



# Green Bond Framework

Banco de Desarrollo del Ecuador B.P.



BANCO DE DESARROLLO DEL ECUADOR B.P.



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG



# **Green Bond Framework**

## Banco de Desarrollo del Ecuador B.P.



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# Introduction

In a challenging macroeconomic environment, Ecuador's GDP contracted by 0.7% in 2024, driven by declining oil revenues, an energy crisis caused by drought, and the effects of a VAT increase on consumption and trade. Sociopolitical uncertainty, intensified by the 2025 elections and rising crime, dampened investment and tourism. On the fiscal front, the deficit surpassed USD 3 billion, highlighting the country's heavy reliance on external financing, with significant disbursements from the IMF and IDB. Although the country's risk declined to 978 basis points in January 2025, factors such as oil price volatility and ongoing internal armed conflict continue to challenge financial stability. GDP growth is projected at 1.6% in 2025 and 2.2% in 2026, although fiscal fragility and insecurity may constrain this recovery. As of December 2024, annual inflation stood at 0.57%—the lowest in the region—while unemployment was at 3.7% and underemployment at 22.7%. Despite these challenging fiscal conditions, Ecuador showed a trade surplus of USD 6.01 billion, reflecting an economy with dynamic sectors but structural challenges that limit sustained growth.

Ecuador ranks among the world's most climate-vulnerable countries due to its geographic location, diverse ecosystems, and socioeconomic conditions. The country faces frequent threats such as intense rainfall, droughts, frost, landslides, and floods, which

disproportionately impact rural, Indigenous, and low-income communities. To address these challenges, Ecuador has developed a robust policy and regulatory framework, anchored by the National Climate Change Strategy (ENCC 2012–2025). This strategy outlines adaptation and mitigation measures across key sectors including agriculture, land use, energy, waste management, health, water resources, and human settlements. Complementary instruments such as the National Development Plan (PND), the National Adaptation Plan (PLANACC), and the Climate Change Mitigation Plan further integrate climate considerations into sustainable development planning. Climate action in Ecuador is therefore not only an environmental imperative but also a strategic opportunity to stimulate the economy, generate green jobs, reduce vulnerabilities, and strengthen social cohesion.

Building on this policy framework, climate finance stands out as a critical pillar for effectively tackling climate change and advancing green, resilient economic growth. Ecuador

recognizes that achieving its adaptation and mitigation goals depends on mobilizing substantial resources from both public and private sectors, at national and international levels. To support this, the country launched the National Climate Finance Strategy (EFIC) in 2021, designed to guide the access, management, and allocation of financial resources dedicated to climate action. EFIC fosters inclusive and participatory governance by aligning efforts across government agencies, financial institutions, local authorities, international partners, academia, the private sector, and civil society. It also establishes key enabling conditions—such as transparency, development-aligned planning, and strengthened technical and institutional capacities—to ensure efficient and effective fund management. Through this strategy, Ecuador further commits to the Paris Agreement



and the Sustainable Development Goals, underscoring the importance of a financial system that incorporates climate risks and promotes sustainable investments.

As part of its international commitments, Ecuador submitted its first Nationally Determined Contribution (NDC) in 2019, followed by a second in 2024, with an implementation horizon spanning 2026 to 2035. The second NDC represents a notable step forward in ambition, adopting a cross-sectoral approach and strong political commitment. It includes concrete greenhouse gas reduction targets—both unconditional and conditional on access to financing and technology transfer—as well as adaptation measures for vulnerable sectors. Developed through a participatory process grounded in rights and gender equity, it also integrates intercultural and intergenerational equity principles. Fully aligned with national planning frameworks such as the ENCC and the PND, the NDC establishes a coherent basis for guiding Ecuador's climate action. Within this context, climate finance serves both as an enabling condition and a strategic lever for advancing a resilient, equitable, and low-carbon development model.



