

Second-Party Opinion

Banco Bolivariano Blue Bond Framework



Evaluation Summary

Sustainalytics is of the opinion that the Banco Bolivariano Blue Bond Framework is credible and impactful and aligns with the four core components of the Green Bond Principles 2021. This assessment is based on the following:



USE OF PROCEEDS The eligible categories for the use of proceeds - (i) Seafood, (ii) Water and Wastewater Management and (iii) Solid Waste Management and Circular Economy - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories are expected to lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6, 12 and 14.



PROJECT EVALUATION AND SELECTION Banco Bolivariano's Credit Committee is responsible for the evaluation and selection of projects in line with eligibility criteria in the Framework. The Bank has adopted an internal environmental and social risk management system (SARAS) which is applicable to all eligible projects under the Framework. Sustainalytics considers the project selection process and the application of environmental and social risk management to be in line with market practice.



MANAGEMENT OF PROCEEDS Banco Bolivariano's Treasury Department will be responsible for tracking and managing proceeds through an internal management system using a portfolio approach. Banco Bolivariano intends to reach full allocation within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash or invested in highly liquid instruments. Sustainalytics considers this to be in line with market practice.



REPORTING Banco Bolivariano intends to publicly report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include details such as the allocation per eligible category, the share of unallocated proceeds, the description of the projects that have been financed and the relative amount financed in relation to the total cost of the project. In addition, Banco Bolivariano is committed to reporting on relevant impact metrics to its bond holders. Sustainalytics views Banco Bolivariano's allocation and impact reporting as aligned with market practice.

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Issuer Location	Guayaquil, Ecuador

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Introduction

Banco Bolivariano ("BB" or the "Bank") is a financial institution that provides both personal and corporate financial services in Ecuador. The Bank is headquartered in Guayaquil, Ecuador, and had approximately 1,540 employees by end of 2022. As of December 2022, the Bank's loan portfolio stood at USD 2.7 billion in assets.¹

BB has developed the Banco Bolivariano Blue Bond Framework, dated February 2023 (the "Framework"), under which it intends to issue multiple blue bonds and use the proceeds to finance, in whole or in part, future projects that are expected to create positive environmental contributions through investments related to the protection of water resources and aquatic ecosystems. The Framework defines eligibility criteria in three areas:

1. Seafood
2. Water and Wastewater Management
3. Solid waste management and Circular Economy

BB engaged Sustainalytics to review the Banco Bolivariano Blue Bond Framework and provide a second-party opinion on the Framework's environmental credentials and its alignment with the Green Bond Principles 2021 (GBP).² The Framework has been published in a separate document.³

Scope of work and limitations of Sustainalytics' Second-Party Opinion

Sustainalytics' Second-Party Opinion reflects Sustainalytics' independent⁴ opinion on the alignment of the reviewed Framework with current market standards and the extent to which the eligible project categories are credible and impactful.

As part of the Second-Party Opinion, Sustainalytics assessed the following:

- The Framework's alignment with the Green Bond Principles 2021, as administered by ICMA;
- The credibility and anticipated positive impacts of the use of proceeds; and
- The alignment of the issuer's sustainability strategy and performance and sustainability risk management in relation to the use of proceeds.

For the use of proceeds assessment, Sustainalytics relied on its internal taxonomy, version 1.12.1, which is informed by market practice and Sustainalytics' expertise as an ESG research provider.

As part of this engagement, Sustainalytics held conversations with various members of BB's management team to understand the sustainability impact of their business processes and planned use of proceeds, as well as management of proceeds and reporting aspects of the Framework. BB representatives have confirmed (1) they understand it is the sole responsibility of BB to ensure that the information provided is complete, accurate or up to date; (2) that they have provided Sustainalytics with all relevant information and (3) that any provided material information has been duly disclosed in a timely manner. Sustainalytics also reviewed relevant public documents and non-public information.

This document contains Sustainalytics' opinion of the Framework and should be read in conjunction with that Framework.

Any update of the present Second-Party Opinion will be conducted according to the agreed engagement conditions between Sustainalytics and BB.

Sustainalytics' Second-Party Opinion, while reflecting on the alignment of the Framework with market standards, is no guarantee of alignment nor warrants any alignment with future versions of relevant market standards. Furthermore, Sustainalytics' Second-Party Opinion addresses the anticipated impacts of eligible projects expected to be financed with bond proceeds but does not measure the actual impact. The measurement and reporting of the impact achieved through projects financed under the Framework is the responsibility of the Framework owner. Upon twenty-four (24) months following the evaluation date set stated

¹ Banco Bolivariano, "Informe Económico 2022", (2022), at: https://portalbb-multimedia.bolivariano.com/docs/default-source/general-pdf/gobierno-corporativo/transparencia-de-la-informaci%C3%B3n/estados_financieros_diciembre-2022.pdf

² The Green Bond Principles are administered by the International Capital Market Association and are available at <https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>.

³ Banco Bolivariano, "The Banco Bolivariano Blue Bond Framework", at: www.bolivariano.com/sostenibilidad

⁴ When operating multiple lines of business that serve a variety of client types, objective research is a cornerstone of Sustainalytics and ensuring analyst independence is paramount to producing objective, actionable research. Sustainalytics has therefore put in place a robust conflict management framework that specifically addresses the need for analyst independence, consistency of process, structural separation of commercial and research (and engagement) teams, data protection and systems separation. Last but not the least, analyst compensation is not directly tied to specific commercial outcomes. One of Sustainalytics' hallmarks is integrity, another is transparency.

herein, BB is encouraged to update the Framework, if necessary, and seek an update to the Second-Party Opinion to ensure ongoing alignment of the Framework with market standards and expectations.

