are being targeted by the Spanish government to help build a project pipeline for the recovery funds.[58] However, SMEs, building stakeholders and individuals are also essential stakeholders for the successful implementation of the policies mentioned above. Whether public recovery money will effectively reach them is harder to see.

Spanish banking groups have access to SMEs, retail mortgage clients, funds and millions of individual customers and therefore can be a strategic distribution channel in conjunction[59] - where appropriate - with Spain's state bank, the *Instituto de Crédito Oficial* (ICO). For example, in a recent Royal Decree to boost buildings renovation and improve home energy efficiency in line with Spain's Recovery Plan, the Spanish government has set up a partial guarantee mechanism through ICO for credit institutions that offer 15-year loans to building owners and neighbour

[55] Commission Staff Working Document. Analysis of the recovery and resilience plan of Spain Accompanying the document Proposal for a Council Implementing Decision on the approval of the assessment of the recovery and resilience plan for Spain (SWD/2021/147 final)

[56] MITECO. (2021). *Plan Nacional Integrado de Energía y Clima (PNIEC) 2021-2030*. Retrieved from https://www.miteco.gob.es/images/es/pnieccompleto_tcm30-508410.pdf

[57] Financial Times. (2021). *Spanish companies jostle for EU recovery fund billions.* Retrieved from https://www.ft.com/content/e56d8c25-a978-424d-be77-752292e72059

[58] Maqueda, A. (2020). *El gobierno se apoya en la gran empresa para gastar los fondos europeos.* El País. Retrieved from https://elpais.com/economia/2020-12-20/el-gobierno-se-apoya-en-la-gran-empresa-para-gastar-los-fondos-europeos.html

Gobierno de España. (2012). Plan de Recuperación, Transformación y Resiliencia: Preguntas y Respuestas. Retrieved from https://www.lamoncloa.gob.es/temas/fondos-recuperacion/Documents/16032021_PreguntasRespuestasPR.pdf

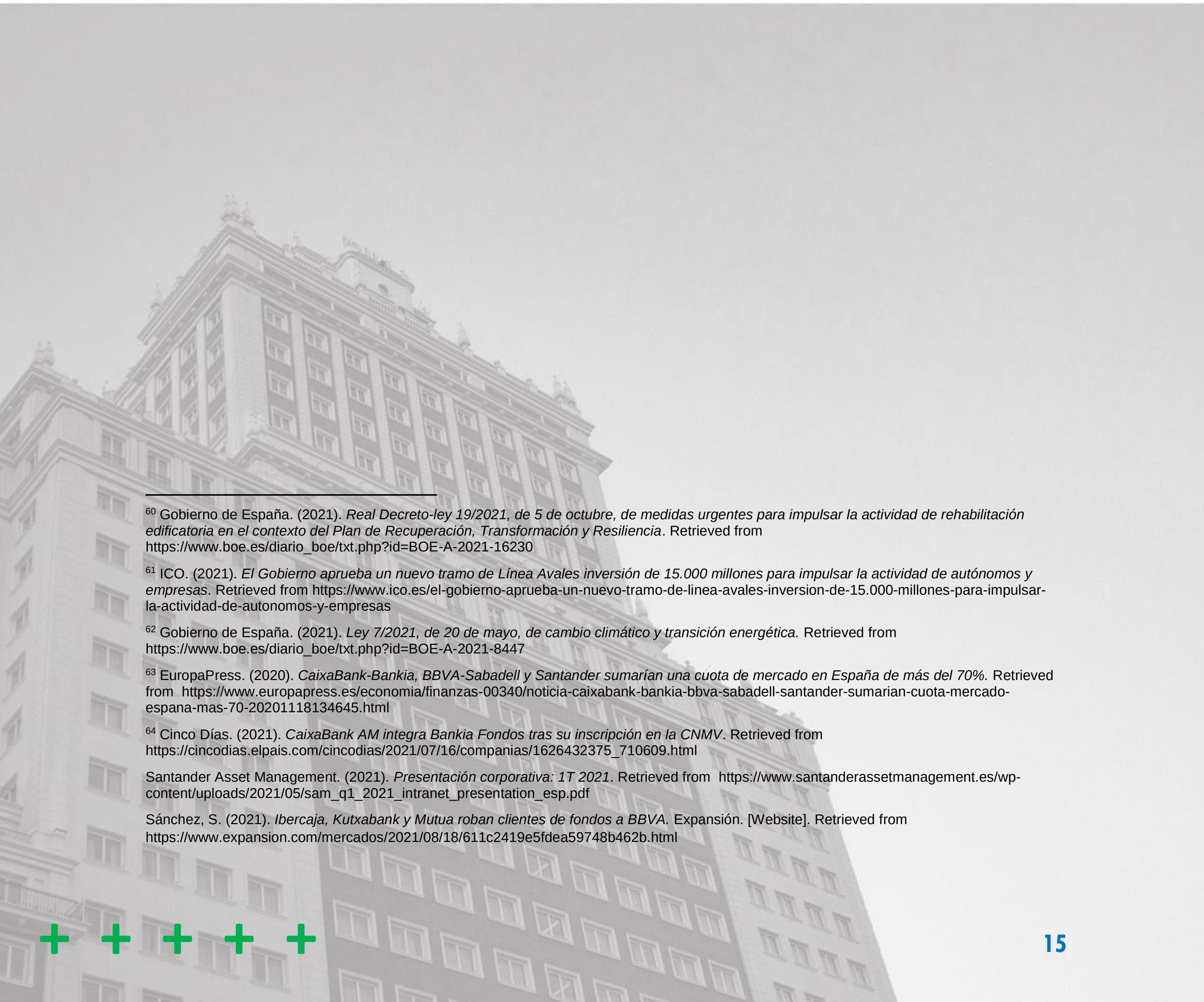
Oriescon. (2021). *Guía Básica Plan de Recuperación Transformación y Resiliencia*. Retrieved from https://www.hacienda.gob.es/RSC/OIReScon/estudios-guias-protocolos/guia-basica-plan-recuperacion.pdf

[59] Europa Press. (2021). *¿Cómo llegará el Fondo de Recuperación Europeo a las pymes?.* Retrieved from https://www.europapress.es/estar-donde-estes/noticia-llegara-fondo-recuperacion-europeo-pymes-20210624102850.html

communities.[60] The Spanish government has also authorised an ICO guarantee mechanism amounting to 10.000 million for SMEs.[61]

Ensuring that Spanish banks have robust climate strategies that cover all their material portfolios will assist in delivering these recovery funds with the aim of achieving the country's climate targets. This is stated in the preamble of the Climate Change Act, which highlights the importance of establishing a framework for channelling sustainable investments to drive sustainable economic growth.[62] Article 32 of this Act requires credit institutions to provide data-robust annual reports detailing the financial impact of climate-related risks. These reports must be published along with Paris-aligned decarbonisation targets for all lending and investment portfolios by 2023.

However, more specific and sectoral efforts from Spanish banks are needed to accelerate climate action. This briefing analyses the current climate activities of the three largest Spanish banking groups and their role in the green recovery. The three selected banking groups: BBVA, CaixaBank and Banco Santander, together represented over 70% of the banking market in Spain in 2020[63] and 55%[64] of Spanish financial assets managed in 2021.



[60] Gobierno de España. (2021). *Real Decreto-ley 19/2021, de 5 de octubre, de medidas urgentes para impulsar la actividad de rehabilitación edificatoria en el contexto del Plan de Recuperación, Transformación y Resiliencia*. Retrieved from https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-16230

[61] ICO. (2021). *El Gobierno aprueba un nuevo tramo de Línea Avales inversión de 15.000 millones para impulsar la actividad de autónomos y empresas*. Retrieved from https://www.ico.es/el-gobierno-aprueba-un-nuevo-tramo-de-linea-avales-inversion-de-15.000-millones-para-impulsar-la-actividad-de-autonomos-y-empresas

[62] Gobierno de España. (2021). *Ley 7/2021, de 20 de mayo, de cambio climático y transición energética.* Retrieved from https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447

[63] EuropaPress. (2020). *CaixaBank-Bankia, BBVA-Sabadell y Santander sumarían una cuota de mercado en España de más del 70%.* Retrieved from https://www.europapress.es/economia/finanzas-00340/noticia-caixabank-bankia-bbva-sabadell-santander-sumarian-cuota-mercado-espana-mas-70-20201118134645.html

[64] Cinco Días. (2021). *CaixaBank AM integra Bankia Fondos tras su inscripción en la CNMV*. Retrieved from https://cincodias.elpais.com/cincodias/2021/07/16/companias/1626432375_710609.html

Santander Asset Management. (2021). *Presentación corporativa: 1T 2021*. Retrieved from https://www.santanderassetmanagement.es/wp-content/uploads/2021/05/sam_q1_2021_intranet_presentation_esp.pdf

Sánchez, S. (2021). *Ibercaja, Kutxabank y Mutua roban clientes de fondos a BBVA.* Expansión. [Website]. Retrieved from https://www.expansion.com/mercados/2021/08/18/611c2419e5fdea59748b462b.html

2 Role and Climate Activities of Spanish banks

Approach and Method

In 2021, Climate Strategy supported the Spanish Green Growth Group (*Grupo Español para el Crecimiento Verde* - "GECV") develop best-practice principles and a checklist of elements of what credible, science-aligned corporate climate action plans should contain. Among these GECV members were BBVA, CaixaBank and Banco Santander. The result was a Best Practice Guide launched at COP26 for developing climate action plans, and endorsed by 37 GECV members, with over $330 billion aggregate revenues covering 300 million tons of direct and indirect greenhouse gas emissions, entitled "12 Key Steps for Companies Delivering Net-Zero Emissions: Best Practice Guide to turn Net-Zero Emissions Targets into Climate Action Plans."[65]

This important COP26 work recognises the key role that Spanish companies and financial institutions have in the delivery of Spain's net-zero targets and in supporting the country's green recovery. To build-back an economy that is carbon-neutral, the private sector must better set and meet its immediate climate targets through comprehensive and coherent long-term climate action plans that are aligned with the Paris Agreement's objectives, and the UN Sustainable Development Goals. The role of banks as financing channels is particularly important in ensuring that recovery funds and the overall financial system is climate-aligned[66].

Using this GECV COP26 guide to identify best practices, our comparative analysis follows a three pillar-based structure (targets, actions and governance) to compare BBVA, Banco Santander and CaixaBank's climate actions against those recommended by respected global initiatives. This briefing also references other analytical reports by expert NGOs and international organisations to compare the Spanish banks' climate policies and actions with those from their leading international peers.

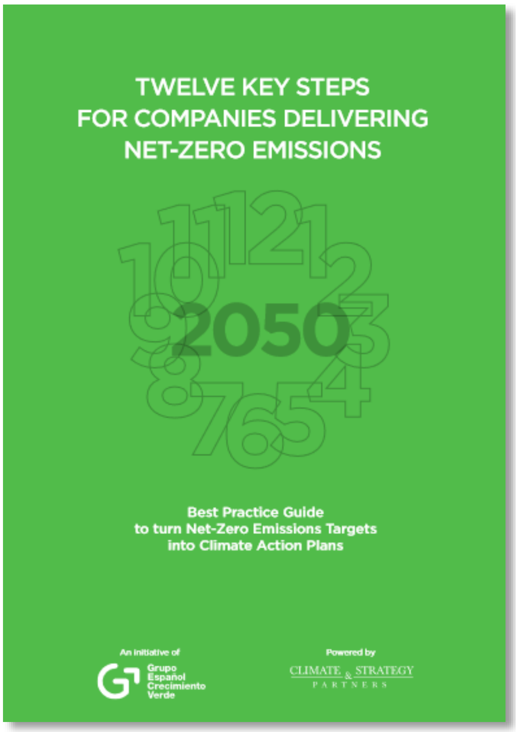
[65] Climate Strategy & Partners, & GECV. (2021). *Best Practice Guide to turn Net-Zero Emissions Targets into Climate Action Plans*. Retrieved from https://grupocrecimientoverde.org/wp-content/uploads/2021/11/Guide_12_KEY_STEPS_FOR_COMPANIES_DELIVERING_NETZERO_EMISSIONS_GECV.pdf?utm_source=web&utm_medium=boton

[66] WWF. (2021). *A new climate-aligned economy is starting to emerge.* Retrieved from https://wwf.panda.org/wwf_news/?2480441/climate-economy

GECV Best Practice Guide:
A Framework to Structure the Comparative Analysis of Spanish Banks' Climate Action

Many of the best practices from the international initiatives are directly included in the GECV Guide in line with the EU and Spanish regulators' ambition: for instance, the Guide has integrated the EU Taxonomy as a benchmark, and it recommends using the Task force on Climate Related Financial Disclosures (TCFD) for analysing climate risks as highlighted in the preamble of the Spanish Climate Change Act[67]. Nevertheless, the Guide's recommendations also go beyond the regulatory aspirations for the financial sector as it includes more ambitious best practices recommended for a science-based decarbonisation trajectory in line with 1.5ºC.

The Guide integrates best practices included in the UNEP FI Guidelines for Climate Target Setting for Banks[68] that underpin the NZAB commitments. BBVA, Banco Santander and CaixaBank are NZAB founding members. Together with article 32 from the Spanish Climate Change Act, these are the main drivers of Spanish banks' climate actions and implementation timelines.



However, different commentators have said[69] that the NZBA guidelines do not require sufficiently immediate action nor require sufficient steps to increase the financial sector's climate ambition. Other international initiatives go beyond the NZBA recommendations. For instance, the Institutional Investors Group on Climate Change (IIGCC) also released a guide[70] for the banking sector where it highlights the Science-Based Targets initiative (SBTi) as a best practice for establishing science-based emissions reduction targets. SBTi has a sector-specific guide to validate financial institutions' targets in line with science-based pathways and, for short and medium-term targets, it does not count offsets as emissions reductions.[71] Both the new SBTi net-zero guideline for financial institutions submitted to public consultation[72] and the NZBA guidelines offer the opportunity for proportionate use of offsets, but increasingly this is seen as relevant only for very hard to abate sectors.

The GECV Best Practice Guide includes recommendations from these and other forward-looking international initiatives and hence provides an adequate framework to structure this briefing's comparative analysis to align with the most ambitious climate action recommendations.

[67] Gobierno de España. (2021). *Ley 7/2021, de 20 de mayo, de cambio climático y transición energética*. Retrieved from https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447

[68] UNEP FI. (2021). *Guidelines for Climate Target Setting for Banks.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf

[69] Reclaim Finance. (2021). *IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

[70] IIGCC. (2021). *Aligning the Banking Sector with the Goals of the Paris Agreement*. Retrieved from https://www.iigcc.org/download/investor-expectations-for-the-banking-sector/?wpdmdl=4454&refresh=619ce91c066aa1637673244

[71] SBTi. (2021). *Financial Institutions*. [Website]. Retrieved from https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance-Pilot-Version.pdf

CaixaBank. (2021). *Condensed interim consolidated financial statements of CaixaBank Group for the six months ended.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/MEM_IGC_GRUPCAIXABANK_30062021_ING.pdf

[72] SBTi. (2021). *Foundations for Science Based Net-Zero Target Setting in the Financial Sector: Draft for Public Comment.* Retrieved from https://sciencebasedtargets.org/news/net-zero-financial-institutions-draft-for-public-consultation

Comparative analysis of Spanish Banks

In each section, this report compares BBVA, Banco Santander and CaixaBank's climate strategies against the set of recommendations included in the GECV Guide, and by extension to international best practice. This analysis is performed separately for their banking operations and then their asset managers. A concluding set of recommendations are provided at the end to help improve and accelerate the banks' climate action and role in Spain's green recovery.

TARGETS: Sectoral science-based targets for emissions reductions to deliver Net Zero in 2050

Target-setting is critical to achieving net zero emissions by 2050, or before, and international best practice, and the GECV guide, recommend climate targets for financial institutions that are: 1) Short, medium and long-term, 2) Sector-specific, 3) Science-based, and 4) Aligned with the 1.5ºC goal under the Paris Agreement.

While all three Spanish banks have committed to achieve net zero emissions by 2050, only BBVA has published **a comprehensive set of sectoral targets**. During COP26, and even a year before the NZBA deadline, BBVA announced the following commitments for 2030[73]: reducing 52% of the CO2 intensity in its power generation portfolio, 46% in the automobile manufacturing portfolio, 23% in steel production and 17% in cement production. These targets are based on the IEA Net Zero by 2050 scenario[74] aligned with 1.5ºC and include sectors that represent the 60% of CO2 emissions globally. The IEA's new net zero emissions scenario advances emissions neutrality to 2040 for the electricity sector and foresees an automobile market with 86% of electric cars by 2050. BBVA also announced in 2021 that it would cease to finance companies in coal-related activities before 2030[75] in developed countries and before 2040 in developing countries. BBVA plans to further specify targets for other sectors such as oil & gas, aluminium, real estate, transportation, and agriculture.

Santander has **established two sectoral targets**[76] so far: It intends to eliminate all exposure to thermal coal mining globally by 2030 and reduce its power generation portfolio CO2 intensity by 52% from 0.23 tCO2/MWh to 0.11 tCO2/MWh by 2030, with an interim objective of 0.18 tCO2/MWh for 2025. As with the BBVA targets, Santander's power generation target is based on the IEA Net Zero by 2050 scenario and aligned with 1.5ºC. Santander has also committed to announce new targets for its oil & gas, mining & metals (coal-related) and transport portfolios by September 2022 or earlier, and for its mortgages, commercial real estate, auto loans, cement, agriculture portfolios and some sub-sectors by the end of March 2024.

CaixaBank is **yet to release its first set of sectoral targets** to align with its NZBA commitment. CaixaBank is still in the process of fully elaborating its new climate strategy as it integrates teams and activities after the merger with Bankia and a new climate strategy is anticipated from the group imminently.

