



Environmental sustainability

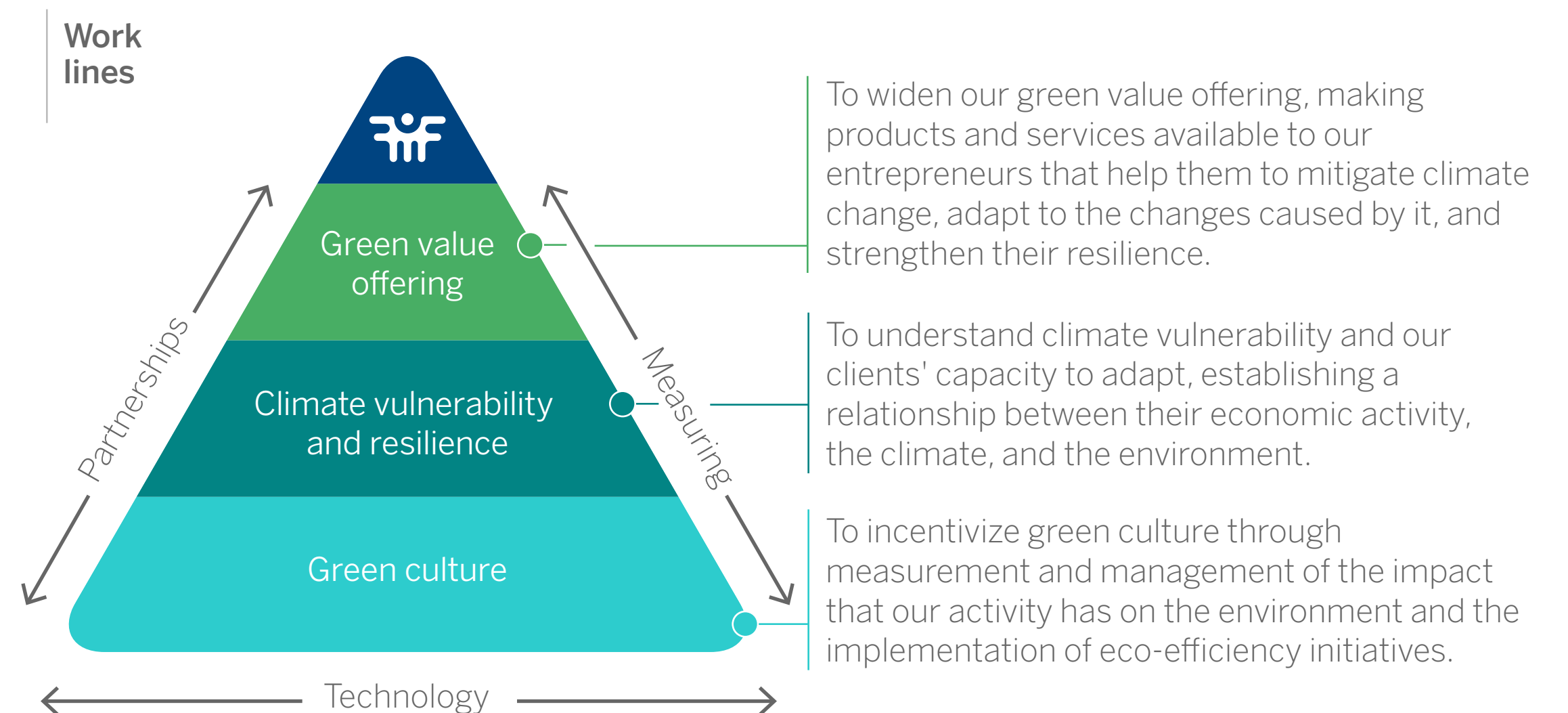
The most vulnerable are the hardest hit by natural disasters caused by climate change and more recently by the COVID-19 pandemic. We are aware that to achieve global sustainable development nobody should be left behind. That is why in BBVAMF we believe that in order for these groups to recover, a clear and forthright push for environmental sustainability is of fundamental importance, one that enables our entrepreneurs to increase the productivity of their work and that has a positive repercussion on their environment.

Green strategy

The BBVA Microfinance Foundation (BBVAMF) and its institutions (BBVAMF Group), is working towards a more sustainable world, reinforcing the route we have taken to integrate environmental sustainability and its principles into our activities. Our three key strategies (green culture, vulnerability & climate resilience and green value offering) leverage three principal tools: partnerships, technology and measuring. Our ultimate aim is to transform the lives and environments of our entrepreneurs in Latin America.