In this context, the Development Bank of Ecuador B.P. (Banco de Desarrollo del Ecuador BDE B.P.) serves as the country's leading public financial institution, committed to financing investment projects in infrastructure, public service delivery, and social development. Established in 1979 as *Banco del Estado* and reorganized in 2015 under its current name, BDE B.P. has maintained a steadfast commitment to transparency, integrity, and innovation. Its decentralized approach ensures equitable access to resources, fostering sustainable growth across all regions of Ecuador. In 2024, BDE's financial strength was reaffirmed by an "AAA-" credit rating, reflecting its stability and sound management. The institution also renewed its Integrated Management System certifications under ISO 9001:2015 and ISO 37001:2016, underscoring its continued dedication to quality, transparency, and integrity in all its operations.



In line with its institutional commitment to sustainable development—and aligned with national instruments such as the National Climate Finance Strategy (EFIC), the National Development Plan (PND), and the Nationally Determined Contributions (NDC)—BDE B.P. has strengthened its operations through the adoption of an Environmental and Social Policy. This policy sets clear standards to ensure that all the bank's activities comply with robust environmental and social safeguards, promoting a lasting and positive impact on communities across Ecuador. As part of this commitment, BDE B.P. developed its Green Bond Framework, which defines the criteria for issuing bonds to finance projects that support climate change mitigation, efficient use of natural resources, and stronger territorial resilience. This framework is a key tool for mobilizing capital toward initiatives that are not only aligned with the Sustainable Development Goals (SDGs) and international best practices in sustainable finance, but also directly contribute to the country's NDC targets and the EFIC mandate to channel resources toward a low-carbon, climate-resilient economy. Through this approach, BDE B.P. is establishing itself as a national benchmark in climate finance.

In this context, and aligned with its strategic role in supporting sustainable territorial development, BDE B.P. has boosted its financing capacity and resource management. In 2024, the methodology for calculating borrowing limits for Municipal and Provincial

Decentralized Autonomous Governments (GADs) was updated, unlocking new short-term financing opportunities for 93 GADs. This helped promote financial inclusion for local governments and eased their access to critical infrastructure investments. Alongside this operational update, the Bank rolled out the Integrated Management and Indicator System (SIGI-BDE), a cutting-edge business intelligence platform that improves strategic decision-making through real-time data analysis, ensuring efficient and transparent management of financed projects.

BDE B.P.'s commitment to sustainable development is reflected in its alignment with eleven of the seventeen Sustainable Development Goals (SDGs), including reducing inequalities, ensuring access to clean water and sanitation, promoting sustainable cities and communities, advancing industry and innovation, fostering peace and strong institutions, building strategic partnerships, and supporting decent work and economic growth. This strategic focus, aligned with the National Development Plan (PND) and Ecuador's commitments under the Nationally Determined Contributions (NDCs), ensures that every investment not only addresses immediate community needs but also creates lasting positive impacts, driving balanced and sustainable development. In the same spirit, the Bank has strengthened its dedication to gender equity by mainstreaming inclusive and transparent approaches across all its policies, operations, and decision-making processes, aiming to foster a fairer, more participatory society with equal opportunities for all.

BDE B.P.'s Green Bonds represent a strategic investment opportunity in a solid, innovative financial institution fully committed to sustainability and inclusive territorial development. The proceeds from this instrument will be allocated exclusively to projects with proven environmental and social benefits, ensuring the efficient allocation of the funds.



# About BDE B.P.



“To be the leading force in the country’s territorial development by financing infrastructure, public services, and technical assistance—consistently enhancing quality of life and promoting the well-being of all Ecuadorians”.



“We provide financing and foster investment in infrastructure and public service delivery that drives regional development, in close alignment with national public policies. We are committed to significantly improving the quality of public works execution and strengthening the technical capacities of our clients, supported by a high-performance team”.



