Banco Bolivariano

FINANCING FRAMEWORK **FOR BLUE BONDS**



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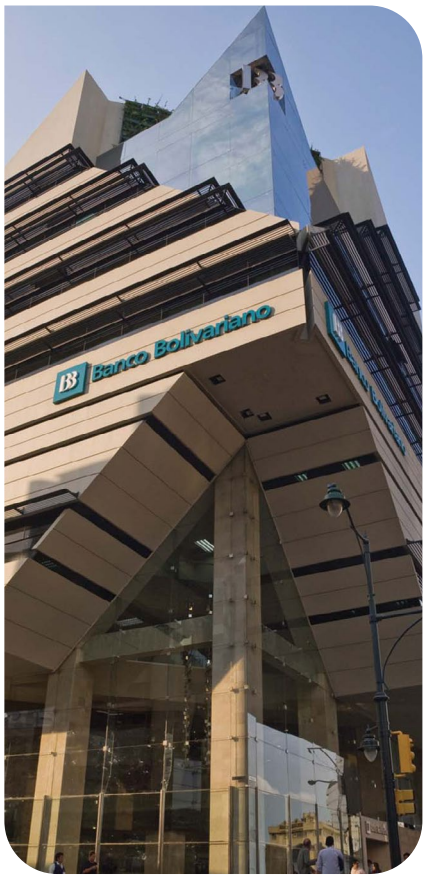
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01 Introduction

Banco Bolivariano (BB) is a reliable and financially solid institution, that currently maintains the highest levels of asset quality, profitability and liquidity within the Ecuadorian financial system.



During its 42 years of institutional life, Banco Bolivariano has provided comprehensive financial solutions to its clients in general, maintaining growth and market share figures that reflect the institution's and its shareholders' commitment to the country's development. At the end of December 2021, the credit portfolio of the Ecuadorian financial system registered a growth of USD 4,122 million (14.0%) for the end of 2020, reaching a total volume of USD 33,660 million. Banco Bolivariano's loan portfolio figure stood at USD 2,689 million as of December 2021, with a growth of 14.9%. At December 31, 2021, Banco Bolivariano's assets amounted to USD 4,460 million, while the total value of the national financial system stood at USD 52,399 million. The value reached by our institution represents an increase of 11.4% compared to the end of 2020, while the financial system's growth was 8.1%.[1] At the end of 2021, Bolivariano has a market share of 8.51% and 8.64% in assets and liabilities, respectively, ranking fifth in the private banking system.

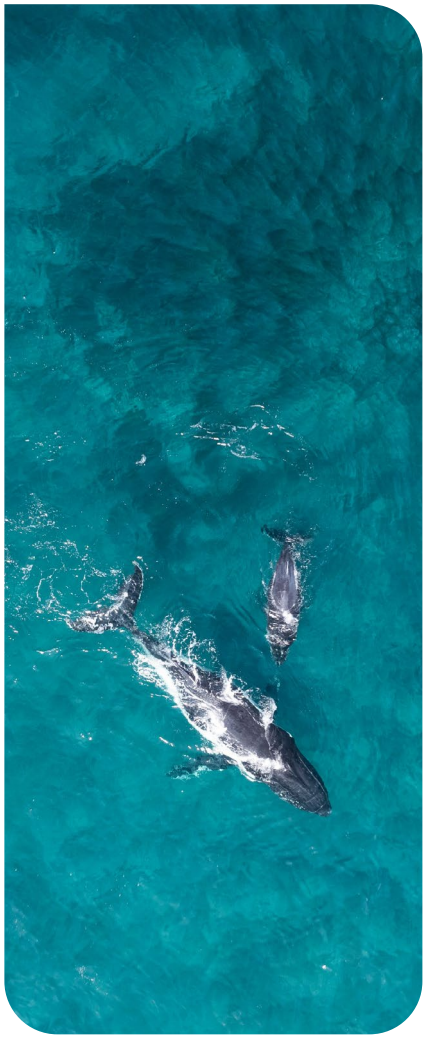
The largest item in the Bank's loan portfolio is the productive[2] sector portfolio, with a balance of USD 1,961 million (73%). The consumer portfolio reached a level of USD 647 million (24%), followed by the real estate or housing portfolio with USD 78 million (3%) at the end of 2021.

Most of the international portfolio is made up of securities with an AAA risk rating, reflecting the institution's conservative profile.

BB innovates in financial solutions that respond to the demand for sustainable options, seeking to improve people's quality of life and contributing to mitigating and reducing their negative impact on the environment, on the social inequalities, and promoting Ecuador's development. Currently, through its CrediPlus Crédito Verde product, BB actively finances construction companies in charge of urban housing or office projects that apply sustainability criteria in construction. In addition, the lending services offered to SMEs contribute to reinforcing the country's productive network and tackling SDGs 8 and 9 by promoting financial inclusion and employment generation.

This reflects Banco Bolivariano's commitment to sustainability and its constant search for integral solutions from an environmental and social point of view through the identification and mitigation of risks associated with the operations that allow it to meet the needs of its clients and respond to the expectations of the market and its stakeholders. To respond to these needs, Banco Bolivariano has a Sustainability Department responsible for developing its sustainable finance strategy. In addition, this department has recently been reinforced with expert personnel in sustainability issues, which will give even more visibility and commitment to the bank's sustainability strategy.

[1] Junta General de Accionistas Banco Bolivariano 2022.
[2] Segment to which legal entities belong, dedicated to a commercial activity.



Ocean is a vital driver of planetary systems, a source of economic activity, livelihoods and food security. oceans play an integral role in climate change mitigation, absorbing some 23% of human-caused carbon dioxide emissions and more than 90% of the excess heat created by human-caused greenhouse gases.