In addition, the Second-Party Opinion opines on the potential allocation of proceeds but does not guarantee the realised allocation of the bond proceeds towards eligible activities.

No information provided by Sustainalytics under the present Second-Party Opinion shall be considered as being a statement, representation, warrant or argument, either in favour or against, the truthfulness, reliability or completeness of any facts or statements and related surrounding circumstances that BB has made available to Sustainalytics for the purpose of this Second-Party Opinion.

Sustainalytics' Opinion

Section 1: Sustainalytics' Opinion on the Banco Bolivariano Blue Bond Framework

Sustainalytics is of the opinion that the Banco Bolivariano Blue Bond Framework is credible and impactful, and aligns with the four core components of the GBP. Sustainalytics highlights the following elements of BB's Green Bond Framework:

- Use of Proceeds:
 - The eligible categories – Seafood, Water and Wastewater Management, and Solid Waste Management and Circular Economy – are aligned with those recognized by the GBP and are expected to advance the transition to a low-carbon and sustainable economy and lead to a positive environmental impact in Ecuador.
 - Sustainalytics notes that Banco Bolivariano will finance loans related to the categories below which include project-related financing as well as financing of businesses. Sustainalytics recognizes that the GBP favour project-based lending and financing, which provide generally more transparency than non-project-based lending. While Banco Bolivariano's Blue Bond Framework allows for general purpose lending to pure play companies, Sustainalytics notes the high threshold that Banco Bolivariano has established in order to deem a company eligible for inclusion: pure plays must derive more than 90% of their revenue from eligible activities in order to qualify for financing.
 - The Bank confirmed that financing research and development (R&D) under the Framework will not exceed 10% of total net proceeds and will focus in mid- to late-stage R&D.
 - Under the Seafood category, Banco Bolivariano may finance sustainable aquaculture farms certified by the Aquaculture Stewardship Council (ASC)⁵, Aquaculture Stewardship Council Tilapia (ASC Tilapia)⁶ or under Best Aquaculture Practice (minimum 2 stars)⁷, and fisheries certified by the Marine Stewardship Council (MSC).⁸ Additionally, the Bank may finance the conversion of fisheries and aquaculture farms from a non-certified to a certified business.⁹
 - Sustainalytics notes that such conversions have a pre-defined timeframe, agreed-upon plan advances as well as a post-completion verification of the respective certification.¹⁰
 - Sustainalytics views the selected certification schemes as credible and their selected levels to be aligned with market practice.
 - Sustainalytics further notes that financing under this category may include short-term loans for a period not exceeding 12 months. The intended short-term loans will support letters of credit for imports and exports by eligible farms and fisheries. The Bank will

⁵ Aquaculture Stewardship Council, at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/>

⁶ Aquaculture Stewardship Council Tilapia (ASC Tilapia), at: <https://www.asc-aqua.org/what-we-do/our-standards/farm-standards/the-tilapia-standard/>

⁷ Best Aquaculture Practice, at: <https://www.bapcertification.org/About>

⁸ Marine Stewardship Council, at: <https://www.msc.org/standards-and-certification/fisheries-standard>

⁹ The Framework list the following certifications as eligible: Aquaculture Stewardship Council (ASC), Aquaculture Stewardship Council Tilapia (ASC Tilapia), Best Aquaculture Practice (above 2 stars), and Marine Stewardship Council (MSC).

¹⁰ If the certification was not achieved, the Bank will agree on an action plan to achieve the certification within a new time frame. In case certification is not achieved at all, the borrower will be required to pay back the benefits received (if any) and the financed amount will be excluded from the blue bond reporting.

limit the use of short-term loans under this category to 10% of the total amount of the issuance.

- Under the Water and Wastewater Management category, the Framework mandates projects be located not more than 100 kilometres from the coast or 50 km from rivers and their tributaries in order to be eligible.¹¹ BB may finance the following:
 - New and upgraded industrial and sewerage wastewater collection and treatment systems. Upgrades can include the decarbonization of processes¹² and improvements to the treatment plants' energy efficiency. BB has confirmed that financing wastewater treatment from fossil fuel operations and fossil-fuel driven processes are excluded from such financing.
 - Retrofit of existing or construction of new water facilities to improve flood resilience, such as stormwater management infrastructure. All facilities financed under this sub-category are required to undergo a flood risk assessment and to identify respective resilience measures.
 - Construction and rehabilitation of water supply infrastructure, such as demand management and water efficiency programmes in industrial and commercial facilities. The Framework defines a minimum threshold of 20% water savings over the initial performance pre-retrofit. The Bank has further confirmed that industrial facilities do not include fossil fuel operations, fracking, nuclear or mining operations.
 - Construction of desalination facilities powered by renewable energy or energy with an average carbon intensity of electricity consumption at 100 gCO₂e/kWh or below. Further, the Bank has confirmed that such facilities will have an appropriate waste management plan in place for brine disposal.
 - Agricultural programmes that aim to reduce inputs of agro-chemicals and fertilizer such as the replacement of phosphate-based and nitrogen-based synthetic fertilizers with sustainable and biodegradable alternatives, such as biostimulants, bioregulators and biofertilizers. BB has confirmed the exclusion of genetic crop development. Financing may also include R&D for such programmes.
 - Production and manufacture of products from bio-based materials that have received RSB certification.¹³ Examples include microbead-free toothpaste, biodegradable and phosphate-free detergents and shampoos.
 - Sustainability considers the activities financed under the Water and Wastewater Management category to be in line with market practice.
- Under Solid Waste Management and Circular Economy, the Framework mandates projects be located not more than 100 kilometres from the coast or 50 km from rivers and their tributaries in order to be eligible. BB may finance the following:¹⁴
 - Integrated solid waste recycling facilities and associated infrastructure for marine debris. BB has confirmed that marine debris will be separated once collected. The Bank has further confirmed that collection vehicles will not be financed, and that processed waste will be limited to recycling and waste-to-energy¹⁵ activities.
 - Procurement expense financing¹⁶ of facilities for purchasing recycled/reused materials such as plastic and paper, including supply chain programs of the issuer, where the receivables of MSME Suppliers are discounted, depending on the recycled/reused materials sold.