# BDE B.P. 2024 Performance

2024 proved to be a challenging period for Ecuador, marked by a deep economic crisis stemming from fiscal liquidity shortages, low foreign investment, and a complex institutional restructuring that strained public finances. This difficult environment was further compounded by a worsening social situation, characterized by rising insecurity and terrorism perpetrated by criminal gangs, which created uncertainty and affected national stability. The situation was exacerbated by a prolonged drought that impacted electricity generation.

Amid this challenging environment, BDE B.P. stood out for its responsiveness and resilience, establishing itself as the top-performing institution within the public banking sector. Through efficient management of “debt-for-equity agreements,” the Bank supported the National Government in optimizing financial resources, mitigating the crisis’s impact,



and reinforcing its commitment to the country's development. Thanks to these efforts, the institution closed the year with assets totaling USD 2.26 billion and liabilities of USD 1.35 billion. The loan portfolio reached USD 1.69 billion, with the vast majority (96.5%) allocated to public investment and 3.5% directed to the productive sector.

A major milestone in 2024 was the implementation of debt-for-equity agreements between the Ministry of Finance, the Decentralized Autonomous Gover-

nments (GADs), and BDE B.P., totaling USD 139.6 million. This measure helped ease the financial obligations of the Bank's clients and ensured the continuity of strategic investments. However, the increase in the Portfolio at Risk—from USD 19.0 million to USD 101.5 million—raised the delinquency rate to 6.02%. Despite this increase, the rate remained well below the public banking sector average of 16.70%. The Bank's risk management approach, marked by its conservative stance and a coverage ratio of 83.85% for the Portfolio at Risk, reaffirmed its strength in financial administration.

To meet its placement targets, the Bank optimized its financing structure by securing funds through term deposits and debt swaps with the Central Bank of Ecuador (BCE), prioritizing portfolio diversification. Despite a constrained liquidity environment, the Bank's liabilities decreased by 1.5% (USD 20.2 million), closing the year at USD 1.35 billion. Within the public banking sector, BDE B.P. accounted for 25.47% of total liabilities, which amounted to USD 5.28 billion. However, the Bank's term deposits fell by 22.6% compared to the previous year, reflecting the country's macroeconomic challenges and reduced liquidity availability.

Despite a decline in the Bank's financial obligations between 2022 and 2023, followed by a rebound in 2024 driven by debt repayments related to previously executed agreements, access to international financing remained a strategic cornerstone. In terms of capital strength, the General Shareholders' Meeting approved the creation of special

reserves, thereby enhancing the institution's solvency. Consequently, the Bank's equity grew by USD 4.5 million, reaching a total of USD 914.4 million, inclusive of net profit for the period. Within the public banking sector, total equity stood at USD 2.74 billion, with BDE B.P. representing 33.4% of this amount.

The Bank's profitability reflected its prudent financial management, posting a net income of USD 62.1 million in 2024. During this period, generic provisions for risk assets were strengthened in accordance with regulations issued by the Superintendence of Banks, ensuring robust coverage against potential contingencies. These provisions—equivalent to 1% of the total portfolio—were established based on each borrower's risk profile and governed by current regulations, including Circular No. SB-IG-2024-0065-C issued on November 8, 2024.

The Bank's income reached USD 159.1 million, reflecting a 10.7% increase compared to the previous year, driven primarily by the recovery of the public investment portfolio. However, operating expenses rose to USD 97.0 million—an increase of USD 25.6 million from 2023—mainly due to the reinforcement of provisions for risk assets. These expenses also included mandatory contributions to the Superintendence of Banks, the Cultural Fund, and the Guarantee Fund for the Popular and Solidarity Economy Sector, calculated based on the institution's average assets and net profit

The Bank delivered a strong performance in efficiency, posting an operating expenses-to-financial margin ratio of 34.34%, well above the average for public banks. Personnel expenses represented just 0.64% of average assets, underscoring effective cost management compared to the system-wide average of 1.06%.