Spanish banks are developing their sectoral emissions reduction targets in line with the NZBA guidelines, and their deadlines. Yet a recent report by Reclaim Finance[77] criticises the GFANZ alliances for lacking the rigour to reduce 45% of banks' emissions by 2030 as recommended by the IPCC's report on 1.5ºC[78] and as was agreed at

[73] Cinco Días. (2021). *BBVA anuncia objetivos de descarbonización en nuevos sectores para 2030*. Retrieved from https://cincodias.elpais.com/cincodias/2021/11/03/companias/1635938622_671459.html

[74] BBVA. (2021). *BBVA announces decarbonization targets for new economic sectors by 2030*. [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-announces-decarbonization-targets-for-new-economic-sectors-by-2030/

[75] BBVA. (2021). *BBVA Report on TCFD*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[76] Banco Santander. (2021). *Climate Finance report: 2020-June 2021*. Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[77] Reclaim Finance. (2021). *IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

Environmental Finance. (2021). *GFANZ fails to deliver at COP26*. [Website]. Retrieved from https://www.environmental-finance.com/content/analysis/gfanz-fails-to-deliver-at-cop26.html

[78] IPCC. (2020). *Special Report: Global Warming of 1.5 ºC: Summary for Policymakers*. [Website]. Retrieved from https://www.ipcc.ch/sr15/chapter/spm/

COP26.[79] Further, NZBA does not set limits on the use of offsets and increasingly offsets are associated with a delay to the harsh reality of transition sectors. Reclaim Finance[80] further criticises the absence of an explicit mention to end financing to fossil fuels, the "sine qua non of finance sector climate action" in order to halve emissions by 2030. This is particularly relevant in the context of the 90 countries agreeing to phase-down unabated coal power and inefficient fossil fuel subsidies at COP26.

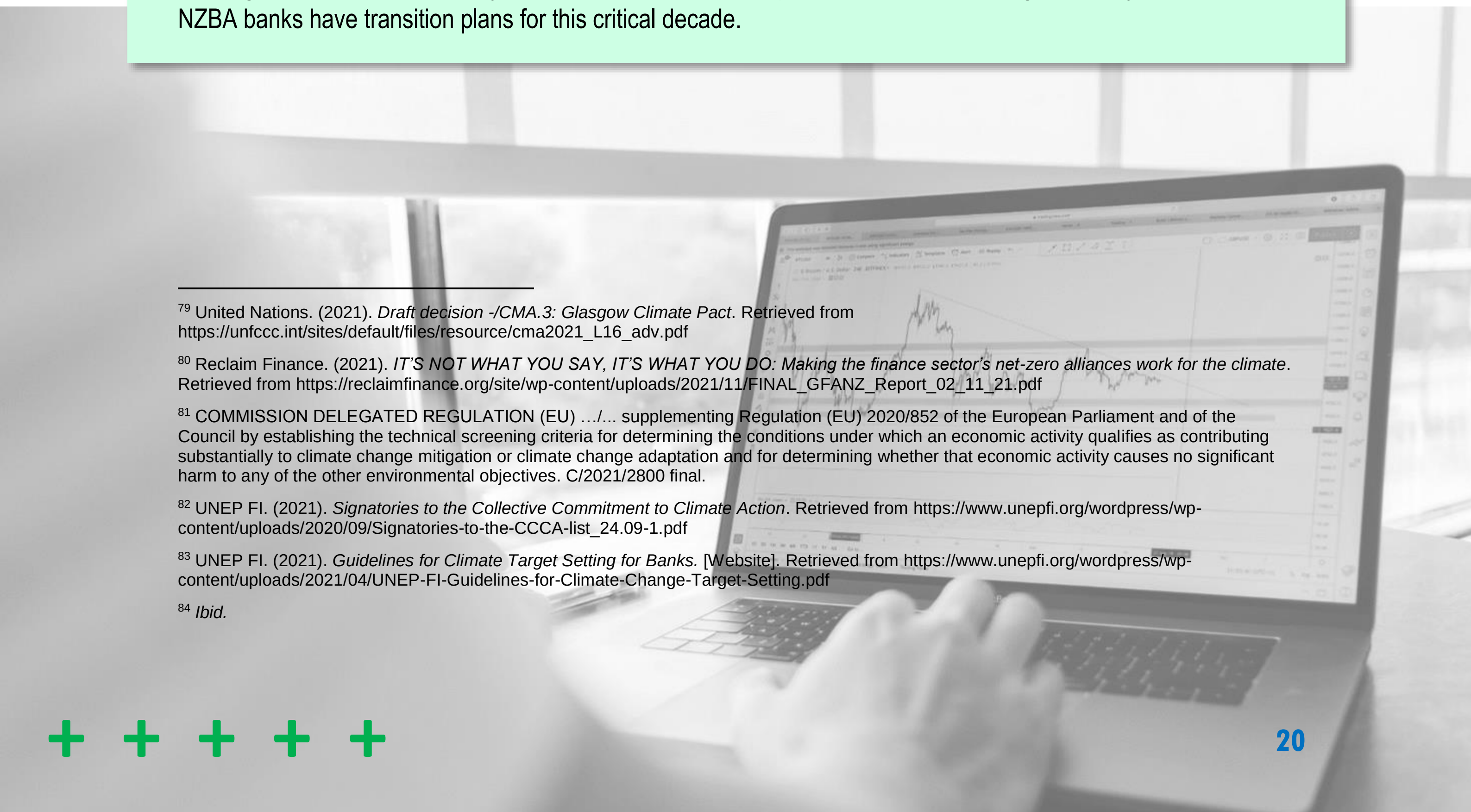
Case Study: Providing Transition Finance for Transition Clients

In the transition to net zero, banks face a conundrum of whether to stop lending and sell exposures to clients with high emissions, or high emissions intensities, or finance them to decarbonise. While halting finance to these high-emitting clients and selling these positions would accelerate the bank's immediate "progress" to reach its emissions reduction targets, if the client has a robust investment plan to decarbonise, it would be better to continue to finance the client even if that means a worse performance in the bank's own transition in the short-term.

Two key implications arise from this conundrum: 1) The performance assessment of a bank's transition plan must take into account net exposure changes with a forward-looking view; and 2) the bank must explain its performance against the net zero targets and its proactive client engagement with key stakeholders to form a common view, and not oversimplify the decarbonisation challenge that all banks and companies face.

In appreciation of this conundrum, many climate finance experts think that banks should continue supporting high-emitting clients in their transitions – if and only if these clients also have a rigorous and science based decarbonisation plan aligned with the Paris Agreement. Of course, significant contributions to climate action are now well defined in the EU Taxonomy, with explicit target levels – such as 100 gr CO_2e/kWh life cycle emissions for power generation, which is still above many banks' 2030 targets.[81]

The NZBA requires banks to set targets for nine carbon-intensive sectors in three years. As the three Spanish banks joined the Collective Commitment to Climate Action (CCCA) in 2019[82], they must apply the Guidelines and establish their first round of targets 3 years after joining the CCCA.[83] This means that the deadline to set the first round of targets is this year, 2022. Banks then have a further 18 months to set targets for "all or a substantial majority of the carbon-intensive sectors", making 2024 the year when all targets must have been set.[84] Finally, the NZBA guidelines offer a further year to elaborate a transition plan to meet all these targets. It may be 2025 before NZBA banks have transition plans for this critical decade.



[79] United Nations. (2021). *Draft decision -/CMA.3: Glasgow Climate Pact*. Retrieved from https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

[80] Reclaim Finance. (2021). *IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

[81] COMMISSION DELEGATED REGULATION (EU) …/... supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council by establishing the technical screening criteria for determining the conditions under which an economic activity qualifies as contributing substantially to climate change mitigation or climate change adaptation and for determining whether that economic activity causes no significant harm to any of the other environmental objectives. C/2021/2800 final.

[82] UNEP FI. (2021). *Signatories to the Collective Commitment to Climate Action*. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2020/09/Signatories-to-the-CCCA-list_24.09-1.pdf

[83] UNEP FI. (2021). *Guidelines for Climate Target Setting for Banks.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf

[84] *Ibid.*

In July 2021 the responsible investment charity ShareAction sent an urgent letter to 68 of the world's biggest banks requesting that they accelerate the publishing of climate targets for all relevant sectors ahead of COP26.[85] BBVA was the only large Spanish bank to reply to ShareAction's call[86] and confirm that it would announce new targets ahead of COP26 and, by definition, before the NZBA timeline.[87] These targets are the ones mentioned above covering BBVA's power generation, automobile manufacturing portfolio, steel production and cement production portfolios.

ShareAction published a report[88] before COP26 that did not see the three largest Spanish banks as leading best climate practices among their international peers. Based on the report's findings, Spanish banks can do much more to increase their climate ambition in the short-term beyond the NZAB recommendations. The big-three Spanish banks are not included in the ShareAction leaders' group as they do not have a commitment to halve financed emissions by 2030, and they don't yet disclose the breakdown of high-carbon sectors by fossil fuel assets.

The GECV Guide contains other best practices that are not implemented yet by the three largest Spanish Banks. The Guide recommends setting Science-Based Targets for emissions reductions in the short and medium-term in line with a 1.5ºC scenario and it mentions the importance of establishing limits to avoid an over reliance on offsets, emissions credits, and negative emissions technologies. The GECV Guide also recommends that banks establish policies that "limit financing towards activities not aligned with the EU Taxonomy and eliminate financing of activities that jeopardize the fulfilment of the Paris Agreement objectives" - a direct reference to the requirement for phase-down limits to funding of fossil fuels and other non-Taxonomy aligned activities.

TABLE 1: Best practices in target-setting in the three Spanish banks

Best Practices	BBVA	Banco Santander	CaixaBank
Short (2021-2025), medium (2030-2040) and long-term (2040-2050) emissions reduction targets	2030 and 2040 targets + 2050 net zero target	2025 and 2030 targets + 2050 net zero target	2050 net zero target
Sector-specific emissions reduction targets	5 sectoral targets established	2 sectoral targets established	Not yet
Phase out targets that cover fossil fuel portfolios (coal + oil & gas)	Phase out coal-related activities by 2030 for developed countries and 2040 for developing countries. No oil & gas target yet.	Phase out thermal coal mining globally by 2030. No oil & gas target yet.	Not yet
Science-Based Targets	Not yet	Not yet	Not yet
Aligned with 1.5º scenario	IEA Net Zero by 2050 scenario	IEA Net Zero by 2050 scenario	Not yet

85 ShareAction. (2021). *COP26: The banking sector holds the key to climate action – but is it using its influence?* Retrieved from https://shareaction.org/news/cop26-the-banking-sector-holds-the-key-to-climate-action-but-is-it-using-its-influence

86 ShareAction. (2021). *COP26 Investor Letter to Global Banks.* Retrieved from https://api.shareaction.org/resources/reports/COP26-investor-letter-to-global-banks.pdf

87 BBVA. (2021). *BBVA response to investors' letter about climate change and biodiversity.* Retrieved from https://api.shareaction.org/resources/reports/BBVA-ShareAction_Jul21.pdf

88 ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

CONCRETE PLANS: Climate action plans to operationalise emissions reduction targets

Robust climate action plans are required to operationalise and deliver the reduction targets along net-zero emissions pathways for banks' balance sheets and banking operations. The GECV Guide states that climate action plans include:

1	**The analysis and management of climate risks (physical and transition risks) using climate scenarios based on international standards (NGFS, IPCC and IEA).**
2	**Policies to limit the financing of activities not aligned with the EU Taxonomy and to eliminate financing of activities that jeopardize the fulfilment of the Paris Agreement objectives.**
3	**Objectives to increase green finance and investments aligned with the EU Taxonomy as a complement to, and not a substitute for, emissions reduction targets.**

TWELVE KEY STEPS FOR COMPANIES DELIVERING NET-ZERO EMISSIONS

(Based on the GEVC document Guiding Principles to Develop Long Term Climate Strategies)

Create a **transparent and inclusive**[30] **process** to develop, implement, inform, disclose and review the Climate Action Plan. The plan should describe the methodology used for its development[31] and implementation, with the subsequent dissemination of this methodology as an essential step. The plan should also **disclose the significant climate information** and assumptions that have been taken into consideration in this process following the practices established by SASB[32], TCFD[33], GRI, CDP and the European Commission Guidelines[34], in accordance with the Spanish Código de Comercio recommendations (for Spanish entities)[35], and especially including all the Scopes of emissions (1, 2 and 3)[36], double materiality perspective,[37] and the identified key performance indicators.

6

The big-3 Spanish banks are yet to formally disclose comprehensive climate action plans that detail how their portfolio and sector emission reduction targets will be achieved. However, in their annual reports, these banks have disclosed some of the strategies and actions they plan to implement which provides an insight into what an exhaustive climate action plan would look like in the future.

The GECV Guide recommends that comprehensive climate action plans follow disclosure practices recommended by SASB, TCFD, GRI, CDP and the European Commission Guidelines.[89] Both BBVA[90] and Santander[91] publish climate finance reports that follow TCFD recommendations for disclosure. BBVA also follows the International Business Council metrics from the World Economic Forum (WEF) [92] and Santander is committed to follow these metrics for its 2021 annual report. CaixaBank [93] includes a TCFD summary response in its annual report. All three banks also follow GRI and SASB guidelines in their annual reports and submit their climate strategies to the Carbon Disclosure Project (CDP).

[89] European Commission. (2019). *Communication from the Commission - Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019XC0620%2801%29

[90] BBVA. (2021). *Report on TCFD December 2020*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[91] Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[92] BBVA. (2020). *BBVA Group's non-financial information alignment with WEF - IBC and SASB standards. Retrieved from* https://accionistaseinversores.bbva.com/microsites/cuentasanuales2020/en/alignment-wef-ibc-sasb/index.html

[93] CaixaBank. (2020). *Consolidated Management Report.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/IGC_Eng_v30_2.pdf

According to the NZBA, banks have just one year after setting their targets to disclose a transition plan and implement climate-related sectoral policies.

Key initiatives setting disclosure best practices with a focus on the finance sector

- **Carbon Disclosure Project (CDP)** is a not-for-profit organization that runs a global disclosure system for companies, banks, cities, states and regions to measure, manage, disclose and ultimately reduce their environmental impacts. The initiative offers a public database of corporate and city climate action.[94]
- **The Sustainability Accounting Standards Board (SASB)** has developed industry-specific standards for businesses to report to their investors on the financial impact of sustainability. These standards have identified a subset of ESG issues that are the most relevant for financial performance in 77 industries.[95]
- **The Task Force on Climate-related Financial Disclosures (TCFD)** has developed a framework of recommendations to aid companies and other organisations in more effectively disclosing climate-related risks and opportunities through their existing reporting processes. The framework is based on four pillars: Governance, Strategy, Risk Management and Metrics & Targets.[96]
- **The Global Reporting Initiative (GRI)** has established reporting standards (universal and sector-specific) based on global best practices to increase transparency of organisations' impacts on the economy, the environment and people.[97]
- **The Stakeholder Capitalism Metrics** developed by the International Business Council and included in a 2020 WEF report provide disclosure indicators for People, Planet, Prosperity and Governance. These metrics followed a 6-month consultation process with over 200 companies, investors and other interested parties[98].
- **The EU Commission 2019 Guidelines on non-financial reporting** are a non-binding supplement to the **Non-Financial Reporting Directive ("NFRD")** that also integrates TCFD recommendations. It provides reporting standards for disclosing climate risks, materiality assessments, governance and key performance indicators, among others, with the purpose of enhancing the quantity, quality and comparability of corporate disclosures.[99]

Adequate management of climate risks

A comprehensive analysis and management of climate risks forms the basis of a robust climate action plan with financing policies that effectively drive banks' decarbonization.[100] The European Central Bank (ECB) will run a bank climate risk stress test this year (in 2022) and has already published a set of guidelines for banks to use to compare themselves against the supervisor's expectations.[101]

[94] CDP. (2022). *What we do*. [Website]. Retrieved from https://www.cdp.net/en/info/about-us/what-we-do

[95] SASB. (2022). *About us*. [Website]. Retrieved from https://www.sasb.org/about/

[96] TCFD. (2022). *Recommendations*. [Website]. Retrieved from https://www.fsb-tcfd.org/recommendations/

[97] GRI. (2022). *About GRI.* [Website]. Retrieved from https://www.globalreporting.org/about-gri/

[98] WEF. (2022). *Explore the Metrics.* [Website]. Retrieved from https://www.weforum.org/stakeholdercapitalism/our-metrics

[99] European Commission. (2019). *Communication from the Commission - Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019XC0620%2801%29

[100] Delriu, J.(2021). *El impacto de la pandemia y la crisis climática: un test para las finanzas sostenibles.* Retrieved from https://s1.aebanca.es/wp-content/uploads/2020/05/el-impacto-de-la-pandemia-y-la-crisis-climtica.pdf

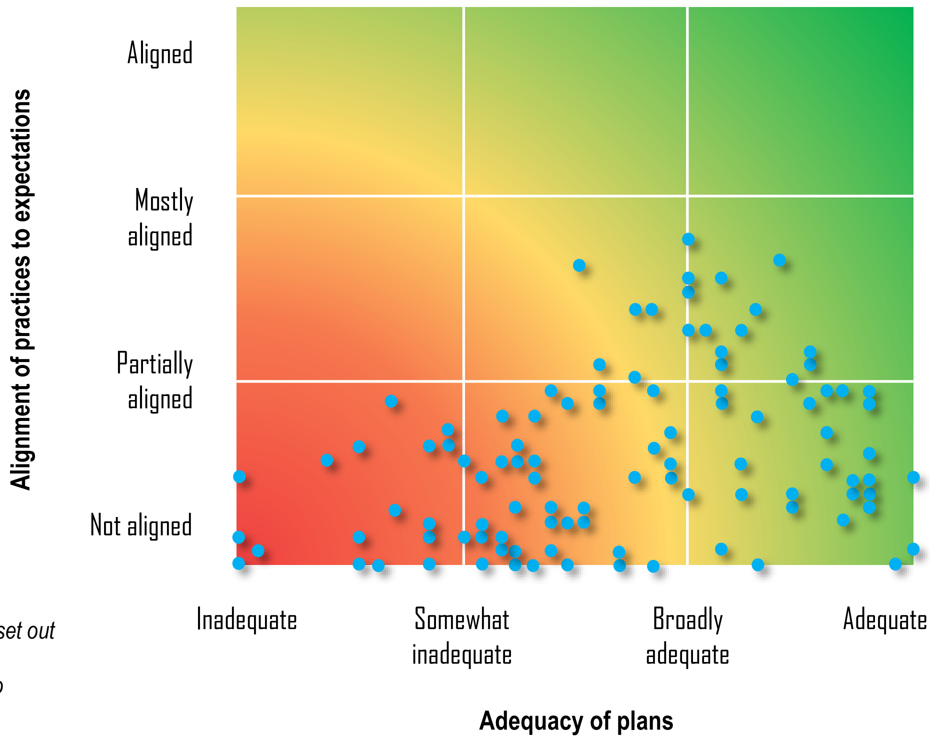
[101] European Central Bank. (2021). *Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure.* Retrieved from https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf

In an unprecedented exercise ahead of the 2022 climate risk stress test, the ECB asked banks to self-assess their current policies against the supervisory expectations set in the guidelines. Based on this self-assessment, the ECB evaluated the current state of climate risk management in the banking sector. In its 2021 report[102], the ECB concludes that "none of the institutions are close to fully aligning their practices with the supervisory expectations."