¹¹ Confidentially shared with Sustainability.

¹² BB shared examples of decarbonization processes such as those related to intelligent wastewater pumping systems, adaptive agitators with variable speed drives, intelligent mixing and aeration systems.

¹³ Roundtable on Sustainable Biomaterials (RSB), at: <https://rsb.org/the-rsb-standard/about-the-rsb-standard/>

¹⁴ Confidentially shared with Sustainability.

¹⁵ Sustainability recognizes that energy from waste could take out of circulation potentially recyclable materials and undermine two of the main objectives of a zero-waste circular economy, namely waste prevention and recycling. Additionally, for such projects to have low emissions intensities, the composition of residual waste is a crucial consideration, particularly fossil carbon content. However, Sustainability also notes that due to constraints on recycling in many parts of the world, energy from waste can offer a better residual waste management option than landfills in many cases. Sustainability recommends the Bank to promote the removal of increasing amounts of recyclables, especially plastics and metals, and the monitoring of thermal efficiency of the financed facilities.

¹⁶ The Bank has communicated to Sustainability that in addition to the blue eligibility criteria as set out above, this activity aims to achieve positive social impact through ensuring that borrowers procure such products from suppliers that are either MSMEs or suppliers with a workforce comprised of vulnerable groups such as women, migrants, afro-descendent and indigenous people.

- R&D and production of low-carbon, bio-based plastic that has received RSB certification.
 - Waste exchange software programmes that aim to provide platforms to exchange by-products and divert waste from landfills.
 - Sustainalytics considers financing under this category to be in line with market practice.
- The Framework specifies a list of activities and high-risk sector projects¹⁷ that are excluded from financing.
- Project Evaluation and Selection:
 - The Bank's Commercial Officer is responsible for selecting eligible assets that align with the Framework. BB's Credit Committee, consisting of a Base Committee and a superior Extended Committee, evaluate and monitor eligible assets against the eligibility criteria in the Framework. The Base Committee consists of the following managers: Manager of Initiation or Business Risks, Manager of Comprehensive Risks, Regional Business Banking Manager, Banking Manager and Treasury Manager. The Extended Committee comprises the Bank's Financial Manager, CEO and Chairman.
 - The Bank has established processes to help determine eligibility under the Framework criteria, including the validation of positive environmental impacts of potential transactions and categorization of the loan as conventional or blue based on a selection matrix.
 - Project evaluation and selection adheres to the Bank's environmental and social risk management system (SARAS) to assess and manage environmental and social risks. The SARAS assessment framework outlines the Bank's risk acceptance criteria and due diligence processes for several risk categories. This process is applicable to all commercial lending decisions made under the Framework. Sustainalytics considers these environmental and social risk management systems to be adequate and aligned with market expectation. For additional details, see Section 2.
 - Based on the establishment of the Credit Committee and the presence of adequate environmental and social risk management systems, Sustainalytics considers this process to be in line with market expectations.
- Management of Proceeds:
 - The Bank's Treasury Department will be responsible for the management and allocation of proceeds, and will track the proceeds through an internal management system using a portfolio approach.
 - The Bank will allocate proceeds within 24 months of the issuance date. Pending full allocation, proceeds will be temporarily held in cash or invested in highly liquid instruments. Such instruments will have low credit risk and be short-term (maximum 12 months) instruments that comply with the eligibility criteria of the Framework, including fixed-rate instruments, time deposits, commercial paper and discount notes.
 - In case of early repayment or divestment, BB will reallocate the funds to assets eligible under the Framework within six months.
 - Based on the use of an internal tracking system and disclosure of the temporary use of proceeds, Sustainalytics considers this process to be in line with market practice.
- Reporting:
 - The Bank will report annually on the allocation of proceeds on its website within its sustainability report until the maturity of the respective bond or via ad-hoc reports if needed. Allocation reporting will include: i) the total amount of proceeds allocated to each category; ii) a description of the project (component) financed, the amount, disbursement rates and term of funding; iii) the relative amount financed in relation to the total cost of the project; and vi) the balance of unallocated proceeds.
 - In addition to the above, the Bank also intends to disclose to its bond holders the share of unallocated proceeds and their temporary management, an annual verification report as well as

¹⁷ High-risk sector projects include: i) large infrastructure projects; ii) extractive projects; iii) large hydroelectric projects; iv) projects with a high potential of greenhouse gas emissions; v) projects implying resettlements; vi) projects built in critical areas (e.g. where there are human right violations or environmental and social discomfort); vii) projects with a high impact on critical inhabitants; viii) projects built in or near protected areas or areas having a cultural or biodiversity value; ix) projects with high context risks (given the external operating context but not the project itself, e.g. pre-existing conflicts, systemic discrimination, changing political environment, widely disseminated diseases, countries having a long history of human rights violations, etc.)

information on the impact of the respective projects, methodology and assumptions used in impact reporting.