Return on assets stood at 2.73%, continuing a steady growth trajectory from 1.66% in 2020 and reaching a peak of 3.31% in 2023

The Bank consistently outperformed the system average on key profitability metrics, achieving a return on equity of USD 6.88 for every dollar invested, reflecting efficient capital management. Coverage of the problem and at-risk portfolio stood at a solid 83.85%, appropriate given the current delinquency levels. On the solvency front, the Bank demonstrated strong financial resilience, with a capital adequacy ratio of 47.73%, well above the public banking sector average of 34.14%. Its liquidity position was equally robust, with a ratio of 117.37%, significantly surpassing the sector average of 43.38%.

The Bank's overall performance in 2024 reaffirmed its pivotal role within Ecuador's public banking sector, consolidating its financial stability and commitment to the country's sustainable development. Through prudent and efficient resource management, the Development Bank of Ecuador B.P. (BDE B.P.) continues to be a key player in financing strategic projects that drive Ecuador's economic growth and resilience.



# Business Lines

The Development Bank of Ecuador B.P. (BDE B.P.) plays a pivotal role in financing territorial development by promoting public investment in infrastructure, essential services, and sustainable mobility. As a public banking institution, its mission is to strengthen Decentralized Autonomous Governments (GADs), public enterprises, and other public sector entities by offering financial solutions and technical assistance that directly enhance the quality of life of Ecuadorians.

BDE B.P.'s products and services are organized into three main categories:

## **Asset Products (Loans and Financing)**

BDE B.P. provides financing to Decentralized Autonomous Governments (GADs), public enterprises, and other stakeholders for projects involving infrastructure, potable water and sanitation, renewable energy, road development, sustainable mobility, affordable housing, and urban regeneration. Flagship programs include:



- **Potable Water and Sanitation Investment Program (PAS-IDB):** USD 125 million to improve the provision of potable water and sanitation services.
- **Potable Water and Environmental Sanitation Management Program (PROGAPSA):** USD 203 million for the construction and expansion of wastewater and stormwater infrastructure.
- **Environmental Sanitation Program for Community Development (PROMADEC IV):** USD 161.7 million to improve access to potable water and sanitation.
- **Cooperation Program for the Promotion of Human Rights to Water and Sanitation in Rural Communities (PROCODAS ECU-053B):** USD 13.5 million, funded by the Official Credit Institute (ICO) for projects in Esmeraldas and Manabí.
- **Rural Roads Program (PROVIAL II):** USD 80.5 million for improving the provincial road network.
- **Sustainable Urban Mobility Program (PMUS-KfW – Phase I):** EUR 26.7 million to promote sustainable mobility in Cuenca.
- **Prohábitat – Housing Program:** USD 140 million to support the development of Public and Social Interest Housing.
- **Multisector Financing Program with the Development Bank of China (PROCDB):** USD 200 million for multisector public investment projects.
- **Multisector Investment Program with the French Development Agency – AFD (PIM AFD):** USD 80 million for multisector public investment projects.

## Liability Products

The Development Bank of Ecuador B.P. (BDE B.P.) offers Electronic Certificates of Deposit—digital financial instruments that represent ownership of a deposit with the bank. These certificates offer both security and convenience, as they are registered with the Stock Market Registry, ensuring transparency and regulatory oversight. Moreover, they generate returns based on the maximum effective interest rates established by Resolution No. 133-2015-M of the Monetary and Financial Policy and Regulation Board.

## Non-Financial Services

The Development Bank of Ecuador B.P. (BDE B.P.) complements its financing offerings with non-financial services focused on technical assistance, capacity building, and financial education. These services are designed to strengthen the institutional and financial management of Decentralized Autonomous Governments (GADs) and other beneficiary entities.