While some banks have taken steps to adapt their practices, most are still in "early stages of development" and few have established climate risk practices "with a discernible impact on their strategy and risk profile." For instance, less than one fifth of banks have set key climate risk indicators in their risk appetite statement and only a few established concrete limits to those indicators, making the management of climate risks difficult. Overall, the ECB concludes that "the pace of progress remains slow in most cases" and estimates that many banks will not align with its supervisory expectations this year (in 2022).

GRAPH 2:

The state of C&E risk management in the banking sector in terms of institutions' alignment with expectations and the adequacy of their plans to advance practices



* *The y-axis describes the level of alignment of 112 institutions' practices to the supervisory expectation set out in the ECB Guide; the x-axis describes the level of adequacy of 112 institutions' implementation plans to address gaps in their practices*

Source: European Central Bank. (2021).
The state of climate and environmental risk management in the banking sector.

In 2020, BBVA carried out a qualitative risk assessment to identify the materiality of physical and transition risks and found that its main climate risks were focused on credit portfolios, retail mortgage and auto portfolios. The bank has also developed an internal risk taxonomy to identify the sectors in its wholesale and retail portfolios that are the most sensitive to transition risk based on a qualitative analysis. While the IEA's scenarios used for this risk analysis did not include a 1.5ºC scenario at that stage,[103] in November 2021 BBVA announced that it has begun to use the IEA Net Zero by 2050 scenario aligned with 1.5ºC for all its ESG risk analysis processes.[104] As stated in a report by the initiative Accounting for Sustainability on the implementation of the TCFD guidelines, "a 1.5°C scenario helps a company consider a more diverse and stringent set of policies associated with emission reductions, broadening the spectrum of transition risks.[105]"

[102] European Central Bank. (2021). *The state of climate and environmental risk management in the banking sector*. Retrieved from https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202111guideonclimate-relatedandenvironmentalrisks~4b25454055.en.pdf

[103] BBVA. (2021). *Informe Anual 2020.* Retrieved from https://accionistaseinversores.bbva.com/wp-content/uploads/2021/02/Informe-Anual-2020_ESPA%C3%91OL.pdf

[104] BBVA. (2021). *BBVA's decarbonization targets: What do they mean and what is their scope?* Retrieved from https://www.bbva.com/en/sustainability/bbvas-decarbonization-targets-what-do-they-mean-and-what-is-their-scope/

[105] Accounting for Sustainability. (2021). *TCFD Climate Scenario Analysis. A guide for finance teams on frequently asked questions.* Retrieved from https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Guide%20to%20TCFD%20Climate%20Scenario%20Analysis.pdf.downloadasset.pdf

BBVA includes sustainability factors in the operating frameworks of its automotive, energy, utilities, steel and cement portfolios. Following this analysis, BBVA reviewed individual risk policies of the main groups in these industries and it is currently working on the systematic integration of sustainability factors in client analysis processes to incorporate climate risks in credit decision making.[106] In 2021, BBVA evaluated whether its clients' business models are consistent with the transition according to a transition score within the automotive, energy and utilities sectors.[107] Also in 2021, BBVA incorporated a new metric called "high transition risk" to its risk appetite framework and the Board of Directors approved thresholds at the Group level and geographic business area establishing the maximum appetite for transition risks. BBVA includes a "fuel type" indicator to its automotive portfolio to monitor climate risk in origination and it undertook an analysis of the energy efficiency of the housing in its mortgage portfolio in Spain. BBVA is also working on a heat map to identify its buildings areas most exposed to physical climate risks to address its credit risk management in this regard.[108]

Similarly to BBVA, Banco Santander has developed an internal risk taxonomy and a heatmap to measure the materiality of climate risks across its portfolios based on a qualitative assessment, which it has tested against more than 80% of its loan book. The test covers its power, renewable project finance, oil & gas, mining & metals, transport, real estate, agriculture, construction, manufacturing and water supply portfolios.[109] While Santander uses climate scenarios from robust sources (IEA and IPCC scenarios[110]) for its climate risks analysis it does not include a 1.5ºC scenario.

Regarding the management of the climate risks identified, Santander has committed to embed climate factors into risk management and is currently in the process of pursuing this integration. To do so, the bank uses a third party tool to quantify the financial impacts of physical and transition risks. Santander is in the process of assessing its Target Operating Model for managing climate risks to develop a "detailed roadmap"[111] that will cover its climate risk identification and governance model, covering metrics, risk appetite, training and culture, and other policies. Santander has also updated its risk appetite statement with a qualitative statement linking climate change management to its financing policies, which resulted in amendments to its "Environmental, Social & Climate Change Risk Management" policy, discussed more in detail below.[112]

Since 2018, CaixaBank reports it has measured its lending exposure to activities linked to high CO2 emissions following the TCFD indicators. CaixaBank set a 2019-2021 Road Map to roll out its Environmental Strategy. Within this strategy, the bank includes a qualitative analysis of the climate risk transition scenarios in the energy, transport and construction sectors, but it is yet to disclose the results of this analysis.[113]

Based on in-house analysis, CaixaBank also plans to develop heat maps for different time horizons (2025, 2030, 2040 and 2050), geographies and climate scenarios. CaixaBank has undertaken a quantitative analysis pilot in the context of a UNEP FI working group focused on the transition risks in the oil & gas and power sectors.[114] It used a 1.5ºC scenario for such analysis based on predictions from the Potsdam Institute for Climate Impact Research and the IPCC's Integrated Assessment Models - in this regard, CaixaBank stands apart from BBVA and Santander.

---

[106] BBVA. (2021). *BBVA Report on TCFD December 2020*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[107] BBVA. (2021). *BBVA Investor Day: Sustainability as a business opportunity.* Retrieved from https://accionistaseinversores.bbva.com/microsites/cuentasanuales2020/en/alignment-wef-ibc-sasb/index.html

[108] *Ibid.*

[109] Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[110] Banco Santander. (2020). *Climate Finance Report: 2019-June 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2019/ias-2019-climate-finance-2019-20-en.pdf

[111] Banco Santander. (2021). *Climate Finance Report: 2020 - June 2021*. Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[112] *Ibid.*

[113] CaixaBank. (2020). *Consolidated Management Report.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/IGC_Eng_v30_2.pdf

[114] *Ibid.*

This pilot includes analysing in detail a sample of clients' transition strategies in the energy sector. CaixaBank plans to extend this pilot to include different (higher) temperature scenarios and other energy portfolio sectors and subsequently to other sectors.[115] In terms of physical climate risks, CaixaBank has carried out a preliminary qualitative assessment of its Spanish mortgage portfolio, however the specific temperature scenarios used were not disclosed.[116]

CaixaBank's risk management is covered by an Environmental Risk Management Policy with certain financing policies and sector-based exclusions[117] (described in more detail below), but the bank has not yet disclosed its procedures to systematically integrate climate change across its entire risk management processes.

In summary, the big-3 Spanish banks have started to design and implement their processes to analyse and manage physical and transition-related climate risks, in line with the TCFD and UNEP FI recommendations. However, as reflected in the ECB's concerns in its recent assessment, these Spanish banks are yet to address climate risk management systematically and integrate these risks into all of their credit analysis and financing policies.

TABLE 2:
Best practices in the creation and disclosure of climate action plans from the three Spanish banks

Best Practices	BBVA	Banco Santander	CaixaBank
Publication of climate action plan	Not yet	Not yet	Not yet
Disclosure of material climate information based on international standards	TCFD report + GRI and SASB guidelines in annual report + CDP response + WEF IBC Stakeholder Capitalism Metrics	TCFD report + GRI and SASB guidelines in annual report + CDP response + WEF IBC Stakeholder Capitalism Metrics	TCFD summary, GRI and SASB guidelines in annual report + CDP response
Analysis of climate risks (physical and transition risks)	Materiality assessment of physical and transition risks across all portfolios + transition and physical risk assessment in wholesale and retail portfolios	Materiality assessment of physical and transition risks across 80% of loan book	Qualitative analysis of transition risks in 3 portfolios + UNEP FI pilot quantitative analysis of transition risks in 2 portfolios + preliminary qualitative assessment of physical risks in 1 portfolio
Analysis of risks based on climate scenarios from international standards (NGFS, IPCC and IEA)	IEA	IEA and IPCC	For UNEP FI pilot: Potsdam Institute for Climate Impact Research and the IPCC
Use of 1.5ºC scenario in risk analysis	Yes	Not yet	Yes (for UNEP FI pilot)
Integration and management of climate risks	Integration of risks in operating frameworks of 5 portfolios + high transition risk metric in risk appetite + thresholds for maximum transition risk appetite	Risk appetite qualitative statement linking climate change management to financing policies + developing roadmap for risk management	Environmental Risk Management Policy that sets criteria for accepting new customers and operations with general and sector-based exclusions

115 *Ibid.*

116 *Ibid.*

117 *Ibid.*

Policies to limit finance for fossil fuels and operationalise emissions reductions

BBVA, Santander and CaixaBank have disclosed some of the practices they aim to operationalise to deliver their reduction targets, and this provides an indication of what a more exhaustive climate action plan might look like. Eliminating the financing of fossil fuels is one of the key levers to align banks trajectories to net zero by 2050. According to the IEA Net Zero by 2050 scenario, to limit global warming to 1.5ºC all unabated coal-fired power generation in advanced economies and all unabated subcritical coal generation in emerging markets and developing economies would have to cease by 2030. The phase-out of all the remaining unabated coal plants would need to happen by 2040.[118] Oil power plants would also have to be phased out by 2040.[119] Existing gas-fired power plants will have to be phased out by 2035 in the OECD and 2040 globally.[120] No new unabated coal plants and oil & gas fields could be developed after 2021.[121]

The cessation of fossil fuels, the financing of them and the inefficient subsidies which continue to support them in many parts of the world is one of the key areas of substantial divergence between what banks are currently committing to and what a 1.5ºC Paris-aligned trajectory requires. The banking sector and international investors have already financed fossil fuel projects that use up the entire carbon budget for the 1.5ºC trajectory. Unless some of these already-financed projects are closed down before the end of their operational lifetime, we will be "on the way to 2ºC and beyond."[122] In a critique to the GFANZ commitments announced at COP26, Michael Northrop writes that "no near-term plans, deadlines or commitments to do anything real" were announced by the GFANZ alliance or any of its banker or investor members.[123] The previously cited report by Reclaim Finance also supports Michael's view.[124]

In the Rainforest Action Network (RAN)'s 2021 report "Banking on Climate Chaos" the commitments of the world's 60 largest commercial and investment banks are considered.[125] Here we see that the two covered Spanish banks are not the biggest financiers of fossil fuels. Santander ranks nº32 of the banks that lend the most to fossil fuels, with an upward trend leading to $9.7 billion financed in 2020.[126] BBVA is at nº42 with a stable trend in the last years and with $4.9 billion financed in 2020. CaixaBank was not included in the scope of the RAN report but, according to Reclaim Finance, between 2018 and 2020 the bank directed $1.8 billion of finance to coal.[127] No data was found on CaixaBank's exact finances to oil & gas projects, but in a dataset by the Equator Principles the bank discloses that it was involved in at least 3 projects of this kind.[128]

In terms of the details of fossil fuel financing phase-out, BBVA has advanced its climate risk analysis and management, which is reflected in its updated Environmental and Social Framework in 2021. BBVA has committed to phase-out all coal-related activities by 2030 in developed countries and by 2040 in developing countries. BBVA's coal phase-out commitment is operationalised through an exclusion policy for the financing of new coal plants and

[118] IEA. (2021). *Coal-Fired Power.* [Website]. Retrieved from https://www.iea.org/reports/coal-fired-power

[119] IEA. (2021). *Net Zero by 2050. A Roadmap for the Global Energy Sector.* Retrieved from https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[120] IEA. (2021). *World Energy Outlook 2021.* Retrieved from https://iea.blob.core.windows.net/assets/888004cf-1a38-4716-9e0c-3b0e3fdbf609/WorldEnergyOutlook2021.pdf

[121] IEA. (2021). *Net Zero by 2050. A Roadmap for the Global Energy Sector.* Retrieved from https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

[122] Northrop, M. (2021). *GFANZ fails to deliver at COP26.* Environmental Finance. Retrieved from https://www.environmental-finance.com/content/analysis/gfanz-fails-to-deliver-at-cop26.html

[123] *Ibid.*

[124] Reclaim Finance. (2021). *IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

[125] Rainforest Action Network. (2021). *Banking on Climate Chaos.* Retrieved from https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf

[126] As a proportion of Santander Group's total lending, this is equivalent to 0.9% of fossil fuels exposure over total lending: page 23 in Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[127] Reclaim Finance. (2021). *Coal Policy Tool.* [Website]. Retrieved from https://coalpolicytool.org/

[128] Equator Principles. (2021). *Caixabank*. [Website]. Retrieved from https://equator-principles.com/report/caixabank-3-nov-2021/

new coal mines which includes the expansion of existing plants and mines.[129] This approach is considered a best practice by ShareAction among leading international peers.[130] Yet, BBVA has exceptions that weaken this exclusion policy: at project level for existing projects in countries with a high energy dependence and at corporate level for clients with more than 25% of revenues linked to coal-related activities but with a diversification strategy, although the total limit will not be increased.[131] Best practices for the latter exemption stand at 5%-20% client exposure to coal-related activities.[132] Overall, according to BankTrack's international ranking, BBVA is a "Follower" in coal financing policies with a score of 34/80 and in position nº 10 out of 74 banks.[133]

Banco Santander adapted its Environmental, Social and Climate Change Risk Management framework in 2021 based on its climate risk analysis exercise as described in the previous section. The bank commits to eliminate all exposure to thermal coal mining globally by 2030 and has excluded new clients and projects in coal mining as well as the expansion of existing thermal coal mines.[134] Santander has not set a phase out target to eliminate all exposure to coal power, although it has committed to stop financing power generation clients with more than 10% revenues dependent on thermal coal from 2030 onwards. Santander includes prohibitions to project-related financing of new or existing coal plants worldwide without any weakening exceptions and it stands out for including coal-related infrastructure in its exclusions. Santander only finances new clients with coal plants for the specific purpose of their renewable energy transactions.[135] Overall, BankTrack gives Santander a "Follower" position with a 32/80 score and a ranking as nº12 out of 74 banks.[136]

CaixaBank has a strong exclusion policy for coal mining and it has prohibited finance to new and existing coal mines and plants.[137] However, at the corporate level, the bank has not yet committed to a full phase out of finance to either coal mining or coal power and has exclusions similar to BBVA, but with less ambitious thresholds. Only transactions with clients whose coal-related activities are over 40% of their consolidated revenue are prohibited. Like BBVA, these exclusions are further weakened as the exception threshold does not apply to clients in countries that rely heavily on coal and have no viable alternatives that also have a diversification strategy.[138] Additionally,

[129] BBVA. (2021). *Environmental and Social Framework.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

[130] ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

[131] BBVA. (2021). *Environmental and Social Framework.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

[132] Reclaim Finance. (2021). *Coal Policy Tool.* [Website]. Retrieved from https://coalpolicytool.org/

[133] BankTrack. (2021). *Banks and Coal.* [Website]. Retrieved from https://www.banktrack.org/campaign/banks_and_coal

[134] Banco Santander. (2021). *Environmental, Social and Climate Change Risk Management Policy.* Retrieved from https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-environmental-social-and-climate-change-risk-policy-en.pdf

[135] *Ibid.*

[136] BankTrack. (2021). *Banks and Coal.* [Website]. Retrieved from https://www.banktrack.org/campaign/banks_and_coal

[137] Caixabank. (2019). *Environmental Risk Management Policy.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/Environmental_Risk_Management_Policy_v2_eng.pdf

[138] *Ibid.*

unlike Santander, CaixaBank's exclusions do not apply to coal-related infrastructure.[139] CaixaBank was not included in BankTrack's ranking of coal policies.