In the Sustainable Strategy, one of the work priorities is to promote products and services that contribute to economic and social development while protecting the environment. Complementarily, Banco Bolivariano has set commitments that will promote this trajectory; these objectives respond to the main areas of the potential impact of Bolivariano's portfolio and are determined by applying the UNEP-FI guidelines. This strategy is fundamental in developing a blue economy within its portfolio and will generate broad environmental and social impacts in line with this proposal.

As part of its commitment to sustainability, Banco Bolivariano is a signatory of Ecuador's Sustainable Finance Protocol through the Association of Private Banks of Ecuador (ASOBANCA), of which it has been a member since 2019[3]. Based on the "Sustainable Finance Protocol" signed by Banco Bolivariano, these are the pillars of focus of its "sustainable finance": 1) Institutional Eco-efficiency; 2) Environmental and Social Risk Analysis System (SARAS) and 3) Green Financing. Bolivariano is also signatory of PRINCIPIOS BANCA RESPONSABLE and participated in the initiative of ASOBANCA for the development of 22 sectorial guides, to mitigate the environmental and social impact of productive credit in the Ecuadorian financial sector.

Bonos azules

Human activity threatens the global ocean's health, affecting climate change, pollution, and loss of nature, and existing funding has been directed mainly to unsustainable sectors and activities. Funding for a sustainable ocean remains limited, and SDG 14 (Life Below Water) received the least public financing for all the SDGs in 2017 (SDG Financing Lab 2017). However, there is growing awareness of the key services and supplies the oceans provide, as well as recognition that the continued deterioration of ocean health inhibits prosperity (Friends of Ocean Action 2020).

Ecuador's marine territory is 5.5 times larger than its land territory. About 45% of the Ecuadorian population lives in the coastal strip and along its 2,860 km of continental coastline (excluding the Galapagos Islands). In ecosystem terms, Ecuador's coastal marine territory is home to 24 of the 27 ecosystems recognized worldwide. In economic terms, around 95% of Ecuador's foreign trade uses maritime transport, generating more than US$1.5 billion yearly in the fishery and primary processed products alone and more than US$3 billion in aquaculture exports. In addition, Ecuador catches around 6% of the world's tuna[4]. Generally, fishing provides direct employment for more than 100,000 people in the country. Nevertheless, long-term management of these fisheries is a challenge in the face of national and international illegal or unregulated fisheries.

[3] Protocolo de Finanzas Sostenibles. 2016. CAF, PNUMA, ASOBANCA, IFC. Galápagos, Ecuador. 4p.
[4] Importancia de los océanos para Ecuador y el mundo, 2020, WWF.

In addition to the challenges identified in the fisheries and aquaculture sector, Ecuador faces the problem of contamination by microplastics. According to IAEA, it was calculated that the microplastic amount in the region would be 3.9 times higher in 2030 than in 2008. By 2050, it will have doubled and be 6.4 times higher than in 2008.

According to a SPINCAM study on Sustainable Blue Economy, Ecuador is one of the most advanced countries in developing a national ocean strategy in the Southeast Pacific region. However, the region lacks a common vision and strategy for a Sustainable Blue Economy.

The ocean in Ecuador offers the opportunity for a Blue Economy that sustainably manages existing sectors, such as fisheries and marine transport, and promotes the growth of other emerging ones, such as tourism, renewable energy, and aquaculture.

Blue Bonds and Blue Loans are innovative financial instruments that allocate funds exclusively for ocean-friendly projects and the protection of clean water resources. They offer great opportunities to address pressing environmental challenges, while contributing to economic growth, improved livelihoods, and the health of aquatic ecosystems.

A blue label can describe a type of sustainability or green bond to make the market be aware of the special nature of ocean industries, risks and opportunities and the contribution with the “Just Transitions” by incorporating a social component in the issuance aligned with the SDGs. According to focus groups held by the UN Global Compact, many ocean industries do not feel immediately recognized by green bond frameworks, which have tended to focus on a few industry sectors (financials, utilities and energy and industrials).

Further developing the “blue” label for bonds under existing principles and frameworks will allow issuers to signal sustainability strategies seeking to advance a healthy, productive, and more sustainable ocean.





Purpose of this reference framework (the "FRAMEWORK")

Under the Framework, Bolivariano may issue bonds to fund projects[5] that are expected to render positive social and environmental benefits. Projects financed out of the proceeds of these Bonds will be aligned to Bolivariano's strategy, the Sustainable Development Goals (SDGs), and the following internationally accepted guidelines and principles for Blue issuance:

- Green and Social Bonds Guidelines for Ecuador 2020[6].
- The Green Bond Principles 2021 (GBP) (International Capital Markets Association: ICMA).
- The Sustainability Bond Guidelines 2021 (SBG) (ICMA)[7].
- The Social Bond Principles 2021 (ICMA)[8].
- Green Loan Principles (GLP) published by the Loan Market Association (LMA).
- Climate Bonds Standard[9] (Climate Bonds Initiative: CBI).
- The UN Sustainable Blue Economy Finance Principles 2018[10].
- The Sustainable Ocean Principles and the Practical Guidances for the UN Global Compact Sustainable Ocean Principles[11].
- IDB Invest Sustainable Debt Framework.

The Framework OUTLINES:

I. The type of companies or projects eligible for financing out of the net proceeds of the Blue Bond (Use of resources).
II. The business or project assessment and selection process
III. The management of the proceeds of Blue Bond
IV. The reports that Bolivariano agrees to prepare on the use of resources and their environmental and social impacts.

This document will provide a reference framework for the issuance of bonds and will be subject to Second Opinions (the "Opinion"). Both the Framework and the Opinion will be published on Bolivariano's web page.