- 1) Technical Assistance:** BDE B.P. provides specialized support in the design, implementation, and monitoring of investment projects. This service ensures that resources are used efficiently and that projects meet sustainability and financial viability standards.
- 2) Capacity Building:** BDE B.P. conducts training activities to enhance client management in relation to financial programs and products. There are two types of training:
  - a) In person:** Includes seminars, forums, workshops, and working meetings that facilitate direct interaction and knowledge exchange among participants.
  - b) Virtual:** Self-paced courses (MOOCs) are offered through the Moodle platform, providing access to discussion forums and digital tools that promote continuous learning.
- 3) Financial Education:** In line with its commitment to sustainable development, BDE B.P. launched the initiative “Introduction to the National Financial System and Financial Management for Local Governments”. The program aims to

build the financial management capacity of local governments through a blended learning model—both in-person and online. It includes a suite of interactive tools such as financial calculators, a comprehensive glossary of financial terms, and a cyber risk alert system to promote safer digital practices.

These services highlight BDE B.P.'s role not only as a source of financing, but also as a strategic partner in strengthening the institutional capacity of local governments. The goal is to ensure that public investments translate into meaningful and lasting contributions to meaningfully to the country's long-term development.





# Governance

Aligned with its mission to finance Ecuador's sustainable development, BDE B.P. upholds a robust governance model that ensures transparency, regulatory compliance, and operational efficiency. As established in Article 13 of its Codified Bylaws, the Bank's governance and management structure comprises three core levels: the General Shareholders' Meeting, the Institutional Board of Directors, and the Executive Leadership Team.

BDE B.P. has adopted corporate governance indicators that underscore its commitment to global best practices in strategic decision-making. In 2024, 71.54% of shareholders participated in the General Shareholders' Meeting, with 46.28% casting votes during deliberations—ensuring broad and effective representation in governance processes. In line with its transparency policy, the Bank has enhanced public access to information regarding its shareholding composition, the governance roles of its members, and its accountability mechanisms before both citizens and regulatory bodies.

## General Shareholders' Meeting

As the highest governing authority of BDE B.P., the General Shareholders' Meeting is tasked with establishing the institution's strategic direction and approving critical decisions

that shape its management and development. It holds comprehensive oversight of all administrative matters, safeguarding the Bank's stability and fulfillment of its mission.

Composition of the Governing Body:

- The President of the Republic, either in person or represented by the Minister of Economy and Finance, who also chairs the Meeting.
- Provincial governors, mayors, and parish council presidents who hold shares in the Bank, represented either personally or through duly appointed delegates.
- As BDE B.P.'s highest authority, the General Shareholders' Meeting shapes the Bank's strategic direction by evaluating results and implementing policies that support efficient, sustainable, and transparent management.

The following outlines the shareholding structure of the Development Bank of Ecuador B.P. (BDE B.P.):

Shareholders	Number	Authorized, Subscribed, and Paid-in Capital (%)
Municipal Decentralized Autonomous Governments	221	9,3%
Provincial Decentralized Autonomous Governments and the Governing Council of the Galápagos Special Regime (formerly the Provincial Council of Galápagos and INGALA)	24	16,5%
Rural Parish Decentralized Autonomous Governments	815	1,4%
Ecuadorian State	1	72,8%
<b>Total</b>	<b>1.061</b>	<b>100,0%</b>

## Board of Directors

The Institutional Board of Directors of the Development Bank of Ecuador B.P. (BDE B.P.) is the Bank's highest governing body responsible for defining policies, strategies, and directives that ensure its proper functioning. Its mission is to guide the Bank's management towards the achievement of its institutional objectives, guaranteeing efficiency, transparency, and sustainability in resource administration.

The Board has been established in accordance with the Organic Monetary and Financial Code and Executive Decrees No. 867 (December 30, 2015) and No. 7 (May 24, 2017). Its members include:

- Chairman of the Board: Minister of Economy and Finance.
- Permanent Delegate of the National Secretary of Planning.
- Principal Representative of the Provincial Decentralized Autonomous Governments.
- Principal Representative of the Cantonal Decentralized Autonomous Governments.
- Principal Representative of the Rural Parish Decentralized Autonomous Governments.