COP26 saw the creation of the Beyond Oil & Gas Alliance of governments and stakeholders working to phase out the production of these fossil fuels.[140] No Spanish banks have yet committed to the phase out of gas & oil. Just one international peer bank (Intesa SanPaolo) has done so.[141] Both Santander and CaixaBank prohibit finance to all unconventional oil & gas projects (oil sands, Arctic oil and gas, and fracking) while BBVA prohibits all project finance to unconventional oil & gas except fracking. BBVA, however, stands out within an international group of leading peers that have prohibited financing of unconventional oil & gas transport (such as pipelines).[142] All three Spanish banks have established corporate level policies to limit financing to clients with activities linked to oil sands (BBVA[143] and CaixaBank[144] with a threshold 10% of revenues linked to oil sands and Santander[145] with a 30% threshold), but only Santander has corporate level policies for clients involved in activities linked to oil & gas exploration in the Arctic and fracking. None of the banks have exclusion policies for general oil & gas at the project or corporate level, with only two leading peer banks having done so for project finance (Danske Bank and NatWest).[146]

The result is that BankTrack classifies both BBVA and Santander (and most banks) as "Laggards" in this policy area, giving Santander a score of 18.5/120, and a nº 6 position out of 74 banks, whereas BBVA gets a 9/120 score and nº 17 position.[147] BankTrack did not identify any "Leaders" of oil & gas policies. CaixaBank is not included in the overall oil & gas policy score, yet BankTrack ranks the bank as a "Laggard" in fracked and Arctic oil & gas policies and as a "Follower" in tar sands policies with a 5/18 score.[148]

Finally, all three large Spanish banks are yet to fully describe their climate action with their clients to ensure client decarbonisation pursuant to the banks' 2050 net zero targets. Requesting clients in the fossil fuel sector to publish climate transition plans by a specific date is a leading practice among their international peers which is absent from Spanish banks' strategies.[149] The big three Spanish banks have established ESG due diligence processes that are based on Know-Your-Client style questionnaires before any new client relationship, and throughout the relationship, but more ambitious client engagement is essential.[150]

---

[139] ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

[140] Beyond Oil and Gas Alliance. (2021). *Who we are.* [Website]. Retrieved from https://beyondoilandgasalliance.com/who-we-are/

[141] ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

[142] *Ibid*.

[143] BBVA. (2021). *Environmental and Social Framework.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

[144] CaixaBank. (2019). *Environmental Risk Management Policy.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/Environmental_Risk_Management_Policy_v2_eng.pdf

[145] Banco Santander. (2021). *Environmental, Social and Climate Change Risk Management Policy.* Retrieved from https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-environmental-social-and-climate-change-risk-policy-en.pdf

[146] ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

[147] BankTrack. (2021). *Banks and Oil and Gas.* [Website]. Retrieved from https://www.banktrack.org/campaign/banks_and_oil_and_gas

[148] BankTrack. (2021). *CaixaBank Policy Assessment.* [Website]. Retrieved from https://www.banktrack.org/bank/CaixaBank#policy_assesments

[149] ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

[150] As an example of ESG due diligence based on client engagement, in BBVA's Environmental and Social Framework the bank asserts that for sectors like mining, energy, agribusiness and infrastructure, clients' situations will be analysed specifically. As a result, it may be decided not to initiate the relationship, or otherwise to engage with clients with the objective of applying corrective measures and resolve the situation. BBVA. (2021). *Environmental and Social Framework.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

TABLE 3: Best practices in the financing policies for fossil fuels from the three Spanish banks

Best Practices	BBVA	Banco Santander	CaixaBank
Limits to financing coal projects	Prohibition of coal mines and plants (new and expansion) with exceptions	Prohibition of coal mines and plants (new and expansion) + coal-related infrastructure	Prohibition of coal mines and plants (new and expansion) with exceptions
Limits to financing clients in coal-related activities	Prohibition of new clients with threshold (>25% revenue) and exceptions	Prohibition of new clients	Prohibition of new clients with threshold (>40%) and exceptions
Limits to financing unconventional oil & gas projects	Prohibition of projects and transport in oil sands and Arctic	Prohibition of projects in oil sands, Arctic, and fracking	Prohibition of projects in oil sands, Arctic, and fracking
Limits to financing unconventional oil & gas clients	Prohibition of new clients in oil sands with threshold (>10% revenues)	Prohibition of new clients in oil sands, Arctic, and fracking with threshold (>30% of activity)	Prohibition of new clients in oil sands with threshold (>10% revenues)
Limits to financing conventional oil & gas projects	Not yet	Not yet	Not yet
Limits to financing conventional oil & gas clients	Not yet	Not yet	Not yet
Request for clients to submit transition plans	Not yet	Not yet	Not yet

Green finance targets to complement emissions reductions

BBVA and Santander have established green finance objectives, but CaixaBank is yet to announce targets in this area. BBVA was the first to announce a target in 2018 and is on track to mobilize €200 billion in climate action by 2025.[151] As of September 2021, BBVA had mobilized Euro 75 billion in sustainable activities[152], basing its client classification on the Green Bond Principles, Social Bond Principles, Sustainability Linked Bond Principles from International Capital Markets Association, Green Loan Principles, Social Loan Principles and Sustainability Linked

[151] BBVA Communications. (2021). *BBVA doubles its target of channeling sustainable financing to €200 billion*. [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-doubles-its-target-of-channeling-sustainable-financing-to-e200-billion/

[152] BBVA. (2021). *January-September 2021 Results.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/10/291021-Informe-Trimestral-3Q21_ENG.pdf

Loan Principles from Loan Market association, as well as best practices and EU Taxonomy. [153] The bank reports that it is currently "working with its customers to develop new and demanding formats to link its long-term commitment to sustainability and to the objectives set by the European taxonomy and the Paris Agreement."[154]

Santander has developed its own Sustainable Finance Classification System (SFCS) based on guidelines including the ICMA Social and Green Bond Principles, the Climate Bond Standards, and aligned with the EU Taxonomy. Using its SFCS, Santander plans to raise or facilitate the mobilization of €120 billion by 2025 and €220 billion by 2030.[155] Santander reports in its latest Climate Finance Report that it had raised $41.7 billion by June 2021.

CaixaBank is yet to announce a green finance objective. The bank reports that during the first half of 2021, it has been involved in the finance of environmentally sustainable activities such as the financing of 21 renewable energy projects for €1.2 billion and for €534 billion in real estate developments with an energy efficiency rating of A or B. Within its 2019-2021 Roadmap, CaixaBank has set an objective of structuring and categorising customers, products and services in line with the EU Taxonomy.[156]

All three banks have issued green bonds in line with the Green Bond Principles.

TABLE 4: Best practices in green finance objectives from the three Spanish banks

Best Practices	BBVA	Banco Santander	CaixaBank
Objectives to increase green finance	€200 billion by 2025	€120 billion by 2025 and €220 billion by 2030	Not yet
Alignment with EU Taxonomy	In progress	In progress	In progress
Issuance of green bonds	Yes - in line with Green Bonds Principles	Yes - in line with Green Bonds Principles	Yes - in line with Green Bonds Principles

[153] BBVA. (2021). *Report on TCFD December 2020*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[154] *Ibid.*

[155] Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[156] CaixaBank. (2021). *Condensed interim consolidated financial statements of CaixaBank Group for the six months ended.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/MEM_IGC_GRUPCAIXABANK_30062021_ING.pdf

Spanish banks' green efforts in line with Spanish Recovery and Resilience Plan

BBVA

BBVA recognizes small and medium-sized companies (SMEs) as a central component in global decarbonisation efforts and became in October 2021, the first financial institution to join forces with the SME Climate Hub[157] global initiative. The mission of the hub is to assist SMEs implement Paris-aligned sustainable measures into their activities to become net-zero greenhouse gas emissions by 2050.

In June 2021[158], the BBVA partnered with global leading renewable energy producer Acciona to allow Spanish customers to carry out energy efficiency upgrades in their homes. Under the partnership banks customers can access Acciona's turnkey service entailing: design, implementation and the processing of possible subsidies. Acciona will then request BBVA a proposal to finance the works. The aim of the partnership is to effectively reduce the electricity bills and CO2 emissions of Spanish buildings. BBVA intends to upgrade and finance close to 3,000 homes built before 1985.

Besides, with a view to helping companies, SMEs and the self-employed obtain fast and simple access to public aid, in particular those associated with the NextGenerationEU funds, BBVA has reached an agreement with Minsait, an Indra company, to develop a service that aids in identifying and managing the subsidies that customers can apply for in Spain. Customers interested in applying must simply inform their BBVA manager of the type of initiative they are looking to start and Minsait will provide them with details of the possible solution, completely online in the coming months, which will simplify the process for handling and monitoring their request.[159]

Banco Santander

In mid-2021, Banco Santander signed a collaboration agreement[160] with Spain's National Institute for the Diversification of Energy and Energy Savings (IDAE) to promote the financing of energy renovation works in buildings and housing units under the country's programme for the Energy Rehabilitation of Buildings (PREE[161]). The result of this collaboration is the launch of the bank's "Green Renovation Loan" (Préstamo Reforma Verde), which has a fixed rate of 5,95%, and a repayment term of up to 7 years, and it is intended to renovate buildings built before 2007. This loan can finance home renovations for upwards of €100,000 for individuals, and buildings for up to €10 million for companies.

---

[157] An initiative of the International Chamber of Commerce, the Exponential Roadmap Initiative, the We Mean Business coalition and the United Nations Race to Zero campaign.

[158] BBVA. (2021). *BBVA and Acciona launch projects for energy efficiency upgrades in buildings, using European funds*. [Website]. Retrieved from https://www.bbva.com/en/es/sustainability/bbva-and-acciona-launch-projects-for-energy-efficiency-upgrades-in-buildings-using-european-funds/

[159] BBVA Communications. (2021). *BBVA and Minsait simplify the process for applying for Next Generation EU funds for companies, SMEs and the self-employed in Spain*. [Website]. Retrieved from https://www.bbva.com/en/es/sustainability/bbva-and-minsait-simplify-the-process-for-applying-for-next-generation-eu-funds-for-companies-smes-and-the-self-employed-in-spain/

[160] Banco Santander. (2021). *Green Renovation Loan*. [Website]. Retrieved fromhttps://www.bancosantander.es/en/particulares/prestamos/prestamo-verde

[161] IDAE. (2021). *PREE program. Building Energy Rehabilitation*. [Website]. Retrieved from https://www.idae.es/en/support-and-funding/renovation-buildings/pree-program-building-energy-rehabilitation

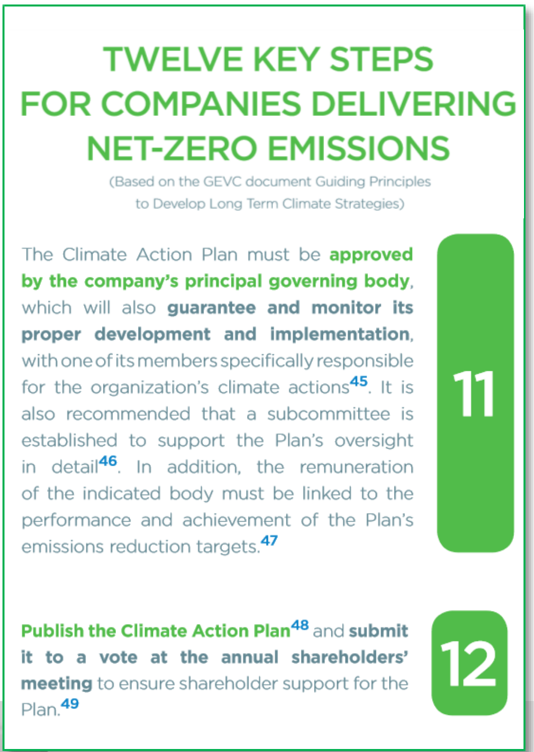
CaixaBank

CaixaBank and Minsait have developed a web tool for companies and businesses to apply for financial support under the Spanish Recovery and Resilience Plan and the NextGenerationEU financial packages including support for a greener economy.[162]

The bank supports the financing of energy efficient buildings with an A or B rating, having concluded in 2020 operations for €1,001 million with an energy efficiency rating of A or B and €306 in real estate. For this purpose, CaixaBank is in the process of adapting its information systems and lending processes to enhance the collection process of buildings energy certificates.[163] CaixaBank also offers personal ecoMicrocredits and ecoLoans to finance the purchase of efficient vehicles and domestic appliances.[164]

CLIMATE GOVERNANCE:
Good governance measures to ensure implementation and monitoring of the bank's climate action plan

A robust governance framework is central to ensuring the implementation of a bank's climate action plan and to effectively monitor and evaluate its performance. Among the recommendations put forward, the GECV Guide highlights the following at the board and shareholder level:



TWELVE KEY STEPS FOR COMPANIES DELIVERING NET-ZERO EMISSIONS

(Based on the GEVC document Guiding Principles to Develop Long Term Climate Strategies)

11 The Climate Action Plan must be **approved by the company's principal governing body**, which will also **guarantee and monitor its proper development and implementation**, with one of its members specifically responsible for the organization's climate actions[45]. It is also recommended that a subcommittee is established to support the Plan's oversight in detail[46]. In addition, the remuneration of the indicated body must be linked to the performance and achievement of the Plan's emissions reduction targets.[47]

12 **Publish the Climate Action Plan**[48] and **submit it to a vote at the annual shareholders' meeting** to ensure shareholder support for the Plan.[49]

1 **A climate action plan must be approved and monitored by the company's principal governing body with the assistance of a subcommittee.**

2 **One of its governing body members must be specifically responsible for the organization's climate action.**

3 **The remuneration of the governing body must be linked to the performance and achievement of the Plan's emissions reduction targets.**

4 **The plan must be submitted to a vote at the annual shareholders' meeting, as recommended by the Say On Climate initiative.**[165]

[162] CaixaBank. (2022). *Ayudas Públicas*. [Website]. Retrieved from https://caixabank-ayudaspublicas.minsait.com/es

[163] CaixaBank. (2021). *Sustainable Financing.* [Website]. Retrieved from https://www.caixabank.com/en/sustainability/environment/sustainable-financing.html#

[164] *Ibid.*

[165] Say on Climate. (2022). *Home*. [Website]. Retrieved from https://sayonclimate.org/guide-for-asset-managers/

Further, the GECV Guide recommends that the plan is subject to a regular assessment based on quantitative key performance indicators and that it takes into account Scope 1, 2 and 3 emissions based on the GHG Protocol. The Guide also recommends that banks monitor and report annually their portfolios' alignment with their reduction targets, climate scenarios, and their trajectories analysed (including those towards 1.5ºC) using science-based methodologies, such as PACTA and SDA.

Leading Standards to Measure Financed Emissions and Target Portfolio Alignment

GREENHOUSE GAS PROTOCOL

The Greenhouse Gas Protocol was established by the World Resources Institute and the World Business Council for Sustainable Development.[166] It provides the most widely used standardised frameworks to measure and manage GHG emissions from private and public sector operations, value chains and mitigation actions.[167]

PACTA Paris Agreement Capital Transition Assessment — 2° Investing Initiative

PACTA (Paris Agreement Capital Transition Assessment) is a climate scenario analysis program developed by 2DII that allows banks to measure their financial portfolios' alignment with climate scenarios in line with the Paris Agreement.[168]

SCIENCE BASED TARGETS — DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

SDA (Sectoral Decarbonization Approach) is one of the methodologies used by the Science Based Targets initiative. It provides a science-based methodology for setting GHG reduction targets to stay within a 2°C temperature rise above preindustrial levels and based on the 2°C scenario (IEA).[169]

Transition Pathway Initiative

TPI (Transition Pathway Initiative) is an asset-owner led initiative coordinated by the Grantham Research Institute, LSE and FTSE Russell. TPI has launched a tool that evaluates companies' preparedness for the transition to a low carbon economy based on public information on management quality and carbon performance.[170]

PCAF Partnership for Carbon Accounting Financials

PCAF (Partnership for Carbon Accounting Financials) is an industry-led initiative that has developed the Global GHG Accounting and Reporting Standard for the Financial Industry, a standardised approach for banks to measure their financed emissions. PCAF's methodology has been reviewed by the GHG Protocol and is in line with its Corporate Value Chain (Scope 3) Accounting and Reporting Standard, for Category 15 investment activities.[171]

---

[166] Greenhouse Gas Protocol. (2021). *About us.* [Website]. Retrieved from https://ghgprotocol.org/about-us

[167] PCAF. (2021). *Strategic Framework for Paris Alignment: A global landscape overview of resources for financial institutions, from measuring financed emissions to taking action.* Retrieved from https://carbonaccountingfinancials.com/files/2021-04/strategic-framework-for-paris-alignment.pdf?515d2dd9f1

[168] 2DII. (2021). *PACTA / Climate Scenario Analysis Programming.* [Website]. Retrieved from https://2degrees-investing.org/resource/pacta/

[169] PCAF. (2021). *Strategic Framework for Paris Alignment: A global landscape overview of resources for financial institutions, from measuring financed emissions to taking action.* Retrieved from https://carbonaccountingfinancials.com/files/2021-04/strategic-framework-for-paris-alignment.pdf?515d2dd9f1

[170] Transition Pathway Initiative. (2021). *TPI Tool.* [Website]. Retrieved from https://www.transitionpathwayinitiative.org/sectors

[171] PCAF. (2021). *The Global GHG Accounting & Reporting Standard for the Financial Industry.* Retrieved from https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

Board of directors' governance framework and shareholders engagement

The three big Spanish banks have a good starting climate governance framework as the board of directors is involved in the creation and approval of the climate action strategy, as well as in the monitoring of its implementation. These boards are assisted by a subcommittee to elaborate and monitor the climate action plan. However, none of the banks have submitted their climate strategy to a vote by shareholders.