[5] Include loans, working capital and the different types of financing provided by the bank.
[6] https://www.bolsadequito.com/documentos/marketing/guia_bonos_bvq.pdf
[7] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/sustainability-bond-guidelines-sbg/
[8] https://www.icmagroup.org/assets/documents/Sustainable-finance/2022-updates/Social-Bond-Principles_June-2022v2- 130722.pdf
[9] https://www.climatebonds.net/files/files/climate-bonds-standard-v3-20191210.pdf
[10] https://www.unepfi.org/blue-finance/the-principles/
[11] https://unglobalcompact.org/take-action/practical-guidances-for-the-un-global-compact-sustainable-ocean-principles

Use of **Proceeds**

02

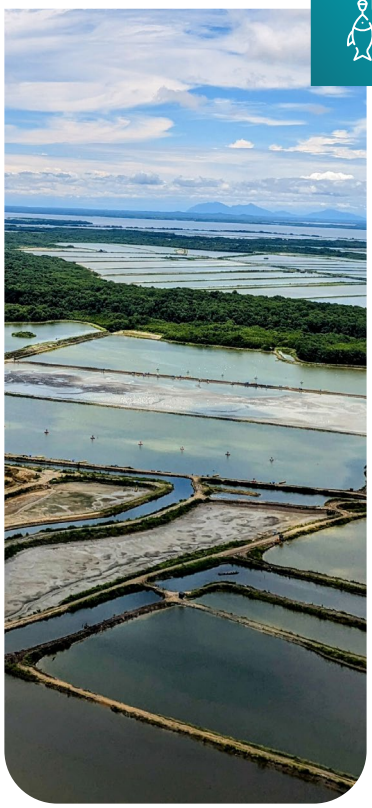
Banco Bolivariano will allocate the proceeds from the issuance of the Blue Bond to finance productive uses of future projects.

Including activities fully or partially that address seafood, water and wastewater management, and solid waste management and circular economy and are consistent with the principles, guidelines and standards mentioned before.

Projects included in IDB Invest's Exclusion List (see Annex 1), E&S Category A projects. Category A projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works, and projects from high-risk sectors, will not be eligible under this Bond (see Annex 1).

Based on the abovementioned the internationally accepted guidelines and principles, the proceeds of the issuance of Blue Bond will be used to finance Bolivariano's blue loans[12]. Loans are expected to meet one or more of the following eligibility criteria.

a) Eligibility Criteria

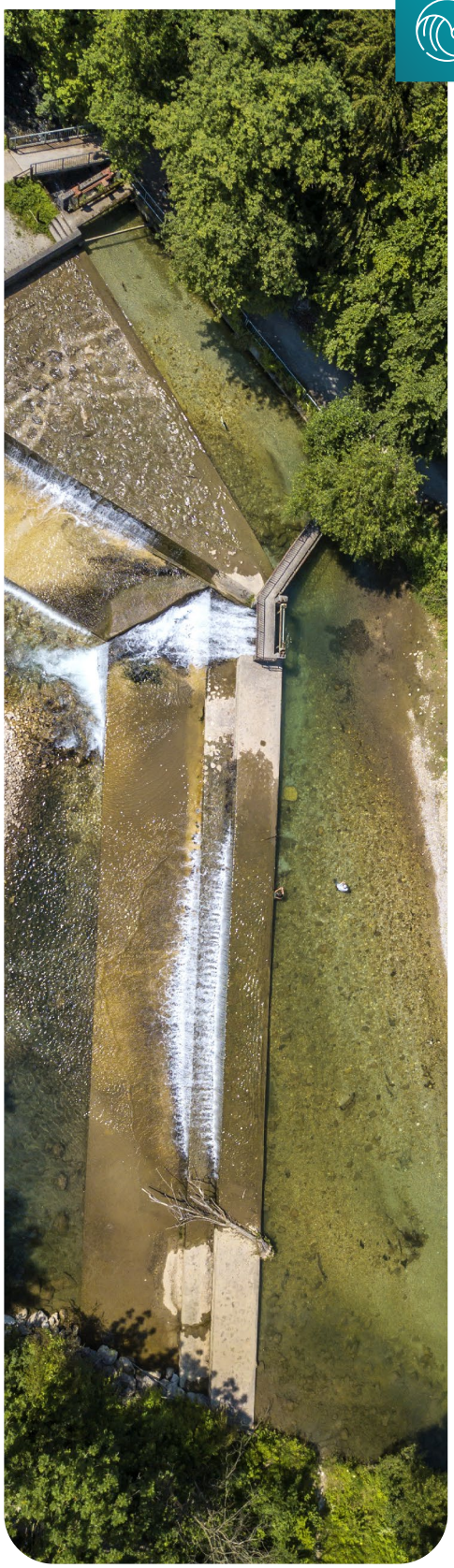


Seafood[13]

Eligibility criteria: Projects aimed at productive processes.

- Financing to fisheries/aquaculture farms companies certified under one of the sustainability certifications listed (see Annex 2). (Note: In case of a company with both certified and uncertified production/processing operations, the financing has to specifically target the certified operations in order to be eligible).
- Sustainability Certification of fisheries/aquaculture farms. Conversion of non-certified production to third-party certified production in one or more of the certification systems listed in Annex 2 (Note: this requires post completion verification of certification or agreed-upon plan advances).

[12] Financing includes project based financing as well as general corporate purpose financing of pure-play companies. pure-play companies are expected to derive 90% of revenues from eligible activities.
[13] Short-term loans for international trade that are part of the eligible activities in this category are considered eligible uses up to a limit of 10% of the total amount of the issue.