All members of the Board of Directors comply with the suitability criteria set by the Superintendence of Banks, as stipulated in the resolutions appointing them.

The Board functions in accordance with the Board Meeting Regulations, approved by Resolution No. 2019-DIR-115 on December 26, 2019, which outlines the internal processes for decision-making and the execution of its duties.

Operating within this framework, the BDE B.P. Board of Directors assumes a central role in steering the institution's strategic direction, guaranteeing that its governance reflects the principles of sustainability, development, and transparency, benefiting both the Decentralized Autonomous Governments and the nation at large.

## Executive Leadership or Administration



The Development Bank of Ecuador B.P.'s leadership team consists of a strategic group responsible for the efficient management of the institution. This team comprises General Management, Deputy General Management of Business, Deputy General Management of Institutional Management, as well as Division Management, Area Management, Zonal Branch Management, Directorates, Regional Coordinations, and Specialized Advisory Units.



# Environmental and Social Policy

Board Resolution No. 2023-DIR-038, dated August 21, 2023, approved the Environmental and Social Policy of the Development Bank of Ecuador B.P. (BDE B.P.). The policy aims to establish institutional strategies that promote and reinforce environmental and social principles, standards, and guidelines. It applies both institutionally and to the bank's new processes, programs, products, and services, all geared towards channeling financing to projects that promote sustainable development in the country. Furthermore, it is a cornerstone for the issuance of green bonds, ensuring that the proceeds are allocated solely to environmentally responsible projects that comply with the ICMA Green Bond Principles (GBP), thereby ensuring transparency, adherence to international standards, and a positive impact on environmental and social sustainability.

BDE B.P. is committed to operating with a holistic environmental and social perspective, integrating the best practices into both its financing and internal operations. Its core mission is to drive investments in infrastructure and public services that support regional development and improve people's lives, in alignment with national policy objectives. To that



end, BDE B.P. aims to meet the environmental and social standards of international development banks, actively managing risks and impacts while championing sustainability and social inclusion

This policy has a comprehensive scope, covering all areas of the bank, including its offices across the country, internal procedures, new programs, and the financing of projects with both national and international impact. Furthermore, it encourages clients to adopt sound environmental and social practices, ensuring that investments genuinely contribute to sustainable development.

As a development bank committed to executing projects under environmental and social responsibility criteria, BDE B.P. ensures regulatory compliance and the assessment

of risks and impacts in its programs, products, and services. In this context, it adheres to the Environmental and Social Standards (ESS), as well as the performance standards established by international organizations such as the International Finance Corporation (IFC), the Inter-American Development Bank (IDB), the World Bank (WB), and the European Investment Bank (EIB), among others. These standards are designed to avoid, minimize, reduce, or mitigate environmental and social risks and impacts.

For the effective application of the Environmental and Social Policy, the following fundamental principles are established:

- Promote the development of processes, programs, and products that mitigate environmental and social risks.
- Foster social participation, incorporate impact indicators, act ethically, and ensure respect for human rights.

- Respect and preserve the environment, ensuring compliance with current environmental regulations within the scope of the bank's activities.
- Drive sustainable processes, programs, and products based on the three pillars of sustainable development: economic, social, and environmental.
- Promote sustainable financing to facilitate the transition to a low-carbon and resilient economy, in accordance with national regulations and international standards.
- Increase environmental and social awareness in the bank's activities and among its stakeholders.

The implementation of this policy establishes transversal guidelines and commitments at all levels of BDE B.P., aligning with current regulations, the Sustainable Development Goals (SDGs), the Nationally Determined Contributions (NDCs), and national environmental standards.

BDE B.P. strives to enhance environmental and social management at both the institutional level and among its clients, fostering sustainable development through public banking. The policy supports adopting international standards related to sustainability, biodiversity, equity, social participation, and climate change, emphasizing transparency and capacity strengthening.