As well as our Environmental strategy, we also have firm social and good governance commitments (ESG)⁶². To contribute to the global transformation of the sector, we have signed up to UNEPFI's Responsible Banking Principles⁶³, reinforcing our commitment to meeting the Sustainable Development Goals (SDG) and the Paris Agreement.

We support actions that have a positive impact on the environment by harnessing a green corporate culture that enables us to tackle environmental risks and improve our value offering for our clients, coworkers and society at large.



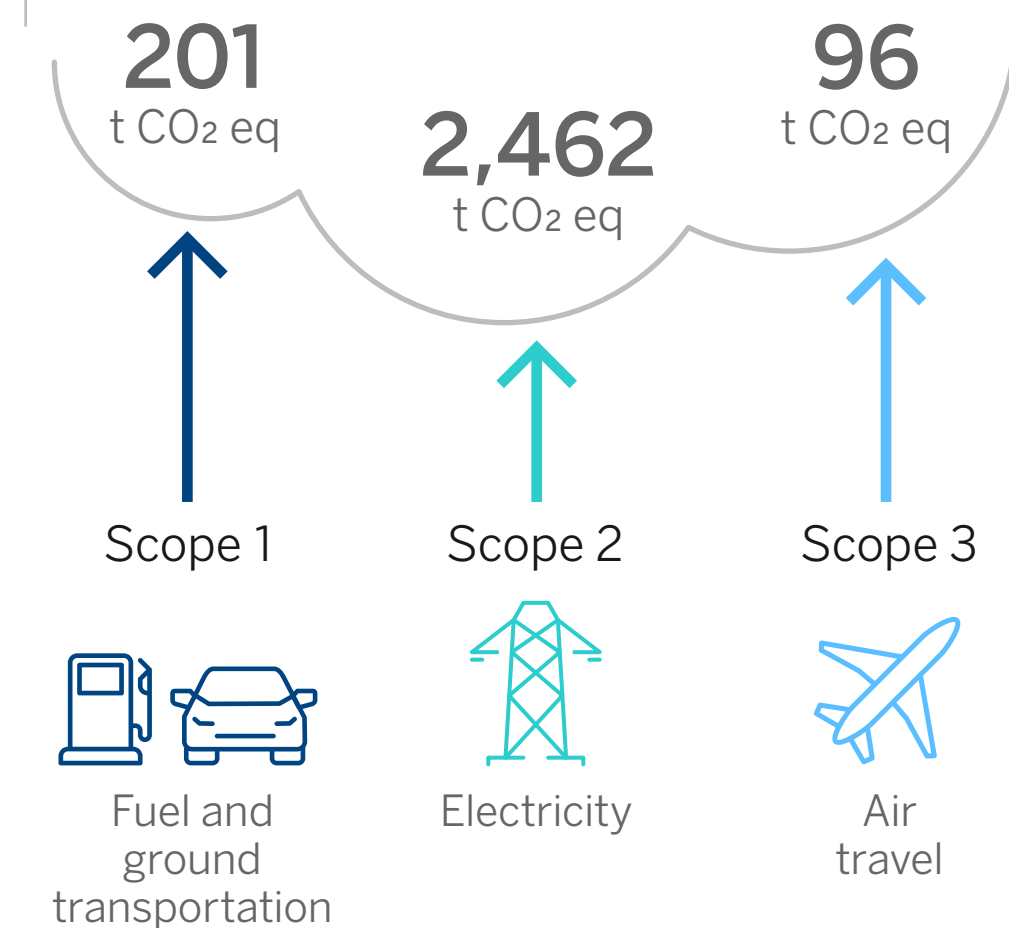


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Measuring our carbon footprint

For the second consecutive year, we are renewing our commitment to reduce our environmental impact and to calculate the carbon footprint of our operations in Colombia, Peru, Dominican Republic, Panama, and Chile, following the GHG Protocol⁶⁴ standards.