- Impact reporting is intended to include metrics such as production of certified sustainable fishing (in tonnes), untreated wastewater discharges avoided (in m³/year); water savings related to wastewater treatment (in m³/year); amount of plastic materials recycled and reused for manufacturing (in tonnes/year). For a full list of impact metrics, please refer to Appendix 1: Green Bond/ Green Bond Programme External Review Form.
- Based on intention to report on both allocation and impact, Sustainability considers this process to be in line with market practice.

Alignment with Green Bond Principles 2021

Sustainability has determined that the Banco Bolivariano Blue Bond Framework aligns with the four core components of the GBP. For detailed information, please refer to Appendix 1: Green Bond/Green Bond Programme External Review Form.

Section 2: Sustainability Performance of Banco Bolivariano

Contribution to Banco Bolivariano's sustainability performance

Sustainability is of the opinion that the Framework is aligned with Banco Bolivariano's aim to promote sustainability through its sustainable lending activities via: i) providing financing for companies and projects that have a positive environmental impact; ii) assessing climate change-related risks of its clients; and iii) improving the Bank's own operational sustainability performance.¹⁸

The Bank is in the process of setting up its Sustainability Strategy 2025 which aims to promote products and services that contribute to Ecuador's economic and social development as well as protect the environment. One of the strategic objectives of the Bank is to increase the number of products that finance environmentally impactful projects such as the electrification of activities to replace the use of fossil fuels, the improvement of the use of resources and reduction of waste generated, as well as the increase in financing of certified, sustainable agriculture, aquaculture and forestry. Regarding aquaculture, the Bank plans to partner with relevant organizations as well as set up networking events and training sessions for clients to promote sustainable aquaculture projects in Ecuador.¹⁹ Additionally, the Bank has developed a credit programme called "Crédito Verde", which offers loans for energy efficiency improvements for individual households and companies, including electrification and green building certifications.²⁰ Between 2019 and 2021, the number of participants in the green loan programme doubled and the loans reached approximately USD 28.5 million in 2021.²¹

Banco Bolivariano became a signatory to the Principles for Responsible Banking²² and Ecuador's Sustainable Finance Protocol²³ through the Association of Private Banks in Ecuador in 2019.²⁴ Through its participation in the Sustainable Finance Protocol, the Bank has committed to advance its institutional eco-efficiency, environmental and social risk analysis and green financing. In addition, the Bank has developed an environmental and social risk management system (SARAS) aiming to detect, analyze and mitigate risks from potential environmental and social impacts resulting from client activities. Between 2019 and 2021, the number of clients evaluated through SARAS increased by 60%.²⁵ BB further plans to commence its work on the alignment with the requirements of the TNFD during 2023.

Sustainability is of the opinion that the Banco Bolivariano Blue Bond Framework is aligned with the Bank's overall sustainability strategy and initiatives and will further the Bank's action on its key environmental priorities. Sustainability notes that Banco Bolivariano is currently in the process of developing a sustainable finance strategy, including relevant targets for its blue lending portfolio, and encourages the Bank to publicly disclose it once available and report on its progress towards meeting such targets.

¹⁸ Banco Bolivariano, "Memoria de Sostenibilidad 2021", at: <https://www.bolivariano.com/sostenibilidad>

¹⁹ Ibid.

²⁰ Banco Bolivariano, "Crédito verde", at: <https://www.bolivariano.com/personas/creditos/credimax-verde>

²¹ Banco Bolivariano, "Memoria de Sostenibilidad 2021", at: <https://www.bolivariano.com/sostenibilidad>

²² UNPFI, "Principles of responsible financing", at: <https://www.unepfi.org/banking/bankingprinciples/>

²³ IFC, "Protocolo de finanzas sostenibles del Ecuador", at: [https://www.ifc.org/wps/wcm/connect/3148ae43-c611-402b-bb7c-9ce28d467d11/Ecuador+Sustainable+Finance+Protocol+\(Spanish+only\).pdf?MOD=AJPERES&CVID=IDu0jcd](https://www.ifc.org/wps/wcm/connect/3148ae43-c611-402b-bb7c-9ce28d467d11/Ecuador+Sustainable+Finance+Protocol+(Spanish+only).pdf?MOD=AJPERES&CVID=IDu0jcd)

²⁴ Asobanca, "Finanzas Sostenibles", at: <https://asobanca.org.ec/finanzas-sostenibles/>

²⁵ Banco Bolivariano, "Memoria de Sostenibilidad 2021", at: <https://www.bolivariano.com/sostenibilidad>

Approach to managing environmental and social risks associated with the projects

Sustainalytics recognizes that the proceeds from the instruments issued under the Framework will be directed towards eligible projects and assets that are expected to have positive environmental impacts. However, Sustainalytics is aware that such eligible projects could also lead to negative environmental and social outcomes. Some key environmental and social risks possibly associated with the eligible projects and assets may include issues involving business ethics, occupational health and safety, biodiversity, effluent, emissions and waste resulting from large-scale infrastructure development, community relations and money laundering.