Its implementation is based on four strategic pillars:

## **Institutional Pillar**

Environmental and social principles will be embedded in the organizational culture, promoting resource efficiency, good environmental practices, and pollution reduction. Environmental management capacities will also be strengthened through impact monitoring and reporting.

## **Business Pillar**

Guidelines will be applied to manage environmental and social risks in financial programs and products, in compliance with national and international regulations. Awareness-raising and technical assistance for clients will also be promoted, along with efforts to promote sustainable financing.



## Communication Pillar

This pillar will implement communication strategies to promote transparency in applying the environmental and social policy, leveraging multiple channels and raising employee awareness about good environmental practices.

## Operational Pillar

This pillar establishes an Environmental and Social Technical Team responsible for implementing, monitoring, and evaluating the policy, ensuring its integration across all areas of the Bank. Its implementation will be consolidated through an Action Plan, developed with the support of this team and the participation of all institutional areas.



# Alignment with Sustainable Development Goals

BDE B.P. reinforces its commitment to sustainability by issuing green bonds, aligning its strategies and programs with the Sustainable Development Goals (SDGs) and international frameworks like ICMA's Green Bond Principles (GBP) and the Green Climate Fund (GCF). These instruments will help channel the proceeds to projects with significant environmental and social benefits, fostering climate resilience, carbon emission reductions, and the country's sustainable development.

In this context, BDE B.P. structures its programs and financing lines in alignment with the SDGs, ensuring that supported projects contribute to the transition toward a more sustainable and inclusive economy. Green bond issuance will be a key mechanism for financing initiatives in strategic sectors such as resilient infrastructure, sustainable water

and sanitation management, energy efficiency, renewable energy, and climate change adaptation, thus reinforcing its role in promoting investments aligned with global development goals.

SDGs	Alignment
	By financing environmental sanitation projects, BDE B.P. helps reduce waterborne diseases and improve health conditions in vulnerable communities.
	BDE B.P. has integrated a gender perspective throughout its institutional structure to ensure that its policies foster equity and inclusion.
	EBDE B.P. finances potable water and sanitation initiatives, ensuring that vulnerable communities have access to essential services while promoting the sustainable use of water resources.
	BDE B.P. supports the implementation of innovative technologies and sustainable infrastructure to enhance energy efficiency and foster the development of sustainable cities.
	BDE B.P. finances investments in infrastructure and basic services, promoting job creation and strengthening strategic sectors within Decentralized Autonomous Governments (GADs), thereby driving the country's productive and economic development.
	BDE B.P. supports national connectivity and competitiveness by financing strategic initiatives in road infrastructure, urban mobility, and territorial development.
	Committed to financial inclusion and equitable development, BDE B.P. ensures its products and services reach vulnerable populations—particularly women and marginalized groups. By financing municipalities and rural communities, it contributes to reducing socioeconomic disparities and promoting a more inclusive distribution of development.
	By supporting urban regeneration and sustainable mobility initiatives, BDE B.P. contributes to the creation of inclusive, resilient cities with reduced environmental impact.

## SDGs

## Alignment



BDE B.P. finances projects aimed at mitigating the impacts of climate change and strengthening community resilience to extreme weather events, including sustainable infrastructure, environmental management, urban mobility, and energy efficiency.



Through its Institutional Pillar, BDE B.P.'s Gender Policy reinforces internal governance by promoting equitable working conditions and preventing discrimination. The Bank also fosters transparency in the management of its financing operations, helping to strengthen democratic and efficient institutions across the country.



By partnering with international and multilateral organizations, BDE B.P. mobilizes resources toward sustainable development projects across the country.