Carbon footprint



Carbon footprint - Detailed calculation

	Unit	2019	2020	Diff. 2019-20
Consumption	Water (m ³)	123,142.48	116,450.04	-5.43%
	Paper (Kg)	287,770.29	203,074.80	-29.43%
	Electricity (kWh)	10,661,921.51	9,153,897.71	-14.14%
Consumption per capita	Water (m ³)	14.77	14.41	-2.43%
	Paper (Kg)	34.51	25.13	-27.19%
	Electricity (kWh)	1,278.59	1,132.63	-11.42%
CO ₂ -eq. emissions	Scope 1	526.01	201.21	-61.75%
	Scope 2 Location-based	3,072.15	2,479.07	-19.31%
	Scope 2 Market-based	3,049.79	2,461.80	-19.28%
	Scope 3	961.22	95.51	-90.06%

The carbon footprint calculation entails:

Scope 1: Includes direct emissions from activities by BBVAMF Group institutions.

Scope 2: Indirect emissions generated by power stations to supply energy to BBVAMF Group institutions.

Scope 3: Other indirect emissions resulting from activities occurring in sources that do not belong to, nor are controlled by, Group institutions, e.g. air travel.

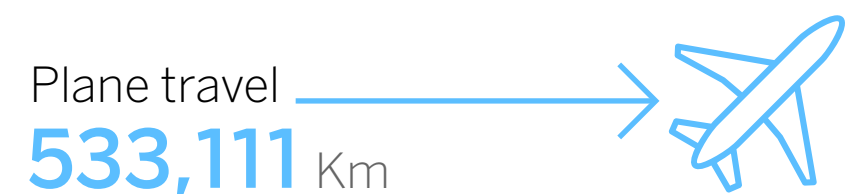
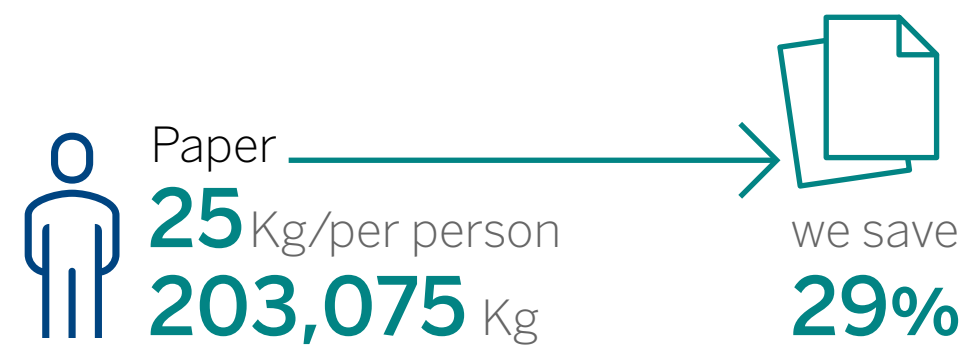
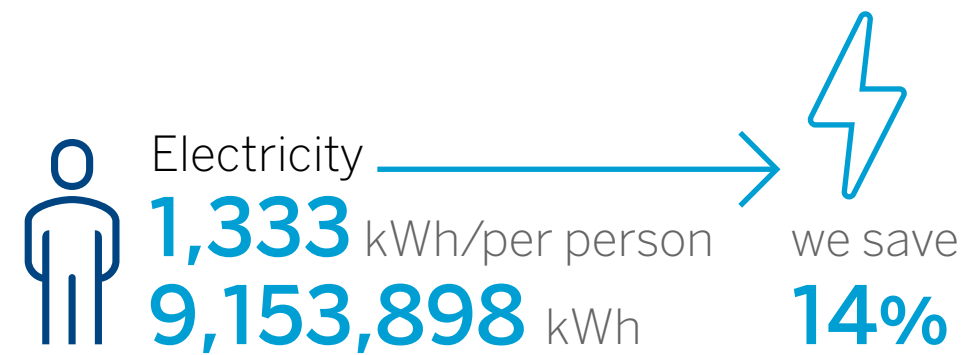
Disclaimer: Due to the COVID-19 pandemic, 2020's carbon footprint measurements were influenced by the restrictions on mobility and the lockdowns in the countries covered in this calculation.