BBVA's Board of Directors and its Executive Committee directly participated in the drafting and approval of the Group's new strategic plan, which includes the bank's commitment to integrate sustainability and the fight against climate change into the Group's business and priorities. The Board is assisted with ad-hoc reports from the new Sustainability Area created in July 2021 and reporting directly to the Chairman and CEO. This new unit includes global functions such as sustainability strategy, sustainability transition and responsible business, but also co-dependency with all heads of business development from Corporate & Investment Banking (CIB) and country business units – which is a stand-out feature among global banks. [172] The Risk and Compliance Committee is in charge of monitoring the executive team's progress toward integrating sustainability into the Group's risk analysis and management.[173]

Santander's Board is supported by its Responsible Banking, Sustainability and Culture Committee (RBSCC) to oversee the bank's climate strategy. The Group Management Committee and its CEO receive progress reports on the responsible banking agenda twice a year and on climate change four times per year. Unlike BBVA, in its 2021 Climate Finance report Santander does not mention nor explain the exact level of involvement of the Board Risk Committee in climate risk governance at the board level. The bank does not disclose whether a specific board member is in charge of the climate strategy.[174]

[172] BBVA. (2021). *BBVA creates a new global area of Sustainability, led by Javier Rodríguez Soler.* [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-creates-a-new-global-area-of-sustainability-led-by-javier-rodriguez-soler/

[173] BBVA. (2021). *BBVA Report on TCFD December 2020*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[174] Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

After the merger with Bankia, CaixaBank created a new Sustainability Directorate integrated in the bank's Management Committee and with four dependent divisions. The structure of the governing bodies was also adapted to give greater relevance to sustainability.[175] CaixaBank's Board approves and monitors the bank's climate strategy with the assistance of a new Sustainability Committee dependent on the Management Committee and the Global Risk Committee. The head of the Sustainability Committee is the executive-level member in charge of the bank's climate strategy.[176]

None of the Spanish banks have specifically linked the remuneration of their Board of Directors with the performance of the financed emissions reduction targets. BBVA has linked its Executive Chairman and CEO's variable remuneration to sustainability objectives that include origination of sustainable financing - a scheme also replicated for all of its employees[177] - and BBVA's performance in sustainability ratings.[178] The remuneration of its Chief Sustainability Officer is also linked to the achievement of BBVA's climate strategy goals.[179]

Santander has also linked its executive remuneration to green finance objectives and the bank has made Responsible Banking (RB) part of the qualitative adjustment to the short-term metrics, in which it considers progress against the bank's RB agenda and includes climate change.[180] CaixaBank's CEO and Chief Risk Officer have remuneration metrics linked to the development and implementation of the 2019-2021 Roadmap[181] and to the bank's climate risk management.[182] The Chief Sustainability Officer's remuneration is linked to the reduction in emissions and energy consumption from CaixaBank's buildings.[183]

[175] CaixaBank. (2021). Condensed interim consolidated financial statements of CaixaBank Group for the six months ended. Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/MEM_IGC_GRUPCAIXABANK_30062021_ING.pdf

[176] CaixaBank. (2021). *Sustainability Committee.* [Website]. Retrieved from https://www.caixabank.com/en/sustainability/socially-responsible-banking/sustainability-committee.html

[177] BBVA. (2021). *Report on TCFD December 2020.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[178] CDP. (2021). *BBVA Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

[179] *Ibid.*

[180] Banco Santander. (2021). *Climate Finance Report: 2020-June 2021.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[181] CDP. (2021). *CaixaBank Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

[182] CaixaBank. (2020). *Consolidated Management Report.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/IGC_Eng_v30_2.pdf

[183] CDP. (2021). *CaixaBank Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

Evaluation of the climate action plan's performance

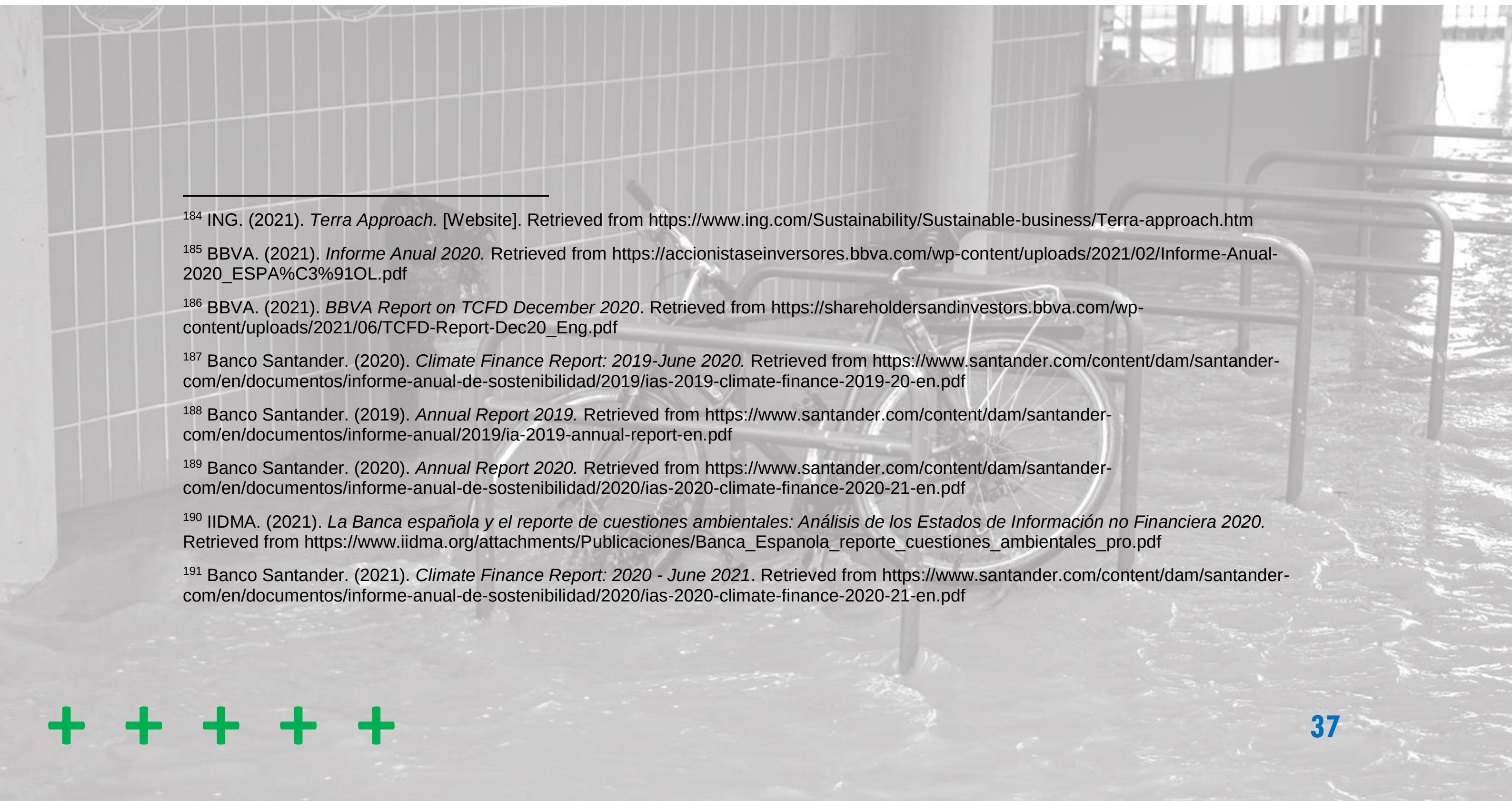
Given that the big three Spanish banks are yet to publish a comprehensive climate action plan that covers all the best practices identified by the GECV COP26 work, little ground has been covered with regard to evaluating the progress in achieving their emissions reduction targets. BBVA, Santander and CaixaBank are in the process of establishing protocols to measure their financed emissions, which were not disclosed in their 2020 annual reports nor in their Carbon Disclosure Project submissions. However, all three banks are involved in pilots in this area.

Santander and BBVA's sectoral targets were established after a pilot with 2 Degrees Investing Initiative (2DII) in the context of the PACTA methodology. ING is the most advanced international peer bank in the implementation of this new methodology, and has integrated PACTA within its group-wide climate strategy called the "Terra Approach".[184] In an interview with Klaus Hagerdorn and Soline Ralite from 2DII, they explained that BBVA and Santander are in a pilot phase in which they still have to internalise the PACTA methodology across their own systems.

BBVA has applied PACTA to its oil & gas, coal mining, electricity, automotive, maritime transport and cement and steel portfolios,[185] although it still has to disclose the results from this assessment. The bank has also formally joined the Partnership for Carbon Accounting Financials (PCAF) in order to progress in the measuring and disclosure of its financed emissions.[186]

Santander has conducted tests with the PACTA methodology in 31% of its investment banking portfolios: energy, fossil fuel, automotive and cement.[187] In its 2019 Annual Report, Santander disclosed the first PACTA assessment of its power and fossil fuels portfolios showing the bank's exposure to coal, oil and gas.[188] Santander disclosed further results from the PACTA assessment in its 2020 Annual Report, indicating the CO2 emissions intensity in the power generation portfolio.[189] This is a best practice identified in a recent report by IIDMA[190] that analyses the main Spanish banks' 2020 annual reports and finds that in Spain only Bankinter discloses the emissions intensity of all its coal-related sectors while Santander is the only one of the other Spanish banks that does the same for its power generation portfolio. Santander plans to focus on other approaches to calculate its financed emissions. These include the Sector Decarbonization Approach (SDA), Transition Pathway Initiative (TPI) and PCAF.[191]

CaixaBank only reports using the PACTA methodology for its asset manager, as further discussed in the section below. As with the other two banks, CaixaBank has joined PCAF.



[184] ING. (2021). *Terra Approach.* [Website]. Retrieved from https://www.ing.com/Sustainability/Sustainable-business/Terra-approach.htm

[185] BBVA. (2021). *Informe Anual 2020.* Retrieved from https://accionistaseinversores.bbva.com/wp-content/uploads/2021/02/Informe-Anual-2020_ESPA%C3%91OL.pdf

[186] BBVA. (2021). *BBVA Report on TCFD December 2020*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[187] Banco Santander. (2020). *Climate Finance Report: 2019-June 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2019/ias-2019-climate-finance-2019-20-en.pdf

[188] Banco Santander. (2019). *Annual Report 2019.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019-annual-report-en.pdf

[189] Banco Santander. (2020). *Annual Report 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[190] IIDMA. (2021). *La Banca española y el reporte de cuestiones ambientales: Análisis de los Estados de Información no Financiera 2020.* Retrieved from https://www.iidma.org/attachments/Publicaciones/Banca_Espanola_reporte_cuestiones_ambientales_pro.pdf

[191] Banco Santander. (2021). *Climate Finance Report: 2020 - June 2021*. Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

TABLE 5: Best practices in the climate governance framework from the three Spanish banks

Best Practices	BBVA	Banco Santander	CaixaBank
Climate strategy approved and monitored by Board of Directors	Yes	Yes	Yes
Board of Directors assisted by subcommittee	Yes	Yes	Yes
One Board member of specifically responsible for the organization's climate action	Yes	No	Yes
Board remuneration linked to the performance and achievement emissions reduction targets	Not yet	No	Not yet
Board remuneration linked to the performance and achievement other climate objectives	Yes (sustainable finance)	Yes (green finance and qualitative adjustment based on progress in climate change agenda)	Yes (climate risk management)
Climate strategy submitted to a vote at the annual shareholders' meeting	Not yet	No	Not yet
Emissions reduction targets are subject to a regular assessment based on quantitative key performance indicators	Not yet	No	Not yet
Measure Scope 1, 2 and 3 emissions based on the GHG Protocol	Joined PCAF	Joined PCAF	Joined PCAF
Monitor and report portfolios' alignment using science-based methodologies	PACTA assessment for 6 portfolios	PACTA assessment for 4 portfolios (31%), planning to use SDA, TPI and PCAF. Disclosure for 2 portfolios.	Not yet

Comparative analysis of Spanish Asset Managers

TARGETS: Sectoral science-based targets for emissions reductions to deliver Net Zero in 2050

BBVA Asset Management (BBVA AM) and Santander Asset Management (Santander AM) have joined the Net Zero Asset Managers (NZAM) alliance, committing to establish an interim proportion of assets to be managed in line with the 2050 net zero objective. This interim target would be reviewed every 5 years with the ultimate aim of including 100% of assets under management. The asset managers also commit to reduce 50% emissions of the interim assets target by 2030[192].

Santander AM announced which of its assets under management will be included in the 50% emissions reduction target for 2030: 54% of its total assets that "currently have a defined Net Zero methodology" and around half of these have carbon metrics available today.[193] Santander AM may carry out an upwards review of this objective depending on data availability and it plans to reveal further information about its targets by March 2022. BBVA AM still needs to announce specific targets.

CaixaBank Asset Management (CaixaBank AM) has not joined NZAM. The asset manager has also not disclosed whether it plans to establish emissions reduction targets any time soon.

As with the NZAB guidelines, the speed at which targets are set under the NZAM commitment is subject for debate. While NZAM requires members to set a target for a proportion of assets within a year of joining the alliance, the Reclaim Finance report points out that NZAM does not establish a deadline before 2050 to set a target that covers all assets under management nor to set the 2030 targets.[194] Additionally, NZAM guidelines do not prioritise including high-emissions assets in the interim proportion target.

The environmental think tank Universal Owner finds that only 10% of the holdings of the largest asset managers are responsible for 85% of their portfolio emissions, which means that even if the interim targets cover 90% of the assets under management they might still fail to address a significant amount of emissions.[195] Furthermore, NZAM does not set limits on the use of offsets.[196] However, unlike the NZAB guidelines, the NZAM guidelines explicitly mention that, if offsets are used, asset managers should invest in long-term carbon removal.[197] This is a stricter standard than that set by NZAB.[198]

---

[192] Banco Santander. (2021). *Climate Finance Report: 2020 - June 2021*. Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[193] Santander Asset Management. (2021). *Road to Net Zero.* Retrieved from https://www.santanderassetmanagement.com/content/view/6924/file/NETZERO%20SAM_NOV21.pdf

[194] Reclaim Finance. (2021). IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

[195] Marsh, A. (2021). *Net Zero Asset Managers Fall Short of Targets Set by Scientists*. Bloomberg Green. Retrieved from https://www.bloomberg.com/news/articles/2021-11-10/net-zero-asset-managers-fall-short-of-targets-set-by-scientists

[196] *Ibid.*

[197] Net Zero Asset Managers. (2021). *Commitment*. [Website]. Retrieved from https://www.netzeroassetmanagers.org/#our_commitment

[198] Reclaim Finance. (2021). IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

CONCRETE PLANS: Climate action plans to operationalise emissions reduction targets

NZAM requires that asset managers publish TCFD disclosures and climate action plans annually, although it does not specify when asset managers should start to disclose these plans. None of the three Spanish asset managers have yet done so. Nevertheless, they have taken steps to analyse and manage climate risks with relevant financing policies, although much work is left to systematically integrate climate in these Spanish asset managers' investment decisions. Additionally, NZAM requests that members establish a clear voting policy consistent with the 2050 net zero objective, but it does not specify further guidelines in this regard. Members should also create investment products aligned with this objective and facilitate investment in climate solutions.

NZAM's network partners (which include Asia Investment Group on Climate Change, CDP, Ceres, IIGCC, Investor Group on Climate Change and PRI) have released a document with expectations from signatories with regard to fossil fuel investment policy. Asset managers should adopt a robust and science-based policy for a fossil fuel phase out and, at a minimum, cover the interim proportion of assets that they plan to manage in line with the net zero objective. They provide a list of positions from several organisations addressing fossil fuel finance on which asset managers can base their financing policies.[199]

NZAM Network Partners' expectations of signatories with regard to fossil fuel investment policy and list of organisational positions

Net Zero Asset Owners Alliance: i) no further thermal coal power plants should be financed, insured, built, developed or planned, ii) immediate cancellation of all new thermal coal projects, including thermal coal plant, coal mines and related infrastructure in a pre-construction phase, iii) phase-out of all unabated existing coal-fired electricity generation in accordance with 1.5°C pathways (IPCC).

Paris Aligned Investment Initiative Net Zero Investment Framework: No additional capital to companies which are planning or constructing new thermal coal projects and associated infrastructure (power, mining) or taking forward new exploitation of tar sands.

The Investor Agenda: Phase out investments in thermal coal mining and coal-fired power generation.

Science Based Targets initiative: Phase out financial support to coal across all their activities in line with a full phase out of coal by 2030 globally. Notably, this includes immediately ceasing all financial or other support to coal companies* that are building new coal infrastructure or investing in new or additional thermal coal expansion, mining, production, utilization (i.e., combustion), retrofitting, or acquiring of coal assets.

Powering Past Coal Alliance: Restricting financing for unabated coal power generation.

[199] Net Zero Asset Managers Initiative. (2021). *Network Partners' expectation of signatories with regard to fossil fuel investment policy.* Retrieved from https://www.netzeroassetmanagers.org/NZAM-Network-Partners-Fossil-Fuel-Position.pdf

BBVA AM has announced the creation of a sustainable investment plan that will be “developed over the next years”[200], but it has yet to disclose this plan. The asset manager only reports that this plan includes the following initiatives: i) creating an internal ESG measurement rating for all instruments in the portfolio to integrate ESG criteria in the investment process and ii) development of exclusion policies for companies that face “severe controversies”, do not comply with the UN Global Compact, and sectors that are “intrinsically harmful to society.”[201]

With regard to the first initiative, BBVA AM has been taking steps to integrate non-financial aspects in investment decisions, in their monitoring and in risk and control processes. The asset manager has developed an internal ESG rating based on a proprietary methodology with data from external providers that it applies to all of its assets under management.[202] This rating assists BBVA AM in measuring and reporting the sustainability of its portfolios, although it has not comprehensively disclosed the findings from its implementation. An ESG assessment is performed 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.[203]

BBVA AM does not disclose the analysis and management of climate risks (physical and transition risks) in line with TCFD recommendations and it has yet to systematically integrate climate risk analysis and management in its sustainability strategy. The asset manager only discloses that its evaluation of principal adverse impacts include the following SFDR indicators, pending the approval of the technical standards: i) average carbon intensity (Scopes 1 and 2) for investments in securities issued by private entities (both shares and debt securities) and in investment funds and ii) average carbon intensity (Scopes 1, 2 and 3) for investments in securities issued by private entities (both shares and debt securities).

