

FINDEV CANADA TRANSACTION SUMMARY

Banco Bolivariano C.A.

This document provides an overview of the FinDev Canada transaction, including a summary of the anticipated development impacts and of the environmental and social (E&S) risk assessment performed, potential risks identified, and related mitigation measures to be implemented.



Transaction Description

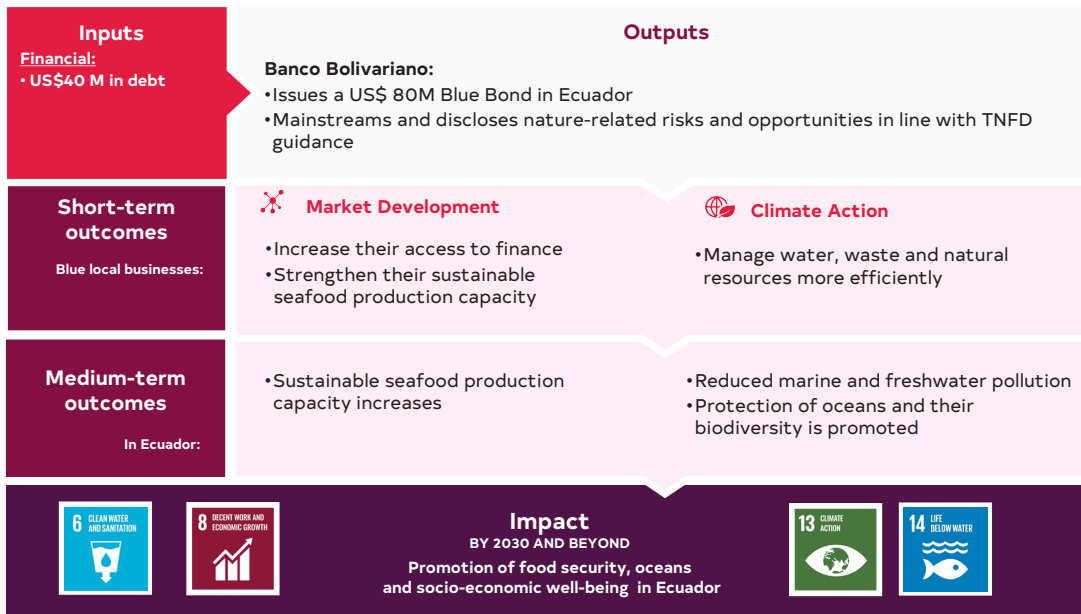
The transaction consists of a subscription by FinDev Canada to a US\$ 80M, 5-year senior, unsecured, thematic "blue bond" (the "Bond") issued by Banco Bolivariano C.A. The Blue Bond will support certified sustainable seafood producers, water and wastewater management, as well as solid waste management projects. FinDev Canada will be subscribing to US\$ 40m of the Bond, along with IDB (US\$ 25M) and IDB Invest (US\$ 15M), together the "IDB Group".

Transaction Details

COUNTERPARTY	Banco Bolivariano C.A. (the "Bank" or the "Issuer")
DOMICILE OF INCORPORATION	Ecuador
DOMICILE OF OPERATIONS	Ecuador
SECTOR	Financial Intermediaries
IFC PERFORMANCE STANDARDS TRANSACTION CATEGORY	Category FI-2
FINANCING PRODUCT	Debt
FINDEV CANADA TRANSACTION AMOUNT	USD 40 million
DATE OF TRANSACTION DISCLOSURE	03 April, 2023
DATE OF TRANSACTION SIGNING	11 July, 2023
DATE OF TRANSACTION SUMMARY PUBLICATION	26 October, 2023
2X CHALLENGE QUALIFYING	Yes, under the "Leadership" and "Employment" criteria

Summary of Anticipated Development Impacts

The development impact proposition of the proposed transaction is to provide financial services to companies that contribute to food security and local economic development, while protecting ocean ecosystems and their biodiversity. With a holistic approach to ocean preservation, the Blue Bond will support sustainable seafood producers as well as companies operating in water, wastewater, and solid waste management. Banco Bolivariano intends to begin aligning with the Taskforce on Nature-related Financial Disclosures (TNFD) requirements in 2024 and aims to release its first TNFD report in 2025. The impact theory of change below summarizes how the Bank will contribute to FinDev Canada’s long-term development impact goals and the Sustainable Development Goals (SDGs), in particular SDG 6 (Clean Water and Sanitation), SDG 8 (Decent Work and Economic Growth), SDG 13 (Climate Action), and SDG 14 (Life Below Water). All outputs and outcomes in this assessment are unattributed and represent the entire company impacts, not FinDev Canada’s pro-rata component.





MARKET DEVELOPMENT

- **Increasing access to financing for local businesses:** The Blue Bond will provide financing to both existing and new clients: for example, seafood producers seeking a sustainability certification due to the increasing demand for sustainable seafood production in the global market, or the companies aiming to optimize production of seafood in a sustainable way, contributing to greater food security.
- **Supporting sectors that contribute to local job creation:** The sectors supported by the Blue Bond are important contributors to local employment. Furthermore, the certifications for seafood companies (Marine Stewardship Council (MSC), Aquaculture Stewardship Council (ASC) and Best Aquaculture Practices (BAP)) are granted upon evaluations of working conditions such as fair wages, working hours, child labour risk mitigation, and social responsibility towards employees and local communities. All companies in the Blue Bond will need to offer formal employment that meet national law requirements.
- **Offering quality employment:** At Banco Bolivariano, all 1,518 employees receive access to private medical and life insurance, onsite medical consultations, and parental leave. The Bank also provides digital learning, coaching, mentoring, as well as financial assistance to employees seeking enhanced qualifications or education through a bursary program.