Environmental sustainability

Eco-efficiency

Consumption



Our eco-efficiency plans and the digitalization of our processes enable us to be more agile and to make more efficient use of the resources used in our daily work. To reduce the spread of the virus it was essential to take great care over hygiene measures such as frequent hand washing. Although this has meant more water consumption than usual, we have managed to reduce total consumption by 5.43%, equivalent to 6,692 m³ or two Olympic-sized swimming pools. Meanwhile, thanks to the digitalization of our operations and the use of a range of digital channels to service our clients, we have brought down paper consumption by 29.43%, equivalent to 84,685 kg, thus avoiding the felling of 678 trees. The electricity consumed was cut by 14.69%, equivalent to 1,508,024 kWh, avoiding the emission of around 378 tonnes of carbon dioxide equivalent (CO₂-eq).

With our eyes on our goal of achieving carbon emission neutrality in 2020, in our BBVAMF headquarters in Madrid we offset all our organization's carbon dioxide equivalent (CO₂-eq) emissions through certified environmental improvement projects. We do this by buying carbon credits certified by Verified Carbon Standard.





Sostenibilidad medioambiental

Working for green finances

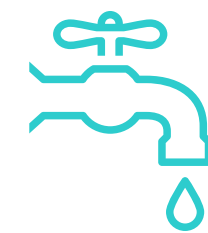
The microfinance sector plays a key role in transforming the economy by making available to small entrepreneurs the resources they need to finance projects, economic activities and technologies that help to improve their businesses while caring for and protecting their environment.

To support their financing with sustainability criteria, we have aligned our classification of activities and green destinations with the most important international standards, adapting them to the reality of our entrepreneurs. We have defined five main categories in which we generate impact across various sectors.

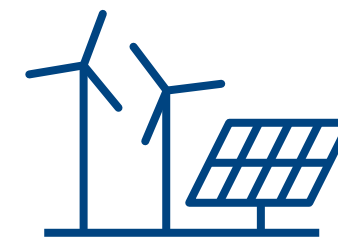
Through green finance we offer our entrepreneurs a range of products and services that enable them to reduce their vulnerability and increase their resilience to climate change. We support and provide:

- Measures to mitigate and adapt to climate change and farming sustainability.
- Water, sanitation, and sustainable infrastructures.
- Climate and agricultural insurance

During 2020 we supported 14,544 entrepreneurs who received USD 20,663,381 to set up measures that respect the environment



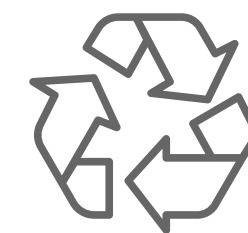
Water & sanitation



Energy efficiency



Sustainable infrastructures



Recycling



Farming sustainability



Environmental sustainability

Colombia - Bancamía

Two green lines of credit are available. The first, *Crediverde Adaptación*, is designed to finance measures to adapt to climate change. It targets small-scale producers in the rural environment with the purpose of making their businesses more resilient and productive. It provides training and technical assistance using its model farm, where our entrepreneurs can learn to implement ecosystem measures in their productive activities.

It is being developed within the Microfinance for Ecosystems-based Adaptation (MEbA) project and supported by UN Environment and ICAM College (Institute for Agrobusiness Sciences & the Environment). The second line, *Crediverde Energía*, improves and provides energy efficiency solutions for our entrepreneurs' economic activities, promoting renewable energies and eco-efficient teams.

To mitigate and reduce the risks to which our entrepreneurs are exposed, we give them two insurance options for their productive assets. Our climate insurance product, *Mi Inversión Protegida*, [My Investment Protected] is parametric, an innovation in Colombia. Implemented in 2019, its purpose is to provide cover for losses from microentrepreneurs' productive units caused by extraordinary climate events (torrential rains, extreme drought, strong winds). In 2020 we launched our *Mi siembra protegida* [My Crop Protected] agricultural insurance, that we are developing together with the insurance company MAPFRE, protecting farms from natural risk.



Angélica Valbuena,
Bancamía client, Colombia.

"I have a small greenhouse business where I grow vegetables, and a section for tomatoes. I am a single mother with three children who are studying at ICAM College. We brought back ideas from there, and from the model farm, about measures that could be rolled out on our smallholding. Bancamía gave me a helping hand, and with that I could get started and make progress. The first thing was my greenhouse. To start with we did the watering with hoses, while we were building the cistern. Then, when our production was up and steady, we said: 'Time to go out and sell'. We went from home to home and to restaurants. Much to our surprise, when we went back, a week later, people said: 'Really tasty!' about the quality of our produce."