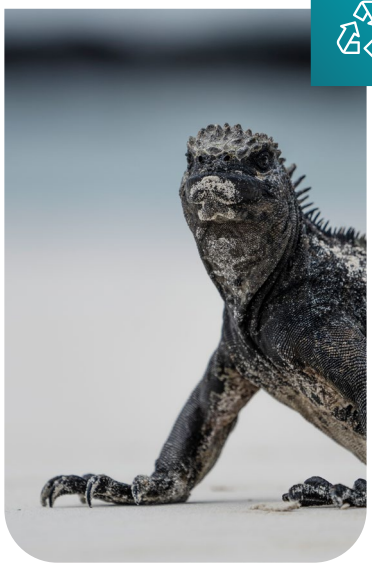
Water and Wastewater Management

Eligibility criteria: Projects eligible for financing through a blue bond include those that contribute to water ecosystems health through pollution control or minimization at source. The distance from the project to the water ecosystem is considered as a secondary screening criterion. Projects **must be within 100 kilometers of the coast, or within 50 km of rivers (and their tributaries).**

- New or upgraded industrial or sewerage wastewater collection and treatment systems (including decarbonization, increased energy efficiency in existing plants).
- Retrofitting water facilities or building new facilities for increased flood resilience of critical infrastructure[14].
- Water supply infrastructure (construction or rehabilitation) with at least 20% water savings when compared to baseline. Includes demand management programs, water efficiency at industrial and commercial facilities.
- New desalination facilities[15] to cope with groundwater saline intrusion.
- Sustainable agriculture programs (replacement of phosphate-based or nitrogen-based synthetic fertilizers with alternative sustainable and biodegradable) that reduce inputs of agrochemicals and fertilizer.
- Investments in value chain of water friendly products – such as biodegradable and phosphate-free detergents and shampoos, microbead-free toothpaste, etc. (Products under RSB certification)

[14] All projects under this category must have a plan that includes flood risk assessment, resilience measures and investment prioritization.

[15] Powered by renewable energy or energy with an average carbon intensity of electricity consumption at 100 gCO^2e/kWh.



Solid waste management and circular economy

Eligibility criteria: The distance from the project to the water ecosystem is considered as a secondary screening criterion. **Projects must be within 100 kilometers of the coast, or within 50 km of rivers (and their tributaries).**

- Integrated solid waste management systems[16] and associated infrastructure.
- Inclusive procurement[17] in supply chain management programs (e.g., reverse logistics) to implement recycling practices to reduce and reuse plastic and solid waste such as recycling facilities.[18]
- Waste exchange programs.

All funded projects should comply with national social and environmental regulations.

b) General Criteria

On the other hand, the proceeds of the Sustainable Bond shall not be used to finance projects that meet one or more of the following criteria:

- Clients or projects that are classified as Category A in terms of their social and environmental impact. Category A projects are likely to have significant adverse environmental impacts that are sensitive, diverse, or unprecedented. These impacts may affect an area broader than the sites or facilities subject to physical works;
- Clients or projects in high-risk sectors (Annex I);
- Clients or projects in the exclusion list (Annex I).

c) Alignment with SDGs

The 2030 Agenda for Sustainable Development defines 17 Global Goals with 169 targets that seek to promote sustainable development, encompassing economic, environmental, and social sustainability, with a focus on equity and inclusion. the projects financed through this Bond are aligned with the United Nations Sustainable Development Goals (SDGs) outlined in Table 1. In addition, Table 1 shows the indicators used to monitor and assess alignment with SDGs.

[16] Acuerdo Ministerial N° 190. Política Nacional Post Consumo de Equipos Eléctricos y Electrónicos.
[17] Inclusive Procurement: suppliers that are MSMEs or integrate into the labor force: small fishers, vulnerable groups such as women, migrants, afro-descendent, indigenous, etc.
[18] Chemical recycling of plastic is excluded.



c) SDGs Alignment.



Seafood

Projects related with sustainable production of fisheries and aquaculture farms, including energy efficiency improvements of processing centers, green safeguarding, and climate change adaptation considerations (e.g., conserving mangrove areas, living shorelines, nature-based solutions, etc.).

Benefits

- Water-related ecosystems protection and restoration.
- Efficient use of natural resources.
- Industries retrofitting for sustainable production.
- Climate change mitigation
- Climate resilience through ecosystem services

KPIs

- Volume of sustainably sourced goods produced
- Increase of sustainable seafood production
- Increase of certified sustainable fisheries in the Bank's client portfolio
- Reduction in marine and freshwater pollution/Waste discharged per ton of fish, nitrogen discharged from the farm (per ton of production) and total discharge of wastes from farms
- Total annual greenhouse gas emissions reduction (optional)
- Formal employment
- Number of local MSMEs in the procurement process

* The measurement of this indicator includes data and information provided by clients where they share responsibility for accuracy of data.



Water and wastewater management

Projects that contribute to water ecosystems health through pollution control or minimization at source (wastewater collection and treatment systems, agrochemicals and fertilizer inputs reduction, Investments in value chain of water friendly products), water and energy efficiency, flood resilience increasing.

Benefits

- Ecosystems protection - pollution control (reduction of pollution) and regeneration of the Ecosystem.
- Efficient use of natural resources
- Climate change mitigation (energy efficiency, decarbonization)
- Climate resilience improvement (flood control)

KPIs

- Untreated wastewater discharges avoided
- Reduction in chemical inputs
- Water savings related to wastewater treatment
- Formal employment
- Number of local MSMEs in the procurement process



Solid waste management and circular economy

Projects related with improvement of solid waste management, and plastic waste reduction and recycling

Benefits

- Pollution control by reducing waste disposal and reusing in the productive process
- Efficient use of resources
- Avoid and/or reduce the extraction of virgin raw material.
- Employment generation in the waste value chain: recycling, transportation, reverse logistic, cleaning, and transformation.