With regard to the management and monitoring of the risks identified, in 2021 BBVA AM aimed at monitoring the impact and sensitivity of investments against climate variables.[204] The asset manager’s sustainability policy defines its sustainable investment approach and the criteria considered in its investment and risk control process. This policy establishes the mandatory criteria for all the investments managed and are integrated in the asset manager’s procedures.[205] BBVA AM has implemented three main mechanisms to deal with risks: a voting policy, engagement with clients[206], and exclusion policies. In its voting policy, BBVA AM only discloses that it will vote in favour of environmental proposals for which there is sufficient transparency and that are in line with regulations applicable to the companies’ regions.[207] The asset manager’s exclusion policies also require further development. BBVA AM has no public oil & gas policy and no public coal policy, as reflected by the fact that according to 2019 data it had $120.64 million invested in 18 coal plant developers.[208]

[200] BBVA. (2021). *BBVA Report on TCFD*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

[201] *Ibid.*

[202] BBVA Communications. (2021). *BBVA Asset Management incorpora criterios de sostenibilidad en el proceso de inversión de todos sus productos.* Retrieved from https://www.bbva.com/es/bbva-asset-management-incorpora-criterios-de-sostenibilidad-en-el-proceso-de-inversion-de-todos-sus-productos/

[203] BBVA Asset Management. (2021). *Información Relacionada con Sostenibilidad.* Retrieved from https://bbvaassetmanagement.com/es/informacion-relacionada-con-sostenibilidad/

[204] *Ibid.*

[205] *Ibid.*

[206] As outlined in section “Comparative analysis of Spanish Banks”, BBVA Asset Management also applies BBVA’s ESG due diligence based on client engagement. BBVA. (2021). Environmental and Social Framework. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

[207] BBVA Asset Management. (2021). *Política de Implicación.* Retrieved from https://bbvaassetmanagement.com/wp-content/uploads/sites/2/2021/11/GEST.92.02-Pol%C3%ADtica-de-Implicaci%C3%B3n_nuevo.pdf

[208] Reclaim Finance. (2021). *Coal Policy Tool.* [Website]. Retrieved from https://coalpolicytool.org/

Santander AM has disclosed a Sustainable and Responsible Investment (SRI) Policy where it outlines how it deals with ESG matters and where it lists TCFD as one of the basis for the best practices included in this policy.[209] The asset manager has developed its own ESG methodology to assign its funds a rating and embed ESG criteria in its investment, voting and engagement policies.[210] An ESG assessment is carried out across all its assets to identify sustainability risks and set financing exclusions.[211] As per the recommendations included in the GECV Guide, this ESG assessment has a double materiality perspective in order to assess the impact of environmental factors on investments and vice versa. Santander AM states that it has assessed transition risks (regulatory, market and technology risks) in each sector of its investments, but it provides no mention of physical risks and it does not disclose the results of these assessments in line with TCFD recommendations.[212] The asset manager also reports that its ESG assessment includes the following indicators, pending the approval of the SFDR technical standards: i) total greenhouse gas (GHG) emissions, ii) carbon footprint and intensity, iii) exposure to companies active in the fossil sector.[213]

As for the management and monitoring of the climate risks identified, they should be further integrated in Santander AM's sustainability strategy, which outlines three main management mechanisms: voting, engagement and exclusion policies. The voting policy mentions that Santander AM "encourages companies to take extra-financial considerations into account" and that it will abstain from voting or vote against a resolution that "violates any of the ESG criteria relevant for SAM defined by its SRI policies".[214] Other than that, the policy just mentions that for ESG matters, Santander AM will base decisions on its proxy advisor's recommendations. As in the case of BBVA AM, the exclusion policies set by Santander AM also require further development. Santander AM does not have any prohibitions of coal or oil & gas projects and clients. In its Global Sustainability Policy, the asset manager states that it adapts Santander Group's finance policies in climate-relevant sectors to the "particularities of the fund management industry" and, as a result, Santander AM only has policies to "restrict" investments in prohibited activities at Group level.[215]

Similarly to BBVA and Santander AM, CaixaBank AM has several policies covering sustainability. In its Sustainability Risk Integration Policy, CaixaBank AM outlines a model based on three pillars: i) incorporating ESG factors into investment analysis and decision-making process, ii) proxy voting and iii) engagement with companies on ESG matters.[216] Regarding the incorporation of ESG factors, CaixaBank AM uses data from external providers to carry out the assessment across all its assets. CaixaBank AM only mentions the integration of operational and reputational risks linked to ESG issues, but not other climate-related transition risks and physical risks in line with TCFD recommendations. The asset manager also includes an SFDR-based assessment of sustainability risks and adverse impacts. However, unlike the other two Spanish asset managers, CaixaBank AM does not disclose the indicators it uses in order to carry out the assessment.[217] According to the latest Group report, 44% of CaixaBank

---

[209] Santander Asset Management. (2021). *Sustainable and responsible investment policy.* Retrieved from https://www.santanderassetmanagement.com/content/view/2076/file/2021.06%20-%20SAM%20Holding%20-%20SRI%20Policy%20EN.pdf

[210] Banco Santander. (2020). *Annual Report 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[211] *Ibid.*

[212] Banco Santander. (2020). *Annual Report 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

[213] Santander Asset Management. (2021). *Statement on Due Diligence Policies in relation to the Principal Adverse Sustainability Impacts.* Retrieved from https://www.santanderassetmanagement.com/content/view/5469/file/2021.07.05%20-%20SAM%20Holding%20-%20Principal%20Adverse%20Sustainable%20Impacts%20ENG.pdf

[214] Santander Asset Management. (2020). *Voting Policy.* Retrieved from https://www.santanderassetmanagement.com/content/view/5360/file/2020.12%20-%20SAM%20Holding%20-%20Global%20Voting%20Policy%20ENG.PDF

[215] Santander Asset Management. (2020). *Global Sustainability Policy*. Retrieved from https://www.santanderassetmanagement.com/content/view/2079/file/SAM%20Holding%20-%20Pol%C3%ADtica%20Global%20de%20Sostenibilidad%20ENG%202020_vf_pub.pdf

[216] CaixaBank Asset Management. (2021). *Sustainability Risk Integration Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politica%20Integracion%20riesgos%20ENG.pdf

[217] CaixaBank Asset Management. (2021). *Statement of Due Diligence Policies in relation to Adverse Incidents.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politicas_Declaracion_PIAS.ENG_.pdf

AM's equity funds, insurance and pension plans are expected to report high sustainability ratings under articles 8 and 9 of the SFDR. Also, CaixaBank AM plans to launch investment and pension plans in line with article 9.[218]

CaixaBank AM has a proxy voting approach in order to manage sustainability risks. However, no specific policies are disclosed.[219] With regard to exclusion policies, CaixaBank AM is the only of the three asset managers that has an investment prohibition on companies whose consolidated income depends on the extraction of thermal coal by more than 40%. CaixaBank AM also claims it will be "especially sensitive" to investment in companies where: i) the Group's turnover depends on the generation of energy from thermal coal by more than 25% (with the exception of companies in countries with a high energy dependence on coal that use the most efficient technologies in terms of emissions of CO2 and have a diversification strategy) and ii) exploration or production of oils sands account for more than 10% of the Group's consolidated turnover at the parent level.[220] The policy fails to specify what it means to be "especially sensitive" to these activities. Moreover, in its most recent Sustainability Risk Integration Policy, CaixaBank AM seems to allow for exceptions to these restrictions without any conditions attached: "investment in business groups or companies that might be subject to these restrictions may occasionally be considered, as an exception".[221]

A Reclaim Finance report[222] that looks into the largest asset managers finds that a lack of ambitious financing policies to exclude coal clients and projects without loopholes is one of the most significant blocks to managers achieving their net zero commitments. Additionally, asset managers are missing clear voting guidelines that are key to leverage and prompt investee companies' decarbonisation. Overall, the report points out the need for further transparency on the application scopes of asset managers' climate policies. These critiques are applicable to the three Spanish asset managers' climate strategies as described here.

Finally, none of the three asset managers in the major Spanish banking groups have announced green investment targets, but they all offer a range of sustainable funds.

[218] CaixaBank. (2021). *Condensed interim consolidated financial statements of CaixaBank Group for the six months ended.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/MEM_IGC_GRUPCAIXABANK_30062021_ING.pdf

[219] CaixaBank Asset Management. (2021). *Statement of Due Diligence Policies in relation to Adverse Incidents.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politicas_Declaracion_PIAS.ENG_.pdf

[220] CaixaBank Asset Management. (2021). *Environmental Risk Management Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-02/2_POLITICA%20GESTION%20RIESGO%20MEDIOAMBIENTAL_en.pdf

[221] CaixaBank Asset Management. (2021). *Sustainability Risk Integration Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politica%20Integracion%20riesgos%20ENG.pdf

[222] No Spanish asset managers are included in this report: Cuvelier, L. (2021). *Slow Burn: The asset managers betting against the planet*. Reclaim Finance. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/04/Slow_Burn_RF_FINAL_ENG.pdf

CLIMATE GOVERNANCE:
Good governance measures to ensure implementation and monitoring of the asset manager's climate action plan

NZAM does not provide specific guidelines on governance measures that asset managers should take. As outlined in the section above, the GECV Guide highlights two key recommendations from international sustainability initiatives:

TWELVE KEY STEPS FOR COMPANIES DELIVERING NET-ZERO EMISSIONS

(Based on the GEVC document Guiding Principles to Develop Long Term Climate Strategies)

11

The Climate Action Plan must be **approved by the company's principal governing body**, which will also **guarantee and monitor its proper development and implementation**, with one of its members specifically responsible for the organization's climate actions[45]. It is also recommended that a subcommittee is established to support the Plan's oversight in detail[46]. In addition, the remuneration of the indicated body must be linked to the performance and achievement of the Plan's emissions reduction targets.[47]

1 Remuneration of the governing body must be linked to the performance and achievement of the emissions reduction targets

2 Monitor and report annually portfolios' alignment with reduction targets, climate scenarios, and their trajectories analysed (including those towards 1.5ºC) using science-based methodologies, such as PACTA and SDA.

Reclaim Finance reports that asset managers' current remuneration incentives and performance measurements are only based on short-term objectives, which explains why they keep mispricing climate risk and financing emissions-intensive projects and clients.[223]

None of the three assessed Spanish asset managers link the compensation of its Board of Directors to the precise performance of the emissions reduction targets - especially as these have not been established yet - but they do include sustainability-related targets. BBVA AM states that in February 2021 the Board of Directors made changes to its remuneration policy to align it with BBVA AM strategy and risks, including the sustainability and climate change risks.[224] BBVA AM's employee variable remuneration has also been linked to the integration of sustainability risks.[225] Neither Santander AM[226] nor CaixaBank AM[227] disclose whether their Board of Director's remuneration is linked to any sustainability or climate objectives.

[223] Cuvelier, L. (2021). *Slow Burn: The asset managers betting against the planet. Reclaim Finance*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/04/Slow_Burn_RF_FINAL_ENG.pdf

[224] BBVA Asset Management. (2021). *Información Relacionada con Sostenibilidad.* Retrieved from https://bbvaassetmanagement.com/es/informacion-relacionada-con-sostenibilidad/

[225] *Ibid.*

[226] Santander Asset Management. (2021). *Information on the Remuneration Policy and its Coherence with the Integration of Sustainability Risks in relation to the Obligations established in the SFDR.* Retrieved from https://www.santanderassetmanagement.com/content/view/5466/file/Remuneration%20Policy%20Statement%20EN.PDF

[227] CaixaBank Asset Management. (2021). *Sustainability Risk Integration Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politica%20Integracion%20riesgos%20ENG.pdf

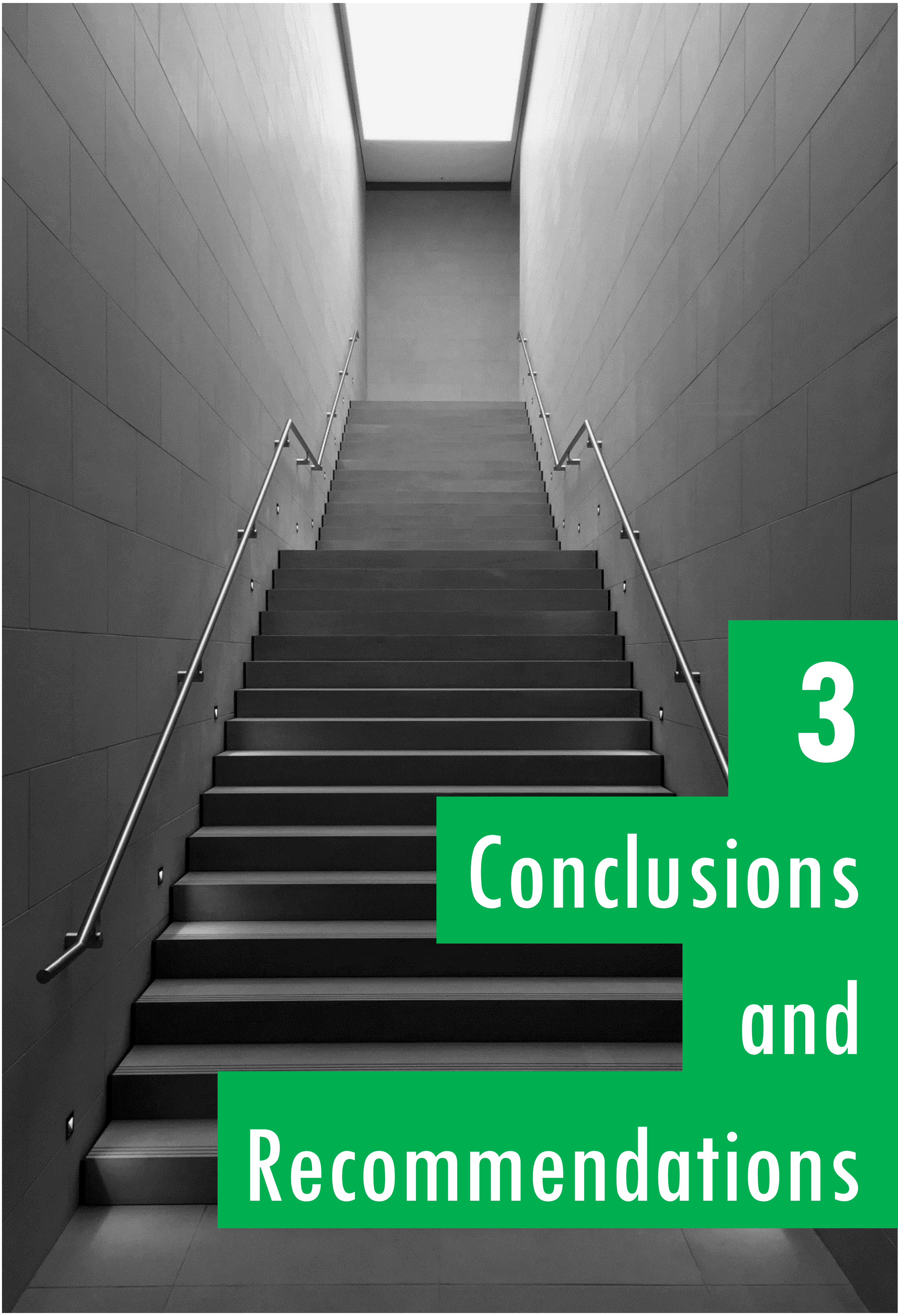
Finally, with regard to using science-based methodologies to monitor and report portfolios' alignment, CaixaBank AM is the only asset manager that claims it will use PACTA in the future.[228] Santander AM only states it is committed to measure portfolio greenhouse emissions based on its support to NZAM.[229]

TABLE 6: Best practices in target-setting, climate action plans and governance framework from the three Spanish asset managers

Best Practices	BBVA	Banco Santander	CaixaBank
Joined NZAM	Yes	Yes	Not yet
Sector-specific targets	Not yet	Not yet	Not yet
TCFD disclosures	Not yet (only at Group level)	Not yet (only at Group level)	Not yet
Disclosure of Climate Action Plan	Not yet	Not yet	Not yet
Analysis of climate risks (physical and transition risks)	Internal ESG rating with some SFDR indicators	Internal ESG rating including transition risks with some SFDR indicators	Internal ESG rating for reputation risks (transition)
Voting policy in line with climate objectives	In progress	In progress	In progress
Limits to financing of fossil fuels projects/clients	Not yet	Not yet	Yes (prohibition of coal extraction and limits to oil sands - both with exceptions)
Green investment targets	Not yet	Not yet	Not yet

[228] CDP. (2021). *CaixaBank Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

[229] Banco Santander. (2020). *Climate Finance Report: 2019-June 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2019/ias-2019-climate-finance-2019-20-en.pdf



3 Conclusions and Recommendations

Spanish banking groups are strategic distribution channels for finance to help companies, SMEs and individuals in their transition to net zero, and they can also engage in the co-distribution of NextGenerationEU recovery funds. Spanish banks have already reported they are often the first contact point for their customers to learn about transition plans and climate risk management.[230] Therefore, as a prerequisite, leading Spanish banking groups should have exemplary, robust and science-based climate action plans through which they see climate risks among their customers and work with them to address these, ultimately decarbonising the financial system.

New and upcoming regulatory measures from Spain and the EU underline the need for banks and asset managers to strengthen their climate strategies. While BBVA, Banco Santander, CaixaBank and their asset managers have mostly joined the GFANZ alliances that set timelines and offer some best practices for developing emissions reduction targets and climate plans, this analysis and other independent reports show that these commitments are not yet ambitious enough to limit global warming to 1.5ºC.

Using the COP26 guide “12 Key Steps for Companies Delivering Net-Zero Emissions”[231] developed by Spain’s Green Growth Group of companies and Climate Strategy we frame the analysis of BBVA, Santander and CaixaBank’s climate strategies, supported by recommendations from forward-looking international initiatives. Based on this assessment, the following are the key recommendations that can improve and accelerate these Spanish banking groups’ ambition and climate action in the green recovery in 2022.