WOMEN'S ECONOMIC EMPOWERMENT

- **Promoting women's representation in leadership and employment:** At Banco Bolivariano, women represent 20% of the Board of Directors, 45% of senior management, 60% of middle management, and 56% of employees. The Bank has partnerships with local daycare institutions and provides discounted rates to employees to ensure affordable daycare. To promote equality and transparency in remuneration, Banco Bolivariano discloses a gender-pay gap analysis annually and commits to implementing corrective measures, when required.
- **2X Challenge qualification:** A portion of the Banco Bolivariano transaction is eligible for 2X Challenge based on the Bank meeting the direct "Leadership" (45% of women senior managers vs. the 30% 2X threshold) and "Employment" criteria (56% of women employees vs. the 40% 2X threshold for financial services), supported by the quality employment initiatives described above.



CLIMATE ACTION

- **Promoting sustainable practices:** The Blue Bond will allocate funds to projects promoting sustainable fishing practices or enabling the protection of the environment and water resources. Specifically, the Blue Bond will support sustainable seafood producers, water and wastewater management, as well as solid waste management. Depending on their sector of operation, companies will be required to report on a variety of climate and nature related KPIs, such as annual greenhouse gas reduction, share of sustainable production within total production, reduction in marine and freshwater pollution, water savings, and amount of plastic recycled or reused.
- **Alignment with climate and nature-related disclosure frameworks:** In 2023, Banco Bolivariano will start reporting its Scope 1 and 2 emissions in its Sustainability Report and will add Scope 3 reporting in the following years. Banco Bolivariano also intends to integrate nature-related considerations in its operations and disclose in accordance with the TNFD.

Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

Banco Bolivariano is a financial institution headquartered in Guayaquil, Ecuador. FinDev Canada's Environmental and Social (E&S) Risk Management Team considers the transaction to be a Category FI-2, given the nature and size of eligible transactions under the Blue Bond Reference Framework. The client's blue portfolio is mainly comprised of medium-risk corporate clients in the fishing and aquaculture (shrimp) industry, and to a lesser extent, agricultural and manufacturing businesses. Eligible transactions include certified seafood companies, as well as projects in waste and water management and resource efficiency which are expected to have exposure to E&S risks that are few in number, typically site-specific, generally reversible, and readily addressed through mitigation measures. This is Banco Bolivariano's first financing from FinDev Canada; they are an existing client of IDB Invest, the co-investor on the transaction, who also assigned a Category FI-2.

FinDev Canada's E&S risk due diligence was undertaken between October 22, 2022, and January 16, 2023, and consisted of track record searches, direct engagement with the client's representatives and E&S personnel, exchange of information with IDB Invest (lead arranger), and a review of environmental and social documentation. Recent material adverse media was not identified. Given that the co-lender IDB Invest conducted an environmental and social review of the proposed transaction in September 2022 and undertook site visits to the production plants of some of the Bank's blue portfolio clients, FinDev Canada's E&S risk team did not undertake its own site visit.

In conducting its environmental and social review, FinDev Canada's E&S Risk Management Team identified the International Finance Corporation (IFC) Performance Standards 1 & 2 as the relevant international E&S benchmarks for the transaction.

The Blue Bond issued by Banco Bolivariano will be aligned with the following internationally accepted guidelines and principles:

- Green and Social Bonds Guidelines for Ecuador 2020.
- The Green Bond Principles 2018 (GBP) (International Capital Markets Association: ICMA).
- The Sustainability Bond Guidelines 2021 (SBG) (ICMA).
- The Social Bond Principles 2021 (ICMA).
- Green Loan Principles (GLP) published by the Loan Market Association (LMA).
- Climate Bonds Standard (Climate Bonds Initiative: CBI).
- The UN Sustainable Blue Economy Finance Principles 2018.
- The Sustainable Ocean Principles and the Practical Guidance for the UN Global Compact Sustainable Ocean Principles.
- IDB Invest Sustainable Debt Framework.

The primary risks associated with Banco Bolivariano's Blue Bond are: 1) the E&S risks and impacts related to the fishery and aquaculture industry in Ecuador, such as biodiversity loss, resource efficiency, and labour conditions, and 2) labour and working conditions at Banco Bolivariano. The Bank has a comprehensive Environmental and Social Management System (ESMS) that includes application of the IFC Performance Standards. The proceeds of the Blue Bond will primarily target seafood companies possessing the ASC certification, a label awarded to producers meeting the highest sustainability standards, as it pertains to water quality, responsible sourcing of feed, disease prevention, animal welfare, the fair treatment and pay of workers and maintaining positive relationships with neighboring communities.

The FinDev Canada E&S Risk Management Team is of the opinion that adverse environmental, social, or human rights risks associated with the client's on-lending portfolio will be mitigated in a manner that aligns with the FinDev Canada Environmental and Social Policy and the IFC Performance Standards and relevant International Standards. Gaps have been captured in an Environmental and Social Action Plan (ESAP).