KPIs

- Amount plastic materials recycled and reused for manufacturing (instead of virgin plastic)
- Amount of solid waste recycled and/or used in production process to substitute virgin materials
- Formal employment
- Number of local MSMEs in the procurement process

Process for Project
Evaluation and Selection

03

All credits selected to integrate the blue bond portfolio must go through BB's normal credit analysis process, including the Environmental and Social Risk Management System ("SARAS"), as well as ensure compliance with local regulations.

Client Assessment: Banco Bolivariano's credit process begins with an assessment of the Client prior to submitting credit applications, in order to verify its financial viability and legal situation.

Repayment capacity assessment: Subsequently, any request for lending products (credits or limited for credit lines) shall go through a repayment capacity assessment process based on: financial information (cash flows, balance sheets, amount of sales, operational and administrative expenses, margins, and profitability, etc.), commercial and operation information (relationship with relevant clients and suppliers), guarantee requirements following the bank's credit policy, indebtedness level including the relationship with other locals banks, fund providers and Banco Bolivariano, among other issues that allows BB to determine potential negative impacts from internal and external risks and the financial viability of the project.

This instance includes an evaluation of the guidelines regarding the Environmental and Social Risk Management System (*SARAS*), which are found in the Bank's current manuals and formats. The SARAS is applied to all lending operations contemplated to categorize their level of environmental and social (E&S) risk and, depending on the category obtained, to comply with the Due Diligence for evaluating such risks. All business banking segments, SME, Business, and Corporate, must undergo SARAS. All financing applications in these segments will be categorized, evaluated, and monitored according to their environmental and social impact and risk.

Verification of client profile, SARAS, and investment plan: After receiving the client's request for financing, the Commercial Officer (Corporate Banking, Personal Banking, or SMEs) verifies that:

- The transaction corresponds to a natural or legal person in the SME, Business, or corporate segments.
- The client complies with the initial requirements that typically apply as part of the Bank's normal credit process.
- The client submits an Investment Plan showing the details of the items to be financed.

Based on the business activity (or activities) declared by the client, the Commercial Officer will proceed to verify that the activity (or activities) is (are) not included in the SARAS Exclusion List (see SARAS Manual). If the activity is not on the Exclusion List, the Commercial Officer will continue to apply the appropriate SARAS procedure.

Evaluate the credit proposal: With this information, the Business Risk area will evaluate the credit proposal, which will then be approved or rejected by the respective Credit Committee.

Evaluation of the investment Projects: Once the Credit Proposal has been evaluated, the next step is the analysis of the Investment Projects.

The evaluation of investment projects consists of the critical and systematic assessment of each of the phases of the project cycle, which includes at least the following stages:

- Identification and definition of the Project and its area of influence.
- Analysis of the demand.
- Forecast of the costs and benefits of the Project.
- Analysis of the economic and financial profitability of the Project.
- Incidence of the Project on the environment. This stage will include evaluation of specific criteria for blue bond eligibility.



Blue Bond Elegibility

The Commercial Officer will review the Investment Plan to see if it may apply for blue credit and proceed to the next step.

Classification of the transaction as blue or conventional: The Commercial Officer will visit the client to gather information to document the loan, as is done for conventional loans. The Commercial Officer fills out the Blue Line selection matrix and coordinates with the Environmental and Social Risk specialist to validate the environmental impacts or with the External Consultant the necessary visits to prepare the report on environmental impacts generated by the client.

Transactions will be classified as "blue" only if they comply with the use of funds defined in the blue bond framework.

Definition of Environmental Variables and Metrics: As part of the process, the Commercial Officer with the assessment from the sustainability team shall include the Environmental Impact Variables and Metrics, which depend on the type of blue product (or products) present in the transaction. The client should have provided the information to fill in this data.

Registration in the Credit Platform: Using the same formats and platform existing in the Bank to process conventional credits, the Commercial Officer will enter all the client's financial information into the system to make it available to the Credit Risk Analysts.

Risk Analysis and Approval: The Commercial Officer will send the credit file to the Risk Analyst, who will apply the same risk analysis procedures for any similar type of credit in the Bank.

The Risk Analyst will forward the file to the Credit Committee (or the appropriate approval instance within the Bank).



During this assessment, the Business Risk Analyst shall carry out a detailed analysis of the following aspects: a quantitative analysis, including the credit conditions, the project evaluation indices (IRR, NPV, PP, B/C, etc.), among other topics; and a qualitative analysis, including the financial, economic and administrative capacity of the company to execute the Project, investors profiles, and structure of the Proposal.

The evaluation of the Credit Proposal by the Credit Committee is carried out in two stages:

Stages of Credit Proposal Evaluation at Banco Bolivariano

Base Committee	Extended Committee
Amount of operation or line of credit	**Amount of operation or line of credit**
Regular client: **> $2.5 M up to $5 M**	Regular client: **> $5 M**
New client: **> $1 M up to $2.5 M**	New client: **> $2.5 M**
Members	**Members**
• Manager of Initiation / Business Risks • Manager of Comprehensive Risks • Regional Business Banking Manager • Banking Manager • Treasury Manager	• Manager of Initiation / Business Risks • Manager of Comprehensive Risks • Regional Business Banking Manager • Banking Manager • Treasury Manager • Financial Manager • CEO • Chairman

For a proposal to reach the Extended Committee, it must first be approved by the Base Committee.

All operations/lines of credit must be approved by unanimous decision by all members of the Credit Committee present. A minimum of 3 members is required for a meeting and voting to be considered valid. Every decision of the Credit Committee must be confirmed by a minute.

Once the disbursement has taken place, an Administration and Follow-up stage is carried out, which includes the constant evaluation of the client (formal and informal) through regular contact with the client, evaluation of financial information, inspection of guarantees, among others. Also, if action plans were defined as a result of the SARAs, these plans must be reviewed and monitored.

