

# FINDEV CANADA TRANSACTION SUMMARY

## Banco Nacional de Costa Rica

*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

Established in 1914, Banco Nacional de Costa Rica (BNCR) is a financial conglomerate wholly owned by the Costa Rican Government, and the largest commercial bank in the country in terms of assets and deposits. With over 170 branches and more than 1,200 commercial establishments affiliated to Banco Nacional Services, BNCR is a key institution for the economic development of Costa Rica. The transaction consists of an investment of up to \$20M in a 10-year subordinated thematic blue bond (the Blue Bond) issued by BNCR.

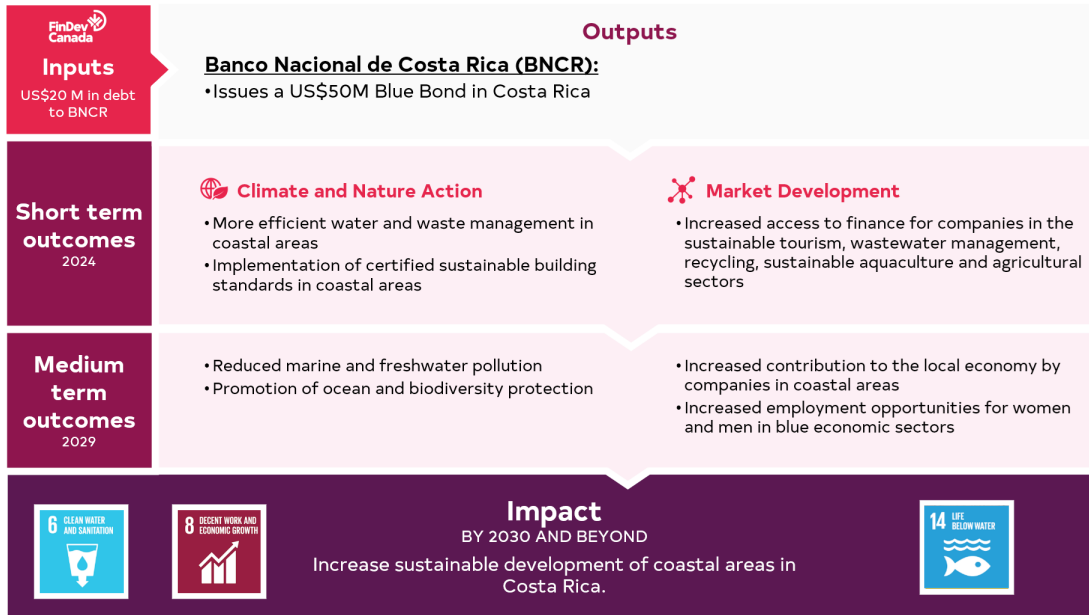
### Transaction Details

<b>COUNTERPARTY</b>	Banco Nacional de Costa Rica (BNCR)
<b>DOMICILE</b>	Costa Rica
<b>COUNTRY(IES) OF OPERATION</b>	Costa Rica
<b>TERM OF FINANCING</b>	10 years
<b>SECTOR</b>	Financial Industry
<b>E&amp;S CATEGORY</b>	FI-2
<b>FINANCING PRODUCT</b>	Debt
<b>FINDEV CANADA TRANSACTION AMOUNT</b>	Up to USD 20M
<b>DATE OF TRANSACTION DISCLOSURE</b>	07 May 2024
<b>DATE OF TRANSACTION SIGNING</b>	12 July 2024
<b>DATE OF TRANSACTION SUMMARY PUBLICATION</b>	13 December 2024
<b>2X ALIGNMENT</b>	No

## Summary of Anticipated Development Impacts

The development impact value proposition of this transaction is to finance sustainable development and business opportunities that positively impact the Blue Economy<sup>1</sup> in Costa Rica.

The impact theory of change below illustrates how this transaction 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), and SDG 14 (Life Below Water).



<sup>1</sup>ICMA. Bonds to Finance the Sustainable Blue Economy. 2023.



## CLIMATE AND NATURE ACTION

- **Contribute to ocean health and better management of natural resources:** The sectors supported by the Blue Bond contribute to the sustainable management of water resources and to the reduction of ocean pollution. The Blue Bond will finance activities that promote more effective water, wastewater and solid waste management.
- **Contribute to reduce greenhouse gas (GHG) emissions:** Oceans play an integral role in climate change mitigation, absorbing an estimated 30% of carbon dioxide emissions and more than 90% of excess heat.<sup>2</sup>



## MARKET DEVELOPMENT

- **Contribute to the development of key sectors for the economy and the environment:** This transaction is expected to unlock financing for businesses in Costa Rica that are essential to the national economy and that contribute to the environment. Specifically, the Blue Bond will finance sustainable tourism, wastewater management, and fisheries and aquaculture. In Costa Rica, tourism contributes 8.2% of GDP and is a substantial employment driver. Fisheries and aquaculture are a significant source of protein intake for the population.
- **Increase employment and local economy value-add:** The Blue Bond will finance activities that drive economic growth and that contribute to job provision and creation in the country.

## Summary of Environmental and Social Assessment and Related Risk Mitigation Measures

This review has been completed in accordance with FinDev Canada's Environmental and Social Policy. FinDev Canada's E&S Team considers the transaction to be a Category FI-2, given the nature and size of proposed on-lending under BNCR's blue bond framework.

The client's proposed pipeline is comprised of medium risk sectors such as agriculture, water and sanitation which are expected to have exposure to adverse E&S risks that are few in number, typically site-specific, generally reversible, and readily addressed through mitigation measures. These include potential adverse impacts on the environment (biodiversity and protected areas, exploitation of wildlife, air and water quality, waste management and site contamination), on workers (health and safety, gender-based violence and harassment) and communities, including potential exposure to risks related to physical and economic displacement, indigenous communities or vulnerable groups. On-lending to high-risk subprojects will not be permitted.

The benchmark review of BNCR's Environmental and Social (E&S) management capacity was conducted against the International Finance Corporation Performance Standards (IFC PS) 1 Assessment and Management of Environmental & Social Risks and Impacts, and 2 Labor Rights and Working Conditions. The due diligence activities consisted of track record searches, video conference calls with the client's representatives and peer lenders, as well as a review of environmental and social documentation.

To mitigate E&S risks, BNCR has implemented an Environmental & Social Management System (ESMS) which will be updated through the completion of an Environmental & Social Action Plan (ESAP) to strengthen the identification of risks and impacts, including climate change, gender-based violence and harassment, and trainings for capacity-building.

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<sup>2</sup> Ocean and Climate Org. Scientific Fact Sheet, 2019