Thanks to the MEbA program that we have set up in our institutions in Colombia, Bancamía, and the Dominican Republic, Adopem Bank, we have supported more than 2,023 entrepreneurs with USD 1,382,158 so that they can implement adaptation and mitigation measures against climate change.



Environmental sustainability

Peru - Financiera Confianza

Access to water and sanitation are people's fundamental needs and rights. The most vulnerable have limited access to them, with the concomitant lowering of living standards and health conditions. Similarly, inappropriate disposal of human waste has a negative effect on the environment, degrading the community's surroundings and affecting people's health. In order to improve access to water and adequate sanitation and to make these available to entrepreneurs, their families and their homes, the *Gota a gota, las mejoras se notan* [Drop by drop, you see the improvements] program reduces the scarcity of these facilities, improving their surroundings and the environment.



Dominican Republic - Banco ADOPEM

In 2020, the Rural Finance & Environment program (FRA) was reinforced through the Microfinance Ecosystem-based Adaptation to Climate Change program (MEbA) with green products and services components, reinforcing the processes for training, information capture and identification of climate change mitigation measures. The purpose of ADOPEM's eco-loan is to give rural and peri-urban populations access to microfinance products and services so that they can improve their productive practices, increase their incomes and preserve their ecosystems. The eco-home loan has also been consolidated. This phased financing instrument gives clients incentives to build their own homes using sustainable local materials and technologies that support efficient use of water, energy and infrastructure in their homes and their productive enterprises. Its purpose is to improve housing and standards of living without altering the surrounding ecosystem.