Management of **Proceeds**

04

Once an operation is approved for the use of the Blue Bond resources, as described in section 3. Process for Project Evaluation and Selection, it shall be labelled as a blue activity, classified under the Blue Bond, and will include the approval date for its tracing.

Banco Bolivariano, in accordance with its internal regulations and management system, will use its Treasury for the use and management of proceeds.

BB will employ a separate report manage the transfer, allocation, and payback of proceeds. The report will be updated and maintained on a quarterly basis to make sure all the proceeds can be traced and invested in eligible projects.

The proceeds of this Blue Bond will be used exclusively to finance new blue projects that meet the eligibility criteria described above.

Banco Bolivariano will allocate the resources within 24 months from the issuance date. Any proceeds that are still to be allocated will be managed in line with BB's liquidity portfolio and will be maintained exclusively in cash or in highly liquid and low risk instruments and may not be used to finance companies or projects other than those eligible under this Framework.

In case of divestment or repayment of a loan before the Bond due date, BB will reallocate the funds to loans that meet the eligibility criteria described in this framework. If a project no longer meets the eligibility criteria, Bolivariano shall replace such loan in accordance with the eligibility criteria in this framework within a term not to exceed 6 months since it became aware of this fact.



Disclosure and **Reporting**

05

Banco Bolivariano will maintain up-to-date and readily available information on the allocation of revenues and the environmental performance of eligible blue projects.



This will be implemented through **annual reports** that will be published until the Bond issued reaches maturity, and a specific section will be available on the BB website.

The information to be reported will contain data related to:

- The use of resources should include the description of the project or project components that have been financed, the amount and term of funding
- The project disbursement rates, the relative amount financed in relation to the total cost of the project,
- The outstanding amount of net proceeds yet to be allocated to Eligible Projects at the end of the reporting period, and the reports of the external reviewer on the verification of use of the resources.

Besides, Bolivariano will share an annual report[19] with bondholders with the following information:

- The % of proceeds pending assignment and information on its temporary management until its assignment
- The annual verification report mentioned in section 6
- Details on the methodology and assumptions used to report on the KPIs developed in this framework

Additionally, data related to the impact of the projects will be provided, including the suggested monitoring indicators for each eligibility category.

The following table contains the **proposed indicators for disclosure** – based on best practices and recommendations of the ICMA, IDB Invest, and other Multilateral Development Banks working groups – to report the benefits of blue projects.

[19] Annual report will be published annually to the public on the Banco Bolivariano website.

Proposed Key Performance Indicators for Reporting

Sector **Seafood**

Indicator for Blue Monitoring	Unit	Verification
Production of sustainable (certified) fishing, aquaculture, algaculture, and/or mariculture	tons	• Company disclosure and reports • External certification (Annex II)
Share of sustainable (certified) production within total production	%	
Increase of sustainable seafood production	tons	
Reduction in marine and freshwater pollution/Waste discharged per ton of fish, nitrogen discharged from the farm (per ton of production) and total discharge of wastes from farms	m^3 per ton, kg per ton	
Total annual greenhouse gas emissions reduction (optional)	tCO_2 e/ year	

Sector **Water and wastewater management**

Indicator for Blue Monitoring	Unit	Verification
Untreated wastewater discharges avoided	m^3 / year	• Audit logs of operator's wastewater treatment system/water distribution system • Audit logs of operator's agrochemicals / fertilizer consumption
Water savings related to wastewater treatment	m^3 / year	
Reduction in chemical inputs	kg/ha, %	

Sector **Solid waste management and circular economy**

Indicator for Blue Monitoring	Unit	Verification
Amount plastic materials recycled and reused for manufacturing (instead of virgin plastic)	tons / year	• Audit logs of operator of SWM systems • Company disclosures
Amount of solid waste recycled and/or used in production process to substitute virgin materials	tons / year	

Sector **Social KPIs**

Indicator for Blue Monitoring	Unit	Verification
Formal employment (compliance with local law) created during construction and operation phases (categorized by women, migrants, etc.)	Number of employees (categorized by women, migrants, etc.)	• Clients' payroll • Company disclosure and reports
Number of local MSMEs in the procurement process	Number of MSMEs	• Companies list of suppliers including the classification by MSMEs • Company disclosure and reports

Proposed Blue Portfolio Monitoring Indicators for Reporting

Sector **Sustainable Seafood**

Indicator for Blue Monitoring		Unit
Volume of loans disbursed	Total value of loans disbursed to sustainable seafood projects by the Financial Intermediary during the reporting period.	USD
Number of loans disbursed	Total number of loans disbursed to sustainable seafood projects by the Financial Intermediary during the reporting period.	#
Volume of loans outstanding	Total value of outstanding loans in the financial intermediary's subsegment sustainable seafood at the end of the reporting period.	USD
Number of loans outstanding	Total number of outstanding loans in the financial intermediary's subsegment sustainable seafood at the end of the reporting period.	#

Sector **Water and wastewater management**

Indicator for Blue Monitoring		Unit
Volume of loans disbursed	Total value of loans disbursed to water and wastewater management projects by the Financial Intermediary during the reporting period.	USD
Number of loans disbursed	Total number of loans disbursed to water and wastewater management projects by the Financial Intermediary during the reporting period.	#
Volume of loans outstanding	Total value of outstanding loans in the financial intermediary's subsegment water and wastewater management at the end of the reporting period.	USD
Number of loans outstanding	Total number of outstanding loans in the financial intermediary's subsegment water and wastewater management at the end of the reporting period.	#

Sector **Solid waste management and circular economy**

Indicator for Blue Monitoring		Unit
Volume of loans disbursed	Total value of loans disbursed to solid waste management and circular economy projects by the Financial Intermediary during the reporting period.	USD
Number of loans disbursed	Total number of loans disbursed to solid waste management and circular economy projects by the Financial Intermediary during the reporting period.	#
Volume of loans outstanding	Total value of outstanding loans in the financial intermediary's subsegment solid waste management and circular economy at the end of the reporting period.	USD
Number of loans outstanding	Total number of outstanding loans in the financial intermediary's subsegment solid waste management and circular economy at the end of the reporting period.	#

External **Review**

06

Second Party Opinion (SPO)

BB will hire a qualified SPO provider to carry out a **Second Opinion** in order to confirm the alignment of this Reference Framework for the issuance of the Blue Bond with the principles, guidelines and standards mentioned in section 2 (Use of Proceeds). The Second Opinion will constitute the Independent External Review and will be published in the BB website.

