

## 2019 EQUATOR PRINCIPLES REPORT

### Social and environmental risk analysis

As of July 2018, Bankia adhered to the [Equator Principles](#).

These Principles are the main international reference in the financial sector to identify, assess and manage the environmental and social risks of projects that need access to financing for their development and execution (Project finance).

To do so, prior to the granting of financing, in its due diligence processes, Bankia establishes the assessment of environmental, social and human rights impacts in accordance with the [principles and the criteria established in its admission and credit risk policies](#), which are aligned with the objectives pursued by the Equator Principles.

The Equator Principles are applicable in all countries and all economic sectors.

At Bankia, the Equator Principles are applied to the four financial products indicated below when they are used to finance a new Project:

- Project Finance Advisory Services, when the total capital costs of the Project amount to 10 million USD or more.
- Project Finance, when the total capital costs of the Project amount to 10 million USD or more.
- Corporate Loans linked to Projects (including Export Financing in the form of Buyer Credit), when the following four criteria are met:
  - i. The majority of the loan is linked to a single Project over which the customer has Effective Operational Control (whether direct or indirect).
  - ii. The total amount of the loan is at least 100 million USD.
  - iii. Bankia individual commitment (before syndication or resale) is at least 50 million USD.
  - iv. The term of the loan is at least two years.
- Bridge Loans with a term of less than two years that are to be refinanced through Project Finance or with a Corporate Loan linked to Projects, which are expected to meet the aforementioned relevant criteria.

When a Project is proposed for financing, Bankia shall, as part of its review and internal environmental and social due diligences, classify said project based on the magnitude of its possible environmental and social risks and impacts. This work is based on the process of environmental and social classification of the International Finance Corporation (IFC). Classification allows environmental and social due diligence

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to be in accordance with the nature, magnitude and current stage of the project, and with the level of environmental and social risks and impacts. The categories are as follows:

**Category A:** - Projects with potential risks and/or significant adverse environmental and social impacts that are diverse, irreversible or unprecedented.

**Category B:** Projects with limited potential risks and/or adverse environmental and social impacts, which are few in number, usually located at specific sites, and which are largely reversible and easily addressed through mitigation measures.

**Category C:** - Projects that involve minimal or no adverse environmental and social risks and/or impacts.

Once classified, an independent expert must confirm that the projects comply with the Equator Principles. For category A or B projects, a social and environmental assessment and a specific action plan are required to help prevent, minimise, mitigate and offset adverse social and environmental impacts.

Projects with significant potential risks and/or adverse environmental and social impacts, including irreversible or unprecedented, for which it is impossible to establish a viable action plan are not accepted.

Through [Bankia's responsible management](#) that is being carried out throughout the bank by means of the [2019-2020 Responsible Management Plan](#) and the undertaking of commitments such as this one, the bank is promoting the development of renewable energy sources, promoting the progressive de-carbonisation of the activity it finances and progressing towards the goal of neutral emissions, which is set for 2050 in the [2017-2020 Eco-efficiency and Climate Change Plan](#). Within the climate commitment, Bankia is also committed to the [UN Principles for Responsible Banking](#) and is committed to complying with the recommendations of the [TCFD](#).

To advance in integrating these recommendations, Bankia has trained more than 300 banking professionals who are directly involved in knowing the climate impact on our business and who must incorporate environmental and climate change considerations into their management, while identifying the business opportunities that we are presented with.

Moreover, within Bankia's management boards most involved in the analysis and approval of large financing transactions, specialised senior managers and technicians are certified as ESG analysts by [EFFAS](#) (European Federation of Financial Analyst Societies). The objective of this certification is to ensure they have the necessary knowledge to integrate ESG assessment models into investment and financing decisions.

## Number of projects financed

No.	Project Name	Sector	Host Country Name / Project Location	Calendar Year of Financial Close August 2018 -2019
1	Project A	Power (Renewables / Photovoltaic)	Spain	2018
2	Project B	Power (Renewables / Biomass)	Spain	2018
3	Project C	Power (Renewables / Photovoltaic)	Spain	2019
4	Project D	Power (Renewables/Concentrated Solar Power)	Spain	2019
5	Project E	Power (Renewables / Photovoltaic)	Spain	2019
6	Project F	Power (Renewables / Photovoltaic)	Spain	2019
7	Project G	Power (Renewables / Wind)	Spain	2019
8	Project H	Power (Renewables / Photovoltaic)	Spain	2019
9	Project I	Infrastructure (Toll Road)	Spain	2019
10	Project J	Power (Renewables / Photovoltaic)	Spain	2019