Geudis Tejada,
Banco Adopem client, Dominican Republic

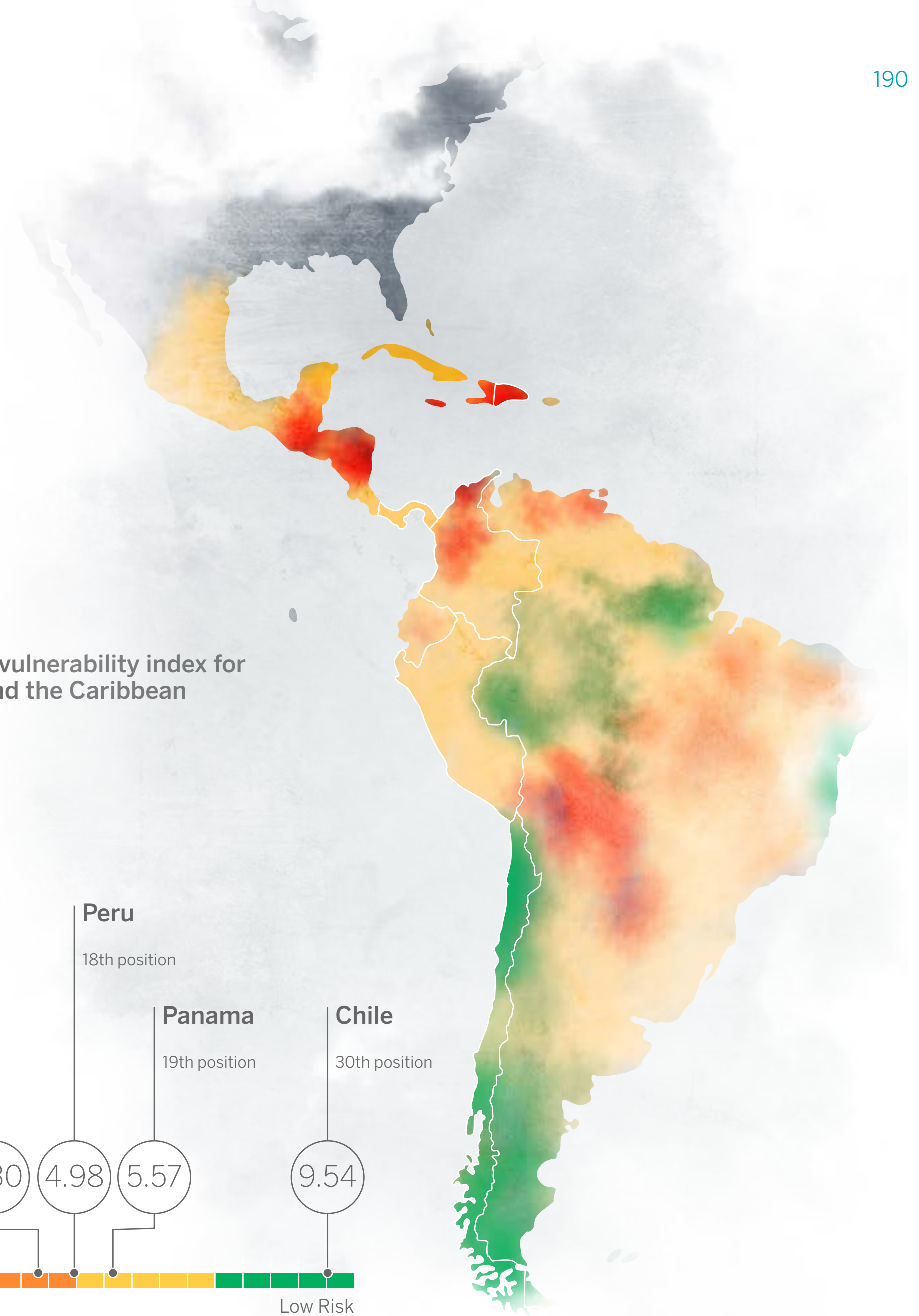
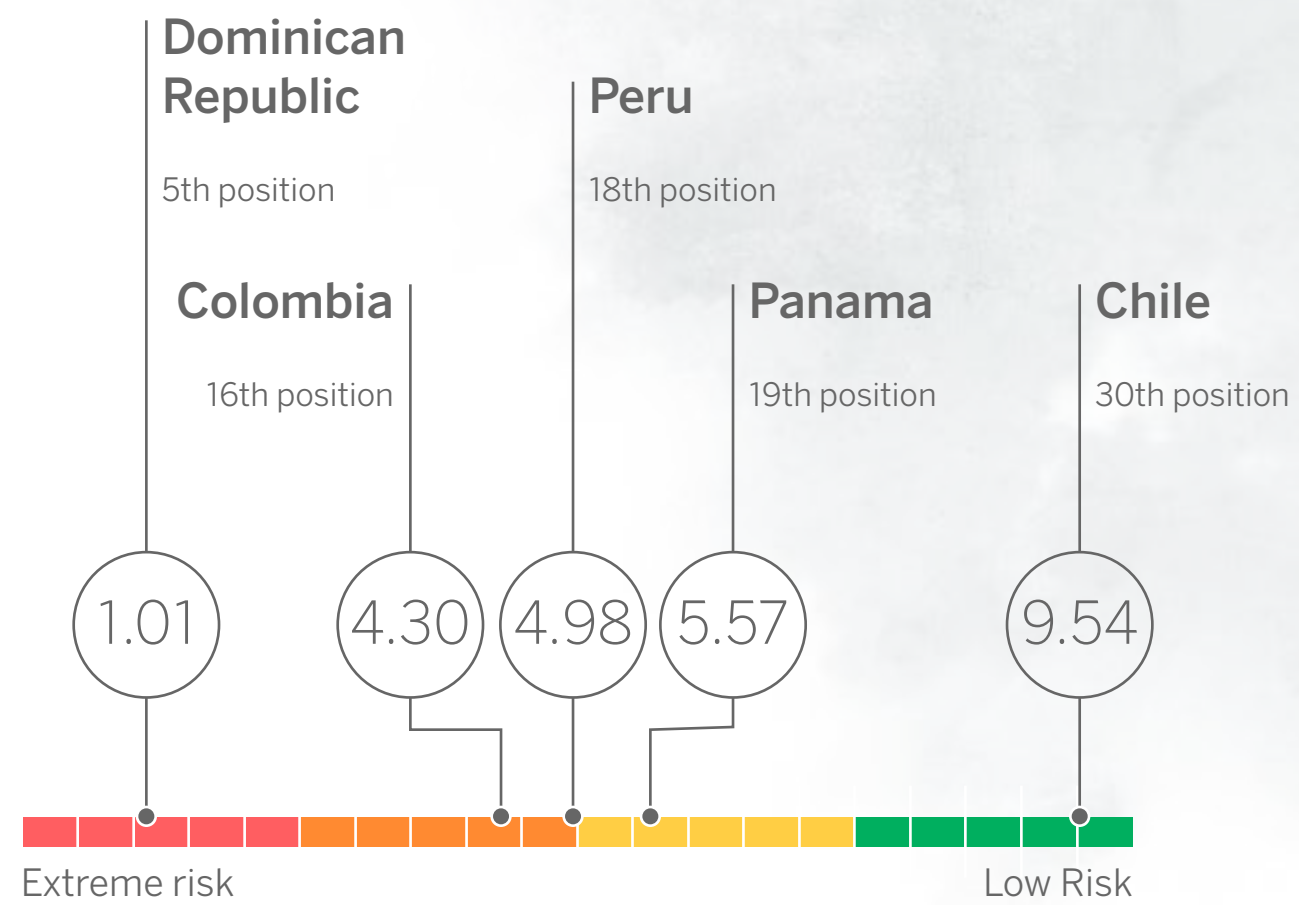
"I am currently a farmer. Having been a systems engineer and lived abroad for over 20 years, I returned to my homeland, the Dominican Republic, to farming, something I had never done and didn't know how to do. The biggest problems here are the natural resources, water, the environment and sustainability. I have been working on my multi-crop farm for four years. When I plant bananas, that take longer to grow, I sow other, short-term crops in order to make the most of the water, a scarce resource. This is an experiment in living, and ADOPEM has been my ally. They have helped me install drip irrigation to maximize our crops, reduce the impact of using water, the use of pesticides and anything that can be harmful to nature. I no longer use fossil fuels because I have also been able to make a transition to solar panels."

