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Spanish banks agree to reduce the carbon footprint on their balance sheets in line with the Paris Agreement

The signatory financial entities of this collective commitment will develop the necessary methodologies to measure the climate impact of their clients' activity

To coincide with the United Nations Conference on Climate Change (COP25), held in Madrid, the main Spanish banks, which represent more than 95% of the sector, presented today a joint commitment to proceed within a certain period of time to reduce the carbon footprint in their credit portfolios, in a way that can be measured with internationally approved criteria and in line with the objectives set out in the Paris Agreement. Thus, these financial entities are aligned with the Collective Commitment to Climate Action promoted by UNEP FI.

The agreement, which brings together more than twenty top-level banking entities, was presented at an event held today at the Spanish Pavilion at IFEMA, COP25 headquarters, by the Chairman and CEO of the Spanish Banking Association (AEB), José María Roldán, the managing director of



the Spanish Confederation of Savings Banks, José María Méndez, and the CEO of the Official Credit Institute (ICO), José Carlos García de Quevedo.

The event was also attended by delegates from banks that signed the agreement: Banco Santander, BBVA, CaixaBank, Bankia, Banco Sabadell, Bankinter, Kutxabank, Unicaja Banco, Abanca, Ibercaja Banco, Liberbank, ING Bank, BNP Paribas, Banca March, BCC-Grupo Cajamar, Cecabank, Societe Generale, Bankoa – Grupo Credit Agricole, Banco Mediolanum, Triodos Bank, Caja de Ahorros y Monte de Piedad de Ontinyent, y Colonya-Caixa D'Estalvis de Pollença,

Under this agreement, the signatory banks undertake to develop the necessary methodologies to assess the impact that the activity carried out by their clients can have on their balance sheets, in order to ensure that they are aligned with both the Paris Agreement and the Spanish climate agreement. The main objective of both agreements is to reinforce climate action pledges by keeping a global temperature rise well-below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit the temperature increase to 1.5 degrees Celsius.

Financial entities also commit to work together and support each other to develop the necessary methodologies to measure climate impact. The agreement's signatories are free to choose their own methodologies, although they are willing to share experiences with each other, in order to make it possible to compare results and improve measurements. In addition, they will do everything possible to adapt to international best practices and standards.

The agreement includes that, within a maximum period of three years, financial entities will have established and published the specific objectives of the sector, based on scenarios for the portfolios' alignment with the objectives of the Paris Agreement. Commencing within the first year of



signing the Agreement, the first results of this commitment could begin to show, as banks intend to publish and implement in that period a set of measures, which they will take in permanent dialogue with their clients, to encourage the shift towards low-carbon, climate-resilient technologies, business models and societies. Each financial entity will also report annually on its individual progress and every two years on the collective progress achieved in the development of this commitment.

Initially, the signatory banks will focus their efforts on the most carbon-intensive and climate-vulnerable sectors within their portfolios, which are key to the transition to a low-carbon economy and to build resilience in those communities most exposed to climate change effects. The financial entities also intend to involve their clients in this transition process.

José María Roldán, Chairman and CEO of the Spanish Banking Association, transmits that this agreement shows that “banks are aware that they have in their hands the way to face challenges and seize the opportunities that climate change brings. For this reason, financial entities want to contribute to make the necessary changes in the real economy to achieve a low carbon and climate resilient economy”.

The CEO of the Official Credit Institute (ICO), José Carlos García de Quevedo, said that ICO's adherence to this agreement "reinforces the public bank's commitment to contribute, from the public-private partnership model, to the banking sector's initiative for promoting a more sustainable growth model. Hence, ICO assumes the Paris objectives as its own and participates in all sector debates on the best way to tackle the challenges for the banking sector linked to climate change".

CECA's General Manager, José María Méndez, said “the action of decarbonizing the economy is a huge challenge. The only way to find the right path is to build consensus among regulators, supervisory authorities



and the private sector. By signing these commitments, we are demonstrating that banks are aware of their responsibilities towards climate change”.

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