[230] Triana, C. (2021). *Bankinter convertirá su gestora en cero neta.* Social Investor. Retrieved from https://www.socialinvestor.es/cotizada-esg/bankinter-convertira-su-gestora-en-cero-neta/

[231] Climate Strategy & Partners, & GECV. (2021). *Best Practice Guide to turn Net-Zero Emissions Targets into Climate Action Plans*. Retrieved from https://grupocrecimientoverde.org/wp-content/uploads/2021/11/Guide_12_KEY_STEPS_FOR_COMPANIES_DELIVERING_NETZERO_EMISSIONS_GECV.pdf?utm_source=web&utm_medium=boton

Banks Recommendations

Targets	The timeline that the three Spanish banks are following to set sectoral emissions reduction targets, based on the NZBA guidelines, is not fast enough to align with the need to boost climate action in the green recovery. If BBVA, Santander and CaixaBank accelerated the speed of their carbon-intensive sector work, there would be more public support available to their clients. Further, a phase out target for all fossil fuels, and clear commitments to halve overall financed emissions by 2030 are necessary additions. In the current condition, the science-based COP26 goal to reduce 45% of emissions by 2030 and limit global warming to 1.5ºC is in jeopardy. Robust sectoral targets should be aligned with 1.5ºC scenarios and should include transparent limits for the use of offsets, emissions credits, and negative emissions technologies.
Concrete Plans	The three Spanish banks are yet to release comprehensive "best-in-class" climate action plans which include all the concrete measures they need to take to reach their net-zero aligned sectoral targets. Spanish banks began to work ahead of the timeline set in the NZBA guidelines, and this leadership needs to be maintained and accelerated. — Underpinning the climate action plan needs to be a comprehensive analysis and management of climate-related physical and transition risks. While the three Spanish banks have taken steps to analyse these climate risks, more work is needed at the business level to integrate climate risks into the banks' operating frameworks. Additionally, all three banks should include 1.5ºC scenarios in their climate risk analysis. — The lack of climate risk operationalisation is highlight in the three Spanish banks' exclusion policies, which are incomplete and contain several loopholes to potentially perpetuate financing of fossil fuel clients beyond Paris-aligned deadlines. These water-tight exclusion policies are key pillars of Paris-aligned climate action plans and therefore existing positions can be strengthened to cover all projects and clients involved in coal, conventional and unconventional oil & gas activities without weak exceptions. Furthermore, all three banks need to require clients in high-emitting sectors to submit transition plans by a specific date – a best practice in client engagement. — CaixaBank can consider setting a green finance target in proportion to its balance sheet and activities (as both BBVA and Banco Santander have) as a positive contribution to Spain's 2022 green recovery goals. All three banks need to align these green definitions with the EU Taxonomy Climate Delegated Act as a robust practice to ensure the significant climate benefits of their operations.
Climate Governance	All three Spanish banks are taking positive steps to align their governance structure and bodies with their climate strategy. The role and responsibility of their Board of Directors in sustainability matters has increased and their climate focus has improved as a result. However, none of the banks have linked Directors' remuneration to the exact performance and achievement of emissions reduction targets, which is an essential practice to ensure a bank's long-term strategy is aligned with its net zero goals. Moreover, the Spanish banks should consider submitting their climate action plans to a vote by shareholders as a way of increasing shareholders' engagement and their own climate accountability. Finally, while BBVA and Santander have been working to monitor and evaluate their portfolio emissions with science-based methodologies like PACTA, they should disclose the results from all these assessments in relation with key performance indicators. CaixaBank has yet to perform a science-based evaluation of its emissions performance and should.

Bank Asset Managers Recommendations

Targets	Asset managers are lagging compared to their host banks in the development of robust sectoral decarbonisation targets. As part of NZAM, BBVA AM and Santander AM need to consider going beyond the ambition set in the alliance's guidelines and establish transparent and specific portfolio targets for all their carbon intensive sectors. These carbon-intensive assets must all be included in commitments to halve funded emissions by 2030. Whether it plans to join NZAM or not, CaixaBank AM should also follow these same recommendations. Moreover, NZAM's timeline is a low hurdle as it lacks immediate requirements for asset managers to set reduction targets. All three asset managers should immediately establish sectoral targets to make material contributions to a green recovery in 2022.
Concrete Plans	The NZAM guidelines do not require asset managers to submit a climate action plan by a specific date, thus both Santander AM and BBVA AM should go beyond these guidelines to immediately follow the announcement of targets with a robust and comprehensive plan of actions that will be taken to achieve these targets. The same recommendation applies to CaixaBank AM outside of the NZAM framework. With regard to the analysis of climate risks, all three asset managers have further work ahead of them to align their practices with those recommended by TCFD, expected by ECB in 2022 and to align with other international climate leaders. This is also the case for exclusion policies as none of the asset managers have strong policies to end finance to fossil fuels by Paris-aligned dates and voting policies on climate matters are general and potentially ambiguous. This needs to be tightened in 2022.
Climate Governance	None of the asset managers link their Board of Directors' remuneration to the performance and achievement of their emissions reduction targets, and so they should do this in consonance with their targets when announced. Additionally, none of the asset managers report having begun assessing and monitoring their portfolio emissions with science-based methodologies, with only CaixaBank AM having made a future commitment to use PACTA. Good climate governance practices are essential to a correct pricing of climate risks and strong investment policies and will protect third party investors' funds and returns.

Acronyms

2DII	2 Degrees Investing Initiative
BBVA	Banco Bilbao Vizcaya Argentaria
BBVA AM	BBVA Asset Management
CCCA	Collective Commitment to Climate Action
CDP	Carbon Disclosure Project
CEO	Chief Executive Officer
CIB	Corporate & Investment Banking
CO2	Carbon dioxide
CO_2e	Carbon dioxide equivalent
CS	Climate Strategy & Partners
CSRD	Corporate Sustainability Reporting Directive
ECB	European Central Bank
ESG	Environmental, Social, and Governance
ETF	Exchange Traded Funds
EU	European Union
GFANZ	Glasgow Financial Alliance for Net Zero
GECV	*Grupo Español de Crecimiento Verde*
GDP	Gross domestic product
GHG	Greenhouse gases
GRI	Global Reporting Initiative
FTSE	Financial Times Stock Exchange
IBC	International Business Council
ICO	*Instituto de Crédito Oficial*
ICMA	International Capital Market Association
IDAE	Spanish National Institute for the Diversification of Energy and Energy Savings
IEA	International Energy Agency
IIDMA	Instituto Internacional de Derecho y Medio Ambiente
IIGCC	Institutional Investors Group on Climate Change
IPCC	Intergovernmental Panel on Climate Change
kWh	kilowatt hour
LSE	London School of Economics

MITECO	Spanish Ministry for Ecological Transition and the Demographic Challenge
MS	Member States
MWh	Megawatt-hour
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
NGO	Non-governmental organization
NFRD	Non-Financial Reporting Directive
NZAM	Net Zero Asset Managers
NZBA	Net-Zero Banking Alliance
OECD	Organisation for Economic Co-operation and Development
PACTA	Paris Agreement Capital Transition Assessment
PNIEC	Spanish Integrated National Energy and Climate Plan
PREE	Spanish Programme for the Energy Rehabilitation of Buildings
PRI	Principles for Responsible Investment
RB	Responsible Banking
RAN	Rainforest Action Network
RBSCC	Responsible Banking, Sustainability and Culture Committee
SASB	Sustainability Accounting Standards Board
SBTi	Science-Based Targets initiative
SDA	Sectoral Decarbonization Approach
SDGs	Sustainable Development Goals
SFDR	Sustainable Finance Disclosure Regulation
SMEs	Small and medium enterprises
SFCS	Sustainable Finance Classification System
SRI	Sustainable and Responsible Investment
TCFD	Task force on Climate Related Disclosures
TCO2	Total Carbon Dioxide
TPI	Transition Pathway Initiative
UK	United Kingdom
UN	United Nations
UNEP FI	United Nations Environment Programme Finance Initiative
USA	United States of America
WEF	World Economic Forum

Works Referenced

2DII. (2021). *PACTA / Climate Scenario Analysis Programming.* [Website]. Retrieved from https://2degrees-investing.org/resource/pacta/

Accounting for Sustainability. (2021). *TCFD Climate Scenario Analysis. A guide for finance teams on frequently asked questions.* Retrieved from https://www.accountingforsustainability.org/content/dam/a4s/corporate/home/KnowledgeHub/Guide-pdf/A4S%20Guide%20to%20TCFD%20Climate%20Scenario%20Analysis.pdf.downloadasset.pdf

Allievi., M. (2021). *Solo un 30% de las pymes asegura haber iniciado la recuperación económica*. [Website]. Retrieved from https://elpais.com/economia/2021-10-19/siete-de-cada-diez-pymes-asegura-que-aun-no-han-recuperado-el-nivel-de-actividad-prepandemia.html

At first sight. Sourced from: Cambridge Dictionary. (2022), *Meaning of prima facie in English*. [Website]. Sourced from https://dictionary.cambridge.org/dictionary/english/prima-facie

Banco de España. (2021). *El Impacto de la Crisis del Covid-19 sobre la Situación Financiera de las Pymes Españolas*. Retrieved from https://www.bde.es/f/webbde/GAP/Secciones/SalaPrensa/IntervencionesPublicas/DirectoresGenerales/economia/arce180221Cepyme.pdf

Banco de España. (2021). *Markets, Financial Institutions and Central Banks in the face of Climate Change: Challenges and Opportunities*. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

Banco Santander. (2020). *Annual Report 2019.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual/2019/ia-2019-annual-report-en.pdf

Banco Santander. (2020). *Annual Report 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

Banco Santander. (2020). *Climate Finance Report: 2019-June 2020.* Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2019/ias-2019-climate-finance-2019-20-en.pdf

Banco Santander. (2021). *Climate Finance report: 2020-June 2021*. Retrieved from https://www.santander.com/content/dam/santander-com/en/documentos/informe-anual-de-sostenibilidad/2020/ias-2020-climate-finance-2020-21-en.pdf

Banco Santander. (2021). *Environmental, Social and Climate Change Risk Management Policy.* Retrieved from https://www.santander.com/content/dam/santander-com/en/contenido-paginas/nuestro-compromiso/pol%C3%ADticas/do-environmental-social-and-climate-change-risk-policy-en.pdf

Banco Santander. (2021). *Green Renovation Loan*. [Website]. Retrieved fromhttps://www.bancosantander.es/en/particulares/prestamos/prestamo-verde

BankTrack. (2021). *Banks and Coal.* [Website]. Retrieved from https://www.banktrack.org/campaign/banks_and_coal

BankTrack. (2021). *CaixaBank Policy Assessment.* [Website]. Retrieved from https://www.banktrack.org/bank/CaixaBank#policy_assesments

BBVA. (2021). *BBVA and Acciona launch projects for energy efficiency upgrades in buildings, using European funds*. [Website]. Retrieved from https://www.bbva.com/en/es/sustainability/bbva-and-acciona-launch-projects-for-energy-efficiency-upgrades-in-buildings-using-european-funds/

BBVA. (2021). *BBVA announces decarbonization targets for new economic sectors by 2030*. [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-announces-decarbonization-targets-for-new-economic-sectors-by-2030/

BBVA. (2021). *BBVA creates a new global area of Sustainability, led by Javier Rodríguez Soler.* [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-creates-a-new-global-area-of-sustainability-led-by-javier-rodriguez-soler/

BBVA. (2021). BBVA's decarbonization targets: What do they mean and what is their scope? Retrieved from https://www.bbva.com/en/sustainability/bbvas-decarbonization-targets-what-do-they-mean-and-what-is-their-scope/

BBVA. (2021). *Informe Anual 2020.* Retrieved from https://accionistaseinversores.bbva.com/wp-content/uploads/2021/02/Informe-Anual-2020_ESPA%C3%91OL.pdf

BBVA. (2021). *BBVA Investor Day: Sustainability as a business opportunity*. Retrieved from https://accionistaseinversores.bbva.com/microsites/cuentasanuales2020/en/alignment-wef-ibc-sasb/index.html

BBVA. (2021). *BBVA Report on TCFD*. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/06/TCFD-Report-Dec20_Eng.pdf

BBVA. (2021). *BBVA response to investors' letter about climate change and biodiversity.* Retrieved from https://api.shareaction.org/resources/reports/BBVA-ShareAction_Jul21.pdf

BBVA. (2021). *Environmental and Social Framework.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/03/Environmental-and-Social-Framework-_-March-2021.pdf

BBVA. (2021). *January-September 2021 Results.* Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/10/291021-Informe-Trimestral-3Q21_ENG.pdf

BBVA. (2021). *Sustainability as a business opportunity: BBVA Investor Day.* [Presentation]. Retrieved from https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/11/181121PresentacionIDHeadSustainability-1.pdf

BBVA Asset Management. (2021). *Información Relacionada con Sostenibilidad.* Retrieved from https://bbvaassetmanagement.com/es/informacion-relacionada-con-sostenibilidad/

BBVA Asset Management. (2021). *Política de Implicación.* Retrieved from https://bbvaassetmanagement.com/wp-content/uploads/sites/2/2021/11/GEST.92.02-Pol%C3%ADtica-de-Implicaci%C3%B3n_nuevo.pdf

BBVA Communications. (2021). *BBVA doubles its target of channeling sustainable financing to €200 billion*. [Website]. Retrieved from https://www.bbva.com/en/sustainability/bbva-doubles-its-target-of-channeling-sustainable-financing-to-e200-billion/

BBVA Communications. (2021). *BBVA and Minsait simplify the process for applying for Next Generation EU funds for companies, SMEs and the self-employed in Spain*. [Website]. Retrieved from https://www.bbva.com/en/es/sustainability/bbva-and-minsait-simplify-the-process-for-applying-for-next-generation-eu-funds-for-companies-smes-and-the-self-employed-in-spain/

Beyond Oil and Gas Alliance. (2021). *Who we are.* [Website]. Retrieved from https://beyondoilandgasalliance.com/who-we-are/

CaixaBank. (2022). *Ayudas Públicas*. [Website]. Retrieved from https://caixabank-ayudaspublicas.minsait.com/es

CaixaBank. (2021). *Condensed interim consolidated financial statements of CaixaBank Group for the six months ended.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/MEM_IGC_GRUPCAIXABANK_30062021_ING.pdf

CaixaBank. (2020). *Consolidated Management Report.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank_com/Estaticos/PDFs/Accionistasinversores/Informacion_economico_financiera/IGC_Eng_v30_2.pdf

CaixaBank. (2019). *Environmental Risk Management Policy.* Retrieved from https://www.caixabank.com/deployedfiles/caixabank/Estaticos/PDFs/responsabilidad_corporativa/Environmental_Risk_Management_Policy_v2_eng.pdf

CaixaBank. (2021). *Sustainability Committee.* [Website]. Retrieved from https://www.caixabank.com/en/sustainability/socially-responsible-banking/sustainability-committee.html

CaixaBank. (2021). *Sustainable Financing.* [Website]. Retrieved from https://www.caixabank.com/en/sustainability/environment/sustainable-financing.html#

CaixaBank Asset Management. (2021). *Environmental Risk Management Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-02/2_POLITICA%20GESTION%20RIESGO%20MEDIOAMBIENTAL_en.pdf

CaixaBank Asset Management. (2021). *Statement of Due Diligence Policies in relation to Adverse Incidents.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politicas_Declaracion_PIAS.ENG_.pdf

CaixaBank Asset Management. (2021). *Sustainability Risk Integration Policy.* Retrieved from https://www.caixabankassetmanagement.com/sites/default/files/2021-03/Politica%20Integracion%20riesgos%20ENG.pdf

Cawley, L. & et al. (2021). *Sustainable Finance Disclosure Regulation: Detailed Rules on Disclosures.* [Website]. Retrieved from https://www.kirkland.com/publications/kirkland-alert/2021/02/sustainable-finance-disclosure-regulation

CDP. (2021). *BBVA Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

CDP. (2021). *CaixaBank Climate Change 2020 Response.* [Website]. Retrieved from https://www.cdp.net/en/search

CDP. (2022). *What we do.* [Website]. Retrieved from https://www.cdp.net/en/info/about-us/what-we-do

Chislett, W. (2021). *Challenges and opportunities for Spain in times of COVID-19*. Retrieved from http://www.realinstitutoelcano.org/wps/portal/rielcano_en/contenido?WCM_GLOBAL_CONTEXT=/elcano/elcano_in/zonas_in/wp01-2021-chislett-challenges-and-opportunities-for-spain-in-times-of-covid-19

Christie, R. et al. (2021). *Next Generation EU borrowing: a first assessment.* Bruegel. [Website]. Retrieved from https://www.bruegel.org/wp-content/uploads/2021/11/PC-22-101121.pdf

Cinco Días. (2021). *BBVA anuncia objetivos de descarbonización en nuevos sectores para 2030*. Retrieved from https://cincodias.elpais.com/cincodias/2021/11/03/companias/1635938622_671459.html

Cinco Días. (2021). *CaixaBank AM integra Bankia Fondos tras su inscripción en la CNMV*. [Website]. Retrieved from https://cincodias.elpais.com/cincodias/2021/07/16/companias/1626432375_710609.html

Climate Strategy & Partners, & GECV. (2021). *Best Practice Guide to turn Net-Zero Emissions Targets into Climate Action Plans*. Retrieved from https://grupocrecimientoverde.org/wp-content/uploads/2021/11/Guide_12_KEY_STEPS_FOR_COMPANIES_DELIVERING_NETZERO_EMISSIONS_GECV.pdf?utm_source=web&utm_medium=boton

Cuvelier, L. (2021). *Slow Burn: The asset managers betting against the planet*. Reclaim Finance. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/04/Slow_Burn_RF_FINAL_ENG.pdf

Delriu, J. (2021). *El impacto de la pandemia y la crisis climática: un test para las finanzas sostenibles.* Retrieved from https://s1.aebanca.es/wp-content/uploads/2020/05/el-impacto-de-la-pandemia-y-la-crisis-climtica.pdf

Eisl, A. (2021). *The European Recovery Plan as a Breakthrough for Green Innovation? Comparing 14 National Recovery and Resilience Plans*. Jacques Delors Institute. Retrieved from https://institutdelors.eu/wp-content/uploads/2021/12/PB211217_GreenInnovationNRRPs_Eisl.pdf