Environmental sustainability

Studying climate vulnerability and resilience

According to CAF⁶⁵ (Development Bank of Latin America), since 2014 Latin America has been one of the most vulnerable regions to climate change. Every year, the events have intensified, affecting the most vulnerable populations more deeply.

Climate-change vulnerability index for Latin America and the Caribbean





Environmental sustainability

Natural disasters in 2020 in our footprint countries

Colombia **Bancamía**

Intense rains have caused multiple landslides across the territory, resulting in the displacement of large numbers of families whose assets and living standards have been affected.



Peru **Financiera Confianza**

The continuing alert about the effect of Coastal Niña (high probability of rains and flooding) continued until the end of 2020, with rains above normal in the Andean regions to the south of the country.



Dominican Republic **Banco Adopem**

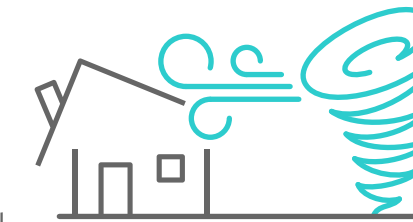
The hurricane season in the Atlantic was the most active since records began. Tropical cyclones formed in record time: 31 tropical or subtropical cyclones, 30 named storms, 13 hurricanes and six major hurricanes.



Panama **Microserfin**

Central America and Panama have been affected by the greatest number of consecutive high-category hurricanes in their history. In November, two category 4 hurricanes affected this region. The province of Chiriqui was the most affected by hurricane Eta, which left 783 families homeless and 19 dead.

We should also note that the effects of hurricane Iota resulted in states of environmental emergency being declared in the provinces of Colón, Darién, Los Santos and the Guna Yala, Madugandí, Emberá, Wouanaan and Wargandi areas.



Knowing the impact of climate change and that the natural disasters it causes are detrimental to the standards of living and economic activity of our entrepreneurs, we are working on two initiatives to manage these climate risks.

- Banco Adopem, supported by UN Environment and Yapu Solutions, is rolling out the Microfinance Ecosystems-based Adaptation (MEbA) project in the Dominican Republic. Through its climate risk management component, vulnerability indicators are being developed and integrated in this field to increase the capacity of our rural entrepreneurs to adapt.
- In Colombia, Bancamía, assisted by the InterAmerican Development Bank (IDB) and Asobancaria, is starting to adapt Social & Environmental Risk Analysis Systems (SERAS) to the reality on the ground of microfinance institutions. This is the first model that has been adapted to a microfinance institution in Latin America.

Excluding certain activities

To reduce the environmental risks triggered by high-impact productive activities, the BBVAMF Group has designed policies to exclude from its financing those activities that harm environmental balance. The exclusion list has been put in place following IFC (International Finance Corporation, part of the World Bank Group) standards.