Annual verification of resource use

The verification of use of the resources of the Blue Bond issued by BB will be carried out by an independent auditor or an external reviewer to **validate the alignment of the use of proceeds with the eligible projects**, to evaluate the indicators and metrics specified in this Framework, and to ensure the environmental and social benefits of the financed projects meet the expectations of investors.

The reports of the external reviewer or auditor will also be published on the official BB website. The first report will be completed at the end of the fiscal year following the issuance of the Social Bond. The external reviewer firm will also review the current and expected results of the KPIs developed in this framework.



Annex 1
IDB Invest and FINDEV Exclusion List

The IDB Invest will not knowingly finance, directly, or indirectly through FIs, projects involved in the production, trade, or use of the products, substances or activities listed below. Additional exclusions may apply in the context of a specific operation.

1. Prohibited Activities

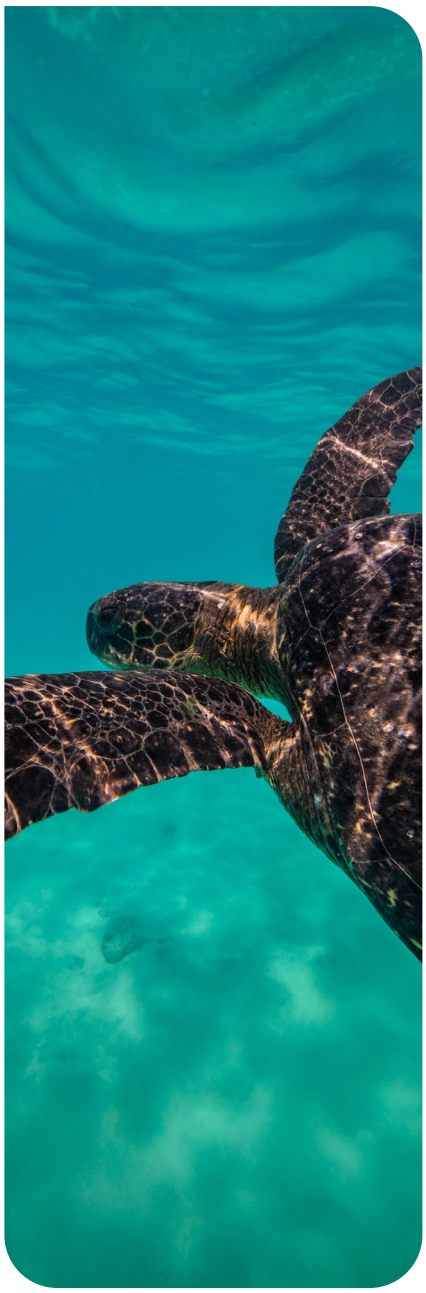
a) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements, or subject to international phase out or bans, such as:

i. Polychlorinated biphenyl compounds (PCBs).
ii. Pharmaceuticals, pesticides/herbicides, and other hazardous substances subject to international phase-outs or bans.[20]
iii. Persistent Organic Pollutants (POPs)[21].
iv. Ozone depleting substances subject to international phase out[22]
v. Wildlife or wildlife products regulated under Convention on International Trade in Endangered Species of Wild Fauna and Flora CITES[23]
vi. Transboundary trade in waste or waste products[24], except for non- hazardous waste destined for recycling.
vii. Lead paint or coatings in the construction of structures and roads[25].
viii. Destruction[26] of High Conservation Value areas.[27]

b) Activities that are illegal under host country laws, regulations or ratified international conventions and agreements relating to the protection of biodiversity resources or cultural heritage.

c) Production or activities involving harmful or exploitative forms of forced labor[28]/ harmful child labor.[29]

[20] Reference documents are: Council Regulation (EEC) No 2455/92 of 23 July 1992 Concerning the Export and Import of Certain Dangerous Chemicals, as amended from time to time; United Nations Consolidated List of Products whose Consumption and/or Sale have been Banned, Withdrawn, Severely Restricted or not Approved by Governments; Convention on the Prior Informed Consent Procedures for Certain Hazardous Chemicals and Pesticides in International Trade (Rotterdam Convention); Stockholm Convention on Persistent Organic Pollutants; World Health Organization Recommended Classification of Pesticides by Hazard, World Health Organization Pharmaceuticals: Restrictions in Use and Availability.
[21] Stockholm Convention on Persistent Organic Pollutants (POPs) as amended in 2009
[22] Ozone Depleting Substances (ODSs) are chemical compounds which react with and deplete stratospheric ozone, resulting in the widely publicized 'ozone holes.' The Montreal Protocol lists ODSs and their target reduction and phase out dates. The chemical compounds regulated by the Montreal Protocol include aerosols, refrigerants, foam blowing agents, solvents, and fire protection agents. (www.unep.org/ozone/montreal.shtml).
[23] www.cites.org
[24] As defined by the Basel Convention (www.basel.int).
[25] ts or coatings with a total lead concentration great than 90 ppm or the concentration limit set by the host country, whichever is lower.
[26] Destruction means the (1) elimination or severe diminution of the integrity of an area caused by a major, long-term change in land or water use or (2) modification of a habitat in such a way that the area's ability to maintain its role is lost.
[27] High Conservation Value (HCV) areas are defined as natural habitats where these values are considered to be of outstanding significance or critical importance (see http://www.hcvnetwork.org).
[28] Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty as defined by ILO conventions.
[29] Persons may only be employed if they are at least 15 years old, as defined in the ILO Fundamental Human Rights Conventions (Minimum Age Convention C138, Art.2), unless local legislation specifies compulsory school attendances or the minimum age for working. In such cases the higher age shall apply.