Sustainalytics is of the opinion that the Bank is able to manage or mitigate potential risks through implementation of the following:

- Banco Bolivariano's Code of Ethics guides the financial activities of the Bank and the professional activities of employees, forming the basis of all its public and private relations, including with customers, suppliers, competitors, regulators and the broader communities within which the Bank operates. The code addresses compliance with laws and regulations, as well as with internal policies on the prevention of money laundering and financing crimes, in addition to conflicts of interest, transparency, among other topics. The code also takes into account the interests of different stakeholder groups and also applies to Banco Bolivariano's service providers.²⁶
- Banco Bolivariano has in place an environmental and social risk management system (SARAS)²⁷ which applies to all loan requests by commercial banking clients. The SARAS includes an environmental and social due diligence process, as well as a list of businesses and activities that are excluded from financing. SARAS allows the Bank to classify potential transactions into three categories based on their E&S risk level: (i) Category A: High Risk, (ii) Category B: Medium Risk, and (iii) Category C: Low Risk. The respective category is determined through a seven-step process that includes factors such as: i) the type of business activity; ii) sales volume of the company; iii) the type of environmental permit needed; iv) the location of the project; v) the sum and timeframe of the investment; and vi) the end use of the funds. Based on the risk category identified, BB carries out a due diligence process that addresses environmental and social risks based on the IFC Performance Standards,²⁸ among other things related to: i) assessment and management of environmental and social risks and impacts; ii) labour and working conditions; iii) resource efficiency and pollution prevention; iv) community health, safety and security; v) land acquisition and involuntary resettlement; vi) biodiversity conservation and sustainable management of living natural resources; vii) indigenous peoples; and viii) cultural heritage. If a company or project identifies as Category A, an E&S risk analyst will proceed with site visits (including the company and investment destination) and a detailed investigation. Thereafter, Banco Bolivariano decides on the necessity of requesting E&S risk mitigation measures, and determines whether or not to approve the transaction.²⁹
- The Bank's Environmental Policy provides BB with a framework that helps it incorporate environmental and social concerns across the entire scope of its operations and business and sets out principles and guidelines in relation to incorporating sustainability in the Bank's lending activities.³⁰
- Financing will take place in Ecuador, where the Labour Code (Código del Trabajo) updated in 2012 addresses the responsibilities and risks regarding occupational accidents and safety measures.³¹ Additionally, the Bank is in compliance with Ecuadorian Regulation 2393 which addresses workers' health and safety and the improvement of working conditions.³²
- The Bank developed a Risk Management System to prevent money laundering and financing of crimes, such as terrorism, which is incorporated in different stages of the lending process, including the identification, measurement, control and monitoring. The Compliance Unit and the Compliance Committee coordinate and monitor compliance issues. The Bank also has a Management Manual

²⁶ Banco Bolivariano has shared the "Código de Ética del Banco Bolivariano" with Sustainalytics confidentially.

²⁷ Banco Bolivariano has shared the environmental and social risk management system (SARAS) with Sustainalytics confidentially.

²⁸ IFC, "Protocolo de finanzas sostenibles del Ecuador", at: [https://www.ifc.org/wps/wcm/connect/3148ae43-c611-402b-bb7c-9ce28d467d11/Ecuador+Sustainable+Finance+Protocol+\(Spanish+only\).pdf?MOD=AJPERES&CVID=IDu0jcd](https://www.ifc.org/wps/wcm/connect/3148ae43-c611-402b-bb7c-9ce28d467d11/Ecuador+Sustainable+Finance+Protocol+(Spanish+only).pdf?MOD=AJPERES&CVID=IDu0jcd)

²⁹ Banco Bolivariano has shared the environmental and social risk management system (SARAS) with Sustainalytics confidentially.

³⁰ Banco Bolivariano, "Política de Gestión Ambiental", at: https://portalbb-multimedia.bolivariano.com/docs/default-source/general-pdf/gobierno-corporativo/transparencia-de-la-información/politica_de_gestion_ambiental_.pdf

³¹ Government of Ecuador, Ministry of Labour, "Código del Trabajo", at: <https://www.trabajo.gob.ec/wp-content/uploads/downloads/2012/11/C%C3%B3digo-de-Trabajo-PDF.pdf>

³² Government of Ecuador, Portal Único de Trámites Ciudadanos, "Reglamento de Seguridad y Salud de los Trabajadores", (1986), at: https://www.gob.ec/sites/default/files/regulations/2018-11/Documento_Reglamento-Interno-Seguridad-Ocupacional-Decreto-Ejecutivo-2393_0.pdf

for the Risk of Asset Laundering and Financing of Crimes in place to ensure adequate due diligence for its transactions.³³

Based on these policies, standards and assessments, Sustainalytics is of the opinion that Banco Bolivariano has implemented adequate measures and is well positioned to manage and mitigate environmental and social risks commonly associated with the eligible categories.

Section 3: Impact of Use of Proceeds

All three use of proceeds categories are aligned with those recognized by the GBP. Sustainalytics has focused on one below where the impact is specifically relevant in the local context.