Environmental sustainability

Training and creating awareness among our co-workers

The BBVAMF Group works to integrate and make available to all our coworkers the ideas and skillsets that are essential to environmental sustainability. We have begun this transformation from within our organization by creating a Community of Practice (CoP). This space for cooperation and teamwork enables us to push for surroundings in which our institutions share experiences with one another, strengthening and reinforcing their technical and professional capacities. In turn, we propose and design corporate projects that let us move forward in our environmental sustainability strategy and oversee its management indicators. As part of this process, we run corporate training workshops and webinars on subjects such as:

- Introduction to sustainability and green finance.
- Eco-efficiency, measuring and managing the carbon footprint.
- Experience in green products and services in Latin America.

Because of the difficulties created by the pandemic, the attendance-based training sessions in our institutions were severely curtailed, and we had to adapt to a virtual training model. Therefore, we have used a number of digital media and communication channels to impart several training sessions on the environment. In an initial phase, through decentralized training, we have taught these skills to all levels and roles in our institutions. The main area headings were:

- GreenBanking training: eco-efficiency and green finance.
- Introduction to the Microfinance for Ecosystem-based Adaptation (MEbA) project.
- Climate vulnerability and adaptability indicators.
- Social & Environmental Risk Analysis Systems (SERAS).
- MEbA measures for climate change mitigation and adaptation.

As a Group we have set ourselves the task of promoting and creating awareness about environmental training on a large scale to all our coworkers, as well as the entrepreneurs we serve. We will be giving them basic skills using a non-financial value offering and the technical assistance we offer our clients, so that they can build the concepts of sustainability into their daily productive activities.

Kira Gardellini
Client Marketing & Experience Manager

“Participating in the CoP has helped us as an entity to reinforce our skillsets around a range of sustainability and environmental issues. The experiences shared by the group are very valuable, not just for us as part of the team of women making up the CoP, but also as an institution that is environmentally responsible.

Having said this, I would like to share my experience with the webinar Dialogues on the taxonomy of sustainable finance in Latin America and the Caribbean. The presentation was excellent, and we had superb speakers who explained what green taxonomy⁶⁶ is, its importance and gave us some examples, among other things. Creating a list of environmental economic activities is the first thing we must do to support environmental sustainability goals.”



Environmental sustainability

Strategic Partnerships for the environment

Through cooperation and creating strategic partnerships with organizations that are committed to promoting sustainable development, we have been able to offer better solutions to our entrepreneurs, raising their standard of living and that of those around them. Our partnerships:



- We have had a memorandum of understanding with UN Environment since 2013 to work with them on rolling out the Microfinance Ecosystem-based Adaptation (MEbA) project for smallholding farmers in the rural environment in Colombia and the Dominican Republic.



- In March 2016 we signed an agreement with Habitat for Humanity International to encourage people to build their own homes using sustainable practices. This is an optimal model for helping small-scale entrepreneurs in Peru and the Dominican Republic to access decent, safe homes.



- Since signing the memorandum of understanding with Water.org in July 2019, we have been working to make access to water and decent sanitation easier for the most vulnerable. Similarly, we have set up wastewater management measures and the reduction of its impact on the environment through the experience of the *Drop by drop we see the improvements* program, that has been rolled out by Financiera Confianza in Peru since 2014.



- In 2019 we signed a cooperation agreement with the Inter-American Institute for Cooperation on Agriculture (IICA) to boost and improve small-scale entrepreneurs' agricultural productivity through good farming practice and sustainable measures.

Sustainable economic recovery

In this new phase for the region, sustainability will play a fundamental role in all companies, governments, and civil organizations, guaranteeing inclusive and sustainable recovery from the economic, social, and environmental perspectives.

As an organization, we reaffirm our institutional commitment to create value through our activity and to generate a competitive advantage in our sector. We do this, strengthening our environmental sustainability strategy throughout all our institutions by boosting corporate and local initiatives and projects that allow us to generate impacts across the board on a greater scale and scope.

We are reinforcing our value offering to meet the needs of small-scale entrepreneurs while we help them to incorporate new technologies and mitigation and adaptation measures that enable them to reduce their vulnerability to instability and climate change. While at the same time conserving the environment, ecosystems, biodiversity and the surrounding natural resources. In this way we contribute to building a more sustainable future for all our entrepreneurs, coworkers, and Latin American society at large.