Elderson, F. (2021). *How well are European banks managing their climate-related and environmental risks?* [Website]. Retrieved from https://www.bankingsupervision.europa.eu/press/blog/2021/html/ssm.blog211122~72e867b385.en.html

Equator Principles. (2021). *Caixabank*. [Website]. Retrieved from https://equator-principles.com/report/caixabank-3-nov-2021/

Environmental Finance. (2021). *GFANZ fails to deliver at COP26*. [Website]. Retrieved from https://www.environmental-finance.com/content/analysis/gfanz-fails-to-deliver-at-cop26.html

European Central Bank. (2021). *Guide on climate-related and environmental risks: Supervisory expectations relating to risk management and disclosure.* Retrieved from https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202011finalguideonclimate-relatedandenvironmentalrisks~58213f6564.en.pdf

European Central Bank. (2021). *How well are European banks managing their climate-related and environmental risks*? [Website]. Retrieved from https://www.bankingsupervision.europa.eu/press/blog/2021/html/ssm.blog211122~72e867b385.en.html

European Central Bank. (2021). *The state of climate and environmental risk management in the banking sector*. Retrieved from https://www.bankingsupervision.europa.eu/ecb/pub/pdf/ssm.202111guideonclimate-relatedandenvironmentalrisks~4b25454055.en.pdf

European Commission. (2019). *COM/2019/640 final*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1576150542719&uri=COM%3A2019%3A640%3AFIN

European Commission. (2019). *Communication from the Commission - Guidelines on non-financial reporting: Supplement on reporting climate-related information (2019/C 209/01)*. Retrieved from https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52019XC0620%2801%29

European Commission. (2021). *Corporate sustainability reporting.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en

European Commission. (2021). *European green bond standard.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/european-green-bond-standard_en

European Commission. (2021). *Funding strategy for NextGenerationEU: Questions and Answers.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

European Commission. (2021). *Overview of sustainable finance*. [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/banking-and-finance/sustainable-finance/overview-sustainable-finance_en

European Commission. (2021). *Recovery and Resilience Facility.* [Website]. Retrieved from https://ec.europa.eu/info/business-economy-euro/recovery-coronavirus/recovery-and-resilience-facility_en

Europa Press. (2020). *CaixaBank-Bankia, BBVA-Sabadell y Santander sumarían una cuota de mercado en España de más del 70%.* [Website]. Retrieved from https://www.europapress.es/economia/finanzas-00340/noticia-caixabank-bankia-bbva-sabadell-santander-sumarian-cuota-mercado-espana-mas-70-20201118134645.html

Europa Press. (2021). *¿Cómo llegará el Fondo de Recuperación Europeo a las pymes?.* Retrieved from https://www.europapress.es/estar-donde-estes/noticia-llegara-fondo-recuperacion-europeo-pymes-20210624102850.html

European Union. (2021). *National energy and climate plans (NECPs)*. [Website]. Retrieved from https://ec.europa.eu/energy/topics/energy-strategy/national-energy-climate-plans_en

European Union. (2021). *NextGenerationEU*. [Website]. Retrieved from https://europa.eu/next-generation-eu/index_en

Euractiv. (2021). *Spain, EU Commission agree on instrument to finance recovery plan*. [Website]. Retrieved from https://www.euractiv.com/section/economy-jobs/news/spain-eu-commission-agree-on-instrument-to-finance-recovery-plan/

Financial Times. (2021). *Spanish companies jostle for EU recovery fund billions.* Retrieved from https://www.ft.com/content/e56d8c25-a978-424d-be77-752292e72059

GFANZ. (2021). *About.* [Website]. Retrieved from https://www.gfanzero.com/about/

GFANZ. (2021). *Amount of finance committed to achieving 1.5°C now at scale needed to deliver the transition.* [Website]. Retrieved from https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/

Gobierno de España. (2021). *BOE-A-2021-8447.* [Website]. Retrieved from https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-8447

Gobierno de España (2022). *Doble récord de caída del paro: baja en 74.381 personas, la mayor bajada de la serie en un mes de noviembre, y se amplía a nueve meses el periodo acumulado de descensos*. [Website]. Retrieved from https://www.lamoncloa.gob.es/serviciosdeprensa/notasprensa/trabajo14/Paginas/2021/021221-desempleo.aspx

Gobierno de España. (2012). Plan de Recuperación, Transformación y Resiliencia: Preguntas y Respuestas. Retrieved from https://www.lamoncloa.gob.es/temas/fondos-recuperacion/Documents/16032021_PreguntasRespuestasPR.pdf

Gobierno de España. (2021). *Real Decreto-ley 19/2021, de 5 de octubre, de medidas urgentes para impulsar la actividad de rehabilitación edificatoria en el contexto del Plan de Recuperación, Transformación y Resiliencia*. Retrieved https://www.boe.es/diario_boe/txt.php?id=BOE-A-2021-16230

González, C. (2021). *Panorámica de Iniciativas Institucionales Globales y Europeas en Finanzas Sostenibles.* Banco de España. Boletín Económico 3/2021. Retrieved from https://repositorio.bde.es/bitstream/123456789/17537/1/be2103-art30.pdf

González. C., & Núñez, S. (2021). *Markets, Financial Institutions and Central Banks in the Face of Climate Change*. Banco de España. Documentos Ocasioanles N.º 2126. Retrieved from https://www.bde.es/f/webbde/SES/Secciones/Publicaciones/PublicacionesSeriadas/DocumentosOcasionales/21/Files/do2126e.pdf

Greenhouse Gas Protocol. (2021). *About us.* [Website]. Retrieved from https://ghgprotocol.org/about-us

GRI. (2022). *About GRI.* [Website]. Retrieved from https://www.globalreporting.org/about-gri/

ICO. (2021). *El Gobierno aprueba un nuevo tramo de Línea Avales inversión de 15.000 millones para impulsar la actividad de autónomos y empresas*. Retrieved from https://www.ico.es/el-gobierno-aprueba-un-nuevo-tramo-de-linea-avales-inversion-de-15.000-millones-para-impulsar-la-actividad-de-autonomos-y-empresas

IDAE. (2021). *PREE program. Building Energy Rehabilitation*. [Website]. Retrieved from https://www.idae.es/en/support-and-funding/renovation-buildings/pree-program-building-energy-rehabilitation

IEA. (2021). *Coal-Fired Power.* [Website]. Retrieved from https://www.iea.org/reports/coal-fired-power

IEA. (2021). *Net Zero by 2050. A Roadmap for the Global Energy Sector.* Retrieved from https://iea.blob.core.windows.net/assets/deebef5d-0c34-4539-9d0c-10b13d840027/NetZeroby2050-ARoadmapfortheGlobalEnergySector_CORR.pdf

IEA. (2021). *World Energy Outlook 2021.* Retrieved from https://iea.blob.core.windows.net/assets/888004cf-1a38-4716-9e0c-3b0e3fdbf609/WorldEnergyOutlook2021.pdf

IIDMA. (2021). *La Banca española y el reporte de cuestiones ambientales: Análisis de los Estados de Información no Financiera 2020.* Retrieved from https://www.iidma.org/attachments/Publicaciones/Banca_Espanola_reporte_cuestiones_ambientales_pro.pdf

IIGCC. (2021). *Aligning the Banking Sector with the Goals of the Paris Agreement*. Retrieved from https://www.iigcc.org/download/investor-expectations-for-the-banking-sector/?wpdmdl=4454&refresh=619ce91c066aa1637673244

ING. (2021). *Terra Approach.* [Website]. Retrieved from https://www.ing.com/Sustainability/Sustainable-business/Terra-approach.htm

IPCC. (2020). *Special Report: Global Warming of 1.5 ºC: Summary for Policymakers*. [Website]. Retrieved from https://www.ipcc.ch/sr15/chapter/spm/

Maqueda, A. (2020). *El gobierno se apoya en la gran empresa para gastar los fondos europeos.* El País. Retrieved from https://elpais.com/economia/2020-12-20/el-gobierno-se-apoya-en-la-gran-empresa-para-gastar-los-fondos-europeos.html

Marsh, A. (2021). *Net Zero Asset Managers Fall Short of Targets Set by Scientists*. Bloomberg Green. Retrieved from https://www.bloomberg.com/news/articles/2021-11-10/net-zero-asset-managers-fall-short-of-targets-set-by-scientists

MITECO. (2021). *Plan Nacional Integrado de Energía y Clima (PNIEC) 2021-2030*. Retrieved from https://www.miteco.gob.es/images/es/pnieccompleto_tcm30-508410.pdf

MITECO. (2021). *Teresa Ribera aplaude la aprobación en el Congreso de los Diputados de la primera Ley de Cambio Climático y Transición Energética de España icono barra herramientas*.[Website]. Retrieved from https://bit.ly/32hEfFH

Net Zero Asset Managers. (2021). *Commitment*. [Website]. Retrieved from https://www.netzeroassetmanagers.org/#our_commitment

Net Zero Asset Managers Initiative. (2021). *Network Partners' expectation of signatories with regard to fossil fuel investment policy.* Retrieved from https://www.netzeroassetmanagers.org/NZAM-Network-Partners-Fossil-Fuel-Position.pdf

Northrop, M. (2021). *GFANZ fails to deliver at COP26.* Environmental Finance. Retrieved from https://www.environmental-finance.com/content/analysis/gfanz-fails-to-deliver-at-cop26.html

OECD. (2021). *Spain: effective implementation of recovery plan will strengthen COVID-19 recovery.* Retrieved from https://www.oecd.org/newsroom/spain-effective-implementation-of-recovery-plan-will-strengthen-covid-19-recovery.htm

Oriescon. (2021). *Guía Básica Plan de Recuperación Transformación y Resiliencia*. Retrieved from https://www.hacienda.gob.es/RSC/OIReScon/estudios-guias-protocolos/guia-basica-plan-recuperacion.pdf

PCAF. (2021). *The Global GHG Accounting & Reporting Standard for the Financial Industry.* Retrieved from https://carbonaccountingfinancials.com/files/downloads/PCAF-Global-GHG-Standard.pdf

PCAF. (2021). *Strategic Framework for Paris Alignment: A global landscape overview of resources for financial institutions, from measuring financed emissions to taking action.* Retrieved from https://carbonaccountingfinancials.com/files/2021-04/strategic-framework-for-paris-alignment.pdf?515d2dd9f1

Rainforest Action Network. (2021). *Banking on Climate Chaos.* Retrieved from https://www.ran.org/wp-content/uploads/2021/03/Banking-on-Climate-Chaos-2021.pdf

Reclaim Finance. (2021). *Coal Policy Tool.* [Website]. Retrieved from https://coalpolicytool.org/

Reclaim Finance. (2021). *IT'S NOT WHAT YOU SAY, IT'S WHAT YOU DO: Making the finance sector's net-zero alliances work for the climate*. Retrieved from https://reclaimfinance.org/site/wp-content/uploads/2021/11/FINAL_GFANZ_Report_02_11_21.pdf

Sánchez, S. (2021). *Ibercaja, Kutxabank y Mutua roban clientes de fondos a BBVA.* Expansión. [Website]. Retrieved from https://www.expansion.com/mercados/2021/08/18/611c2419e5fdea59748b462b.html

Santander Asset Management. (2020). *Global Sustainability Policy*. Retrieved from https://www.santanderassetmanagement.com/content/view/2079/file/SAM%20Holding%20-%20Pol%C3%ADtica%20Global%20de%20Sostenibilidad%20ENG%202020_vf_pub.pdf

Santander Asset Management. (2021). *Information on the Remuneration Policy and its Coherence with the Integration of Sustainability Risks in relation to the Obligations established in the SFDR.* Retrieved from https://www.santanderassetmanagement.com/content/view/5466/file/Remuneration%20Policy%20Statement%20EN.PDF

Santander Asset Management. (2021). *Presentación Corporativa 1T 2021*. [Website]. Retrieved from https://www.santanderassetmanagement.es/wp-content/uploads/2021/05/sam_q1_2021_intranet_presentation_esp.pdf

Santander Asset Management. (2021). *Road to Net Zero.* Retrieved from https://www.santanderassetmanagement.com/content/view/6924/file/NETZERO%20SAM_NOV21.pdf

Santander Asset Management. (2021). *Statement on Due Diligence Policies in relation to the Principal Adverse Sustainability Impacts.* Retrieved from https://www.santanderassetmanagement.com/content/view/5469/file/2021.07.05%20-%20SAM%20Holding%20-%20Principal%20Adverse%20Sustainable%20Impacts%20ENG.pdf

Santander Asset Management. (2020). *Voting Policy.* Retrieved from https://www.santanderassetmanagement.com/content/view/5360/file/2020.12%20-%20SAM%20Holding%20-%20Global%20Voting%20Policy%20ENG.PDF

SASB. (2022). *About us*. [Website]. Retrieved from https://www.sasb.org/about/

Say on Climate. (2022). *Home*. [Website]. Retrieved from https://sayonclimate.org/guide-for-asset-managers/

SBTi. (2021). *Financial Institutions*. [Website]. Retrieved from https://sciencebasedtargets.org/resources/files/Financial-Sector-Science-Based-Targets-Guidance-Pilot-Version.pdf

SBTi. (2021). *Foundations for Science Based Net-Zero Target Setting in the Financial Sector: Draft for Public Comment.* Retrieved from https://sciencebasedtargets.org/news/net-zero-financial-institutions-draft-for-public-consultation

ShareAction. (2021). *COP26 Investor Letter to Global Banks*. Retrieved from https://api.shareaction.org/resources/reports/COP26-investor-letter-to-global-banks.pdf

ShareAction. (2021). *COP26: The banking sector holds the key to climate action – but is it using its influence?* Retrieved from https://shareaction.org/news/cop26-the-banking-sector-holds-the-key-to-climate-action-but-is-it-using-its-influence

ShareAction. (2021). *Countdown to COP26: An analysis of the climate and biodiversity practices of Europe's largest banks*. Retrieved from https://api.shareaction.org/resources/reports/Countdown-to-COP26.pdf

Sweatman, P. (2020). *A credible and robust EU Taxonomy must be based on science*. Climate Strategy & Partners. [Website]. Retrieved from https://climatestrategy.es/en/informe_18.php

Transition Pathway Initiative. (2021). *TPI Tool.* [Website]. Retrieved from https://www.transitionpathwayinitiative.org/sectors

TCFD. (2022). *Recommendations*. [Website]. Retrieved from https://www.fsb-tcfd.org/recommendations/

Triana, C. (2021). *Bankinter convertirá su gestora en cero neta.* Social Investor. Retrieved from https://www.socialinvestor.es/cotizada-esg/bankinter-convertira-su-gestora-en-cero-neta/

UNEP FI. (2021). *Guidelines for Climate Target Setting for Banks.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-Guidelines-for-Climate-Change-Target-Setting.pdf

UNEP FI. (2021). *Net-Zero Banking Alliance Commitment Statement.* [Website]. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2021/04/UNEP-FI-NZBA-Commitment-Statement.pdf

UNEP FI. (2021). *Net-Zero Banking Alliance Members*. [Website]. Retrieved from https://www.unepfi.org/net-zero-banking/members/

UNEP FI. (2021). *Signatories to the Collective Commitment to Climate Action*. Retrieved from https://www.unepfi.org/wordpress/wp-content/uploads/2020/09/Signatories-to-the-CCCA-list_24.09-1.pdf

United Nations. (2021). *Draft decision -/CMA.3: Glasgow Climate Pact*. Retrieved from https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

UNFCCC. (2021). *Glasgow Climate Pact.* [Website]. Retrieved from https://unfccc.int/sites/default/files/resource/cma2021_L16_adv.pdf

WEF. (2022). Explore the Metrics. [Website]. Retrieved from https://www.weforum.org/stakeholdercapitalism/our-metrics

WRI. (2021). *State of Climate Action 2021: Systems Transformations Required to Limit Global Warming to 1.5°C.* Retrieved from https://files.wri.org/d8/s3fs-public/2021-10/state_climate_action_2021.pdf?VersionId=QBSICe3wSIKmOHc1rYyhdx3j3iSCqual

WWF. (2021). *A new climate-aligned economy is starting to emerge.* Retrieved from https://wwf.panda.org/wwf_news/?2480441/climate-economy

Picture Credits

Cover photo by Jack Gisel on Unplash

Page 2, photo by Eric Chan on Wikipedia licensed under the Creative Commons Attribution 2.0 Generic license. Picture's color and shape were changed

Page 3, photo by NOAA.co on Unplash

Page 6, photo by Alevision.co on Unplash

Page 7, photo by Yellow Cactus on Unplash

Page 8, photo by Abby Anaday on Unplash

Page 10, photo by Stephen Dawson on Unplash

Page 14, photo by Alex Vasey on Unplash

Page 14, photo by Mark Merner on Unplash

Page 14, photo by Chuttersnap on Unplash

Page 15, photo by Eduardo Rodriguez on Unplash

Page 16, photo by Marcel Strauss on Unplash

Page 17, photo courtesy of GECV

Page 18, photo by Jeshoots on Unplash

Page 20, photo by Jason Briscoe on Unplash

Page 21, photo by Piotr Makowski on Unplash

Page 26, photo by Wesley Tingey on Unplash

Page 28, photo by Artyom Korshunov on Unplash

Page 29, photo by Mark Konig on Unplash

Page 31, photo by Micah Hallahan on Unplash

Page 33, photo by Memento Media on Unplash

Page 35, photo by Carlos Esteveson on Unplash

Page 36, photo by Colin Lloyd on Unplash

Page 37, photo by Mika Baumeister on Unplash

Page 39, photo by Michal Parzuchowski on Unplash

Page 41, photo by William Bossen on Unplash

Page 43, photo by Gab Pili on Unplash

Page 46, photo by Reuben Hustler on Unplash

Page 47, photo by Zbynek Burival on Unplash

Page 49, photo by Wes Hick on Unplash

Page 59, photo by Matt Flores on Unplash

Page 61, photo by Igor Oliyarnik on Unplash

www.climatestrategy.com @Climatest

CLIMATE STRATEGY & PARTNERS