Importance of certified sustainable fisheries and aquaculture in Ecuador

An estimated three billion people globally depend on seafood as their primary source of protein, with increasing demand leading to continued exploitation of global fishery resources.³⁴ According to a report from the International Institute for Sustainable Development, 88% of fish stocks were considered to be fully exploited or overexploited as of 2016.³⁵ The world's aquaculture output grew at the average rate of 6.7% each year between 1990 and 2020.³⁶ With illegal catch and trade leading to overfishing in many regions, the environmental stressors brought on by fisheries are exacerbated by opaque supply chains and inadequate fisheries management.³⁷ The IPCC considers overfishing to be one of the most important "non-climatic drivers affecting the sustainability of fisheries".³⁸

Certified sustainable aquaculture offers many environmental benefits relative to other forms of livestock farming, as marine aquaculture operations typically have smaller carbon footprints and require less land and fresh water.³⁹ As one of the fastest-growing food production methods in the world, sustainable fisheries and aquaculture are projected to account for almost two-thirds of all fish consumption by 2030.⁴⁰ When practised responsibly through certified operations, fish and seafood farming has the potential to generate jobs, increase global food production, contribute to economic growth in coastal and rural areas, and preserve waterways by limiting their exposure to commercial fishing operations.⁴¹

Ecuador exported over 1.4 billion pounds of shrimp in 2019,⁴² and produced 775,000 tonnes of aquatic animals between 2005 and 2020.⁴³ In 2022, Ecuador's National Chamber of Aquaculture signed an agreement with World Wildlife Fund-Ecuador to end habitat conversion from shrimp farming nationwide, marked as the first national commitment for conversion-free aquaculture in the world.⁴⁴ However, to contribute to the UN Sustainable Development Goals, Ecuador's fisheries and aquaculture industry needs to adopt more sustainable management practices, including informing, empowering and engaging stakeholders throughout the value chain to make decisions that align with a more responsible seafood industry.⁴⁵

Developing a sustainable seafood industry requires investments from a variety of stakeholders.⁴⁶ As such, Sustainalytics views positively Banco Bolivariano's financing efforts to companies holding recognized

³³ Banco Bolivariano has shared the "CÓDIGO DE ÉTICA DEL BANCO BOLIVARIANO" with Sustainalytics confidentially.

³⁴ World Wildlife Fund, "Sustainable Seafood", at: <https://www.worldwildlife.org/industries/sustainable-seafood#:~:text=3%20billion,to%20billions%20of%20people%20worldwide>.

³⁵ International Institute for Sustainable Development, "State of Sustainability Initiatives Review: Standards and the Blue Economy", (2016), at: <https://www.iisd.org/system/files/publications/ssi-blue-economy-2016.pdf>

³⁶ Food and Agriculture Organization of the United Nations, "The State of World Fisheries and Aquaculture 2022", (2022), at: <https://www.fao.org/3/cc0461en/online/sofia/2022/aquaculture-production.html>

³⁷ World Wildlife Fund, "The Future of Sustainable Fisheries", at: <https://seafoodsustainability.org/fisheries/>

³⁸ IPCC, "Changing Ocean, Marine Ecosystems, and Dependent Communities", (2019), at: <https://www.ipcc.ch/srocc/chapter/chapter-5/>

³⁹ US National Oceanic and Atmospheric Administration, "Aquaculture Supports a Sustainable Earth", (2020), at: <https://www.fisheries.noaa.gov/feature-story/aquaculture-supports-sustainable-earth>

⁴⁰ Poore, J. et al. (2018), "Reducing food's environmental impacts through producers and consumers", Science, at: <https://science.sciencemag.org/content/360/6392/987>.

⁴¹ World Bank, "Sustainable Aquaculture", at: <https://www.worldbank.org/en/topic/environment/brief/sustainable-aquaculture>

⁴² The Fish Site, "Ecuador on target to smash shrimp export record", (2020), at: <https://thefishsite.com/articles/ecuador-on-target-to-smash-shrimp-export-record>

⁴³ Food and Agriculture Organization of the United Nations, "The State of World Fisheries and Aquaculture 2022", (2022), at: <https://www.fao.org/3/cc0461en/cc0461en.pdf>

⁴⁴ World Wildlife Fund, "New Agreement Sets Ecuador on a Path to End Habitat Conversion from Shrimp Farming", (2022), at: <https://www.worldwildlife.org/press-releases/new-agreement-sets-ecuador-on-a-path-to-end-habitat-conversion-from-shrimp-farming>

⁴⁵ UN Global Compact, "Accelerating Sustainable Seafood", at: <https://pactoglobal-ecuador.org/wp-content/uploads/2021/10/Accelerating-Sustainable-Seafood.pdf>

⁴⁶ Ibid.

certifications for sustainable aquaculture operations. Sustainalytics believes that financing under the Framework will support the Ecuadorian government's goals for a more responsible fishing industry.⁴⁷

Contribution to SDGs

The Sustainable Development Goals were adopted in September 2015 by the United Nations General Assembly and form part of an agenda for achieving sustainable development by 2030. The instruments issued under the Banco Bolivariano Blue Bond Framework are expected to help advance the following SDGs and targets:

Use of Proceeds Category	SDG	SDG target
Seafood	14. Life below water	14.7 By 2030, increase the economic benefits to Small Island developing States and least developed countries from the sustainable use of marine resources, including through sustainable management of fisheries, aquaculture and tourism
Water & Wastewater Management	6. Clean water and sanitation	6.3 By 2030, improve water quality by reducing pollution, eliminating dumping and minimizing release of hazardous chemicals and materials, halving the proportion of untreated wastewater and substantially increasing recycling and safe reuse globally 6.4 By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity
Solid waste management and circular economy	12. Responsible consumption and production.	12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

Conclusion

Banco Bolivariano has developed the Banco Bolivariano Blue Bond Framework, under which it intends to issue blue bonds and use the proceeds to finance projects that are expected to create positive environmental impacts related to the protection of water resources and aquatic ecosystems in Ecuador.