2. Other Activities

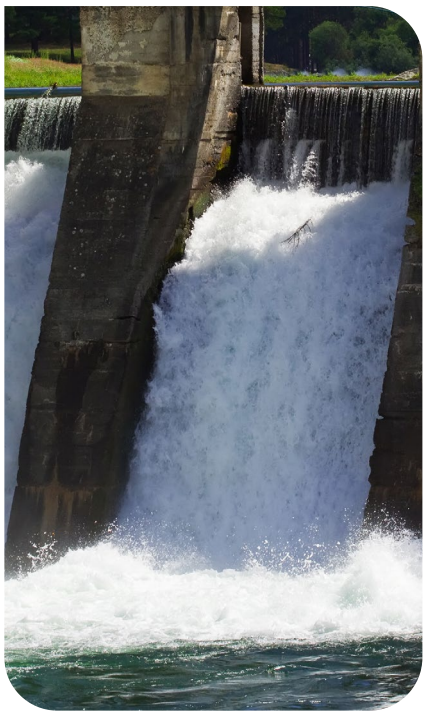
a) Activities that, although consistent with a country's legal and/or regulatory framework, may generate particularly significant adverse impacts on people and/or the environment.

i. Weapons, ammunitions, and other military goods/technology.
ii. Pornography and/or prostitution.
iii. Tobacco.[30]
iv. Gambling, casinos, and equivalent enterprises.[31]
v. Radioactive materials.[32]
vi. Unbonded asbestos fibers or asbestos-containing products.
vii. Blast fishing and drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
viii. Non-compliance with workers' essential principles and labor rights.[33]
ix. Palm oil
x. Production or trade in alcoholic beverages (excluding beer and wine).
xi. Commercial logging operations for use in primary tropical moist forest.
xii. Production or trade in wood or other forestry products other than from sustainably managed forest.
xiii. Racist and/or anti-democratic media.[34]

b) Activities that are inconsistent with the IDB Invest's commitments to address the challenges of climate change and promote environmental and social sustainability

i. Thermal coal mining or coal-fired power generation and associated facilities[35]. Upstream oil exploration and development projects.
ii. Upstream gas exploration and development projects. Under exceptional
iii. circumstances and on a case-by-case basis, consideration will be given to financing upstream gas infrastructure where there is a clear benefit in terms of energy access for the poor and where greenhouse gas (GHG) emissions are minimized, projects are consistent with national goals on climate change, and risks of stranded assets are properly analyzed.

[30] This does not apply to projects whose primary objective is not related to the production, trade, or use of tobacco.
[31] This does not apply to projects whose primary objective is not related to the construction and operation of gambling, casinos, and equivalent enterprises
[32] This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where it can be demonstrated that the radioactive source is to be trivial and/or adequately shielded.
[33] The Fundamental Principles and Rights at Work include: (i) the freedom of association and the effective recognition of the right to collective bargaining; (ii) the prohibition of all forms of forced or compulsory labor; (iii) the abolition of child labour, including, without limitation, the prohibition on minors under age 18 years old to work under hazardous conditions (including construction activities), perform night work, be declared apt to work based on a medical examination; and (iv) the elimination of discrimination in respect of employment and occupation, where discrimination is defined as any difference, exclusion or preference based on race, color, sex, religion, political belief or national or social origin (International Labour Organization,).
[34] Racist and/or anti-democratic media refers to media outlets (i.e., newspapers, magazines, radio, etc.) that publish and communicate information with racist contents (e.g., racial prejudices, racial slurs, or content that can incite hate or violence against certain groups) and/or with clear conflict with the principles of democracy (e.g., against free elections, freedom of speech, etc.).
[35] This applies only to associated facilities which primary objective is related to the production, trade, or use of coal for power generation or to the transmission of energy generated by a coal-fired power plant (e.g., a dedicated transmission line).



High-risk sector projects

High-risk sector projects are defined as those resulting in or apparently resulting in high risks or impacts. These include, without limitation:

i. Large infrastructure projects[36]
ii. Extractive projects[37]
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
iv. Projects with high context risks (given the external operating context but not the project itself, e.g., preexisting conflicts, systemic discrimination, changing political environment, widely disseminated diseases, countries having a long history of human right violations, etc.)

Annex 2
List of eligible sustainability certifications

Aquaculture

Aquaculture Stewardship Council (“ASC”)
Aquaculture Stewardship Council Tilapia (“ASC Tilapia”)
BAP (above 2-star)

Wild Capture Fisheries

Marine Stewardship Council ("MSC")

[36] For example: oceanic ports, navigable internal routes, internal route ports allowing the passage of vessels of over 1.350 tones; affluent treatment plants; chemical treatment plants; hazardous or toxic waste disposal plants; fast ways and long-distance lines, etc.
[37] For example: oil and gas developments both onshore and offshore, crude oil refineries (excluding the manufacture of lubricants exclusively) and the installation of gas and liquefaction plants producing over 500 tons or more of coal or bituminous coal a day.


Banco Bolivariano