The Banco Bolivariano Blue Bond Framework outlines a process by which proceeds will be tracked, allocated, and managed, and commitments have been made for reporting on the allocation and impact of the use of proceeds. Furthermore, Sustainalytics believes that the Banco Bolivariano Blue Bond Framework is aligned with the overall sustainability initiatives of the Bank and that the blue use of proceeds categories will contribute to the advancement of the UN Sustainable Development Goals 6, 12 and 14. Additionally, Sustainalytics is of the opinion that Banco Bolivariano has adequate measures to identify, manage and mitigate environmental and social risks commonly associated with the eligible projects.

Based on the above, Sustainalytics is of the opinion that Banco Bolivariano is well positioned to issue blue bonds, and that the Framework is robust, transparent and in alignment with the four core components of the Green Bond Principles (2021).

⁴⁷ UNDP Food and Agricultural Commodity Systems, "Ecuador: Sustainable Fisheries", at: <https://www.undp.org/facs/ecuador-sustainable-fisheries>

Appendix

Appendix 1: Green Bond / Green Bond Programme - External Review Form

Section 1. Basic Information

Issuer name:	Banco Bolivariano
Green Bond ISIN or Issuer Green Bond Framework Name, if applicable:	Banco Bolivariano Blue Bond Framework
Review provider's name:	Sustainalytics
Completion date of this form:	February 6, 2023
Publication date of review publication: Original publication date:	

Section 2. Review overview

SCOPE OF REVIEW

The following may be used or adapted, where appropriate, to summarise the scope of the review.

The review assessed the following elements and confirmed their alignment with the GBP:

- | | |
|------------------------------------------------------------|----------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Use of Proceeds | <input checked="" type="checkbox"/> Process for Project Evaluation and Selection |
| <input checked="" type="checkbox"/> Management of Proceeds | <input checked="" type="checkbox"/> Reporting |

ROLE(S) OF REVIEW PROVIDER

- | | |
|---------------------------------------------------------------------------------|----------------------------------------|
| <input checked="" type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Note: In case of multiple reviews / different providers, please provide separate forms for each review.

EXECUTIVE SUMMARY OF REVIEW and/or LINK TO FULL REVIEW (*if applicable*)

Please refer to Evaluation Summary above.

Section 3. Detailed review

Reviewers are encouraged to provide the information below to the extent possible and use the comment section to explain the scope of their review.

1. USE OF PROCEEDS

Overall comment on section *(if applicable)*:

The eligible categories for the use of proceeds - Seafood, Water and Wastewater Management, Solid Waste Management and Circular Economy - are aligned with those recognized by the Green Bond Principles. Sustainalytics considers that investments in the eligible categories will lead to positive environmental impacts and advance the UN Sustainable Development Goals, specifically SDGs 6,12 and 14.

Use of proceeds categories as per GBP:

- | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input type="checkbox"/> Renewable energy | <input type="checkbox"/> Energy efficiency |
| <input type="checkbox"/> Pollution prevention and control | <input type="checkbox"/> Environmentally sustainable management of living natural resources and land use |
| <input type="checkbox"/> Terrestrial and aquatic biodiversity conservation | <input type="checkbox"/> Clean transportation |
| <input type="checkbox"/> Sustainable water and wastewater management | <input type="checkbox"/> Climate change adaptation |
| <input type="checkbox"/> Eco-efficient and/or circular economy adapted products, production technologies and processes | <input type="checkbox"/> Green buildings |
| <input type="checkbox"/> Unknown at issuance but currently expected to conform with GBP categories, or other eligible areas not yet stated in GBP | <input checked="" type="checkbox"/> Other <i>(please specify)</i> :
Seafood
Water and Wastewater Management
Solid waste management and Circular Economy |

If applicable please specify the environmental taxonomy, if other than GBP:

2. PROCESS FOR PROJECT EVALUATION AND SELECTION

Overall comment on section *(if applicable)*:

Banco Bolivariano's Credit Committee is responsible for the evaluation and selection of projects in line with eligibility criteria under the Framework. The Bank has adopted an internal Environmental and Social Risk Management System (SARAS) which is applicable to all eligible projects under the Framework. Sustainalytics considers the project selection process and the application of environmental and social risk management to be in line with market practice.

Evaluation and selection

- | | |
|--------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Credentials on the issuer's environmental sustainability objectives | <input checked="" type="checkbox"/> Documented process to determine that projects fit within defined categories |
| <input checked="" type="checkbox"/> Defined and transparent criteria for projects eligible for Green Bond proceeds | <input checked="" type="checkbox"/> Documented process to identify and manage potential ESG risks associated with the project |
| <input type="checkbox"/> Summary criteria for project evaluation and selection publicly available | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information on Responsibilities and Accountability

- | | |
|----------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| <input checked="" type="checkbox"/> Evaluation / Selection criteria subject to external advice or verification | <input type="checkbox"/> In-house assessment |
| <input type="checkbox"/> Other (please specify): | |

3. MANAGEMENT OF PROCEEDS

Overall comment on section *(if applicable)*:

Banco Bolivariano's Treasury Department will be responsible for tracking and managing proceeds through an internal management system using a portfolio approach. Banco Bolivariano intends to reach full allocation within 24 months of issuance. Pending allocation, unallocated proceeds will be temporarily held in cash or invested in highly liquid instruments. Sustainalytics considers this to be in line with market practice.

Tracking of proceeds:

- | |
|-------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Green Bond proceeds segregated or tracked by the issuer in an appropriate manner |
| <input checked="" type="checkbox"/> Disclosure of intended types of temporary investment instruments for unallocated proceeds |
| <input type="checkbox"/> Other <i>(please specify)</i> : |

Additional disclosure:

- | | |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Allocations to future investments only | <input type="checkbox"/> Allocations to both existing and future investments |
| <input type="checkbox"/> Allocation to individual disbursements | <input checked="" type="checkbox"/> Allocation to a portfolio of disbursements |
| <input type="checkbox"/> Disclosure of portfolio balance of unallocated proceeds | <input type="checkbox"/> Other <i>(please specify)</i> : |

4. REPORTING

Overall comment on section *(if applicable)*:

Banco Bolivariano intends to publicly report on the allocation of proceeds on its website on an annual basis until full allocation. Allocation reporting will include details such as the allocation per eligible category, the share of unallocated proceeds, the description of the projects that have been financed and the relative amount financed in relation to the total cost of the project. In addition, Banco Bolivariano is committed to reporting on relevant impact metrics to its bond holders. Sustainalytics views Banco Bolivariano's allocation and impact reporting as aligned with market practice.

Use of proceeds reporting:

- | | |
|--------------------------------------------------------|------------------------------------------------------------------|
| <input type="checkbox"/> Project-by-project | <input checked="" type="checkbox"/> On a project portfolio basis |
| <input type="checkbox"/> Linkage to individual bond(s) | <input type="checkbox"/> Other <i>(please specify)</i> : |

Information reported:

- ☒ Allocated amounts ☐ Green Bond financed share of total investment
- ☐ Other (*please specify*):

Frequency:

- ☒ Annual ☐ Semi-annual
- ☐ Other (*please specify*):

Impact reporting:

- ☐ Project-by-project ☒ On a project portfolio basis
- ☐ Linkage to individual bond(s) ☐ Other (*please specify*):

Information reported (expected or ex-post):

- ☐ GHG Emissions / Savings ☐ Energy Savings
- ☐ Decrease in water use ☒ Other ESG indicators (*please specify*): production of certified sustainable fishing, aquaculture, algaculture, and/or mariculture (tonnes); share of sustainable (certified) production within total production (%); increase of sustainable seafood production (tonnes); reduction of in marine and freshwater pollution/waste discharged per tonne of fish; nitrogen discharged from the farm (per tonne of production), and total discharge of wastes from farms (m³/tonne, kg/tonne); untreated wastewater discharges avoided (m³/year); water savings related to wastewater treatment (m³/year); reduction of chemical inputs (kg/ha, %); amount of plastic materials recycled and reused for manufacturing (tonnes/year); amount of solid waste recycled and/or used in production process to substitute virgin materials (tonnes/year);

Frequency

- ☒ Annual ☐ Semi-annual
- ☐ Other (*please specify*):

Means of Disclosure

- | | |
|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <input type="checkbox"/> Information published in financial report | <input checked="" type="checkbox"/> Information published in sustainability report |
| <input type="checkbox"/> Information published in ad hoc documents | <input type="checkbox"/> Other (please specify): |
| <input type="checkbox"/> Reporting reviewed (if yes, please specify which parts of the reporting are subject to external review): | |

Where appropriate, please specify name and date of publication in the useful links section.

USEFUL LINKS (e.g. to review provider methodology or credentials, to issuer's documentation, etc.)

SPECIFY OTHER EXTERNAL REVIEWS AVAILABLE, IF APPROPRIATE

Type(s) of Review provided:

- | | |
|----------------------------------------------------------------------|----------------------------------------|
| <input type="checkbox"/> Consultancy (incl. 2 nd opinion) | <input type="checkbox"/> Certification |
| <input type="checkbox"/> Verification / Audit | <input type="checkbox"/> Rating |
| <input type="checkbox"/> Other (<i>please specify</i>): | |

Review provider(s):

Date of publication:

ABOUT ROLE(S) OF INDEPENDENT REVIEW PROVIDERS AS DEFINED BY THE GBP

- i. **Second-Party Opinion:** An institution with environmental expertise, that is independent from the issuer may issue a Second-Party Opinion. The institution should be independent from the issuer's adviser for its Green Bond framework, or appropriate procedures, such as information barriers, will have been implemented within the institution to ensure the independence of the Second-Party Opinion. It normally entails an assessment of the alignment with the Green Bond Principles. In particular, it can include an assessment of the issuer's overarching objectives, strategy, policy and/or processes relating to environmental sustainability, and an evaluation of the environmental features of the type of projects intended for the Use of Proceeds.
- ii. **Verification:** An issuer can obtain independent verification against a designated set of criteria, typically pertaining to business processes and/or environmental criteria. Verification may focus on alignment with internal or external standards or claims made by the issuer. Also, evaluation of the environmentally sustainable features of underlying assets may be termed verification and may reference external criteria. Assurance or attestation regarding an issuer's internal tracking method for use of proceeds, allocation of funds from Green Bond proceeds, statement of environmental impact or alignment of reporting with the GBP, may also be termed verification.
- iii. **Certification:** An issuer can have its Green Bond or associated Green Bond framework or Use of Proceeds certified against a recognised external green standard or label. A standard or label defines specific criteria, and alignment with such criteria is normally tested by qualified, accredited third parties, which may verify consistency with the certification criteria.
- iv. **Green Bond Scoring/Rating:** An issuer can have its Green Bond, associated Green Bond framework or a key feature such as Use of Proceeds evaluated or assessed by qualified third parties, such as specialised research providers or rating agencies, according to an established scoring/rating methodology. The output may include a focus on environmental performance data, the process relative to the GBP, or another benchmark, such as a 2-degree climate change scenario. Such scoring/rating is distinct from credit ratings, which may nonetheless reflect material environmental risks.

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