# Alignment with the Nationally Determined Contribution (NDC)

NDC pillar	Alignment
 <b>Water Resources</b>	BDE B.P. finances resilient infrastructure for potable water, sanitation, irrigation, and sustainable drainage, strengthening availability, access, and climate change adaptation of water resources.
 <b>Health</b>	By investing in environmental sanitation and early warning systems, BDE B.P. contributes to reducing climate-sensitive diseases and strengthening territorial health resilience.

NDP pillar	Alignment
 <b>Energy</b>	<p>BDE B.P. supports renewable energy, energy efficiency, and sustainable mobility initiatives, advancing the transition to a low-carbon and accessible energy system.</p>
 <b>Productive and Strategic Sectors</b>	<p>BDE B.P. supports sustainability in strategic sectors by financing small hydroelectric plants, resilient road infrastructure, and watershed management systems.</p>
 <b>Land Use, Land-Use Change, and Forestry (LULUCF)</b>	<p>BDE B.P. supports ecosystem restoration, sustainable forestry, and the conservation of protected areas to foster resilient, deforestation-free landscapes.</p>
 <b>Natural Heritage</b>	<p>BDE B.P. finances biodiversity conservation, ecological restoration, and sustainable forest management projects, aligned with climate protection efforts for endemic species and vulnerable ecosystems.</p>
 <b>Waste Management</b>	<p>BDE B.P. promotes circular economy practices and lower emissions by financing integrated solid waste management projects.</p>



# Green Bond Framework

This document outlines the Green Bond Framework of the Development Bank of Ecuador B.P. (BDE B.P.), establishing the foundation for issuing green bonds in the short, medium, and long term. These issuances form part of the Bank's broader strategy to promote green economic growth across its portfolio, in alignment with the BDE B.P. Sustainability Policy, the National Development Strategic Plan, the United Nations 2030 Agenda and its Sustainable Development Goals (SDGs), as well as Ecuador's Nationally Determined Contributions (NDCs) under the Paris Agreement and the United Nations Framework Convention on Climate Change (UNFCCC).

The Green Bond Framework also sets forth the responsibilities and commitments that BDE B.P. assumes as a green bond issuer.



**Green Bonds:** An amount equal to the proceeds obtained will be exclusively allocated to finance and/or refinance eligible green projects and investments through green financing lines in the commercial sector (see eligible green categories).

This Framework has been developed in accordance with the highest market standards. The eligible categories outlined in this document are aligned with the Green Bond Principles (GBP), published in June 2021 by the International Capital Market Association (ICMA).

The four main components of these principles include:

- 1)** Use of Proceeds
- 2)** Project Evaluation and Selection Process
- 3)** Management of Proceeds
- 4)** Monitoring and Reporting



# Use of Proceeds

An amount equal to the net proceeds from any issuance under this Framework will be exclusively allocated by BDE B.P. to finance and/or refinance projects or expenditures that qualify under the eligible green categories, through green loans and/or investments.

Funds will be used exclusively to finance and/or refinance projects or investments that meet the criteria established in the eligible green categories.

## Eligible Green Categories

This section presents the green project and expenditure categories eligible under this Framework, emphasizing their environmental benefits and their contribution to the achievement of the Sustainable Development Goals (SDGs).



## Sustainable Water and Wastewater Management

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>Eligible expenditures include the financing and refinancing of loans and investments related to the planning, construction, improvement, reconstruction, installation, operation, preventive and corrective maintenance, expansion, adaptation, monitoring, and evaluation of efficient water and wastewater management systems, as well as the provision of water supply, including the following<sup>1</sup>:</p> <p>i. Planning and assessment of water and/or wastewater resources through physicochemical, biological, and ecosystem-level analyses at the watershed or sectoral level, with the aim of supporting sustainable infrastructure investment and conserving critical aquatic habitats and wetlands essential to the livelihoods of Indigenous Peoples and local communities.</p>	<ul style="list-style-type: none"> <li>Promoting the protection of water resources</li> <li>Reducing greenhouse gas (GHG) emissions</li> <li>Preserving water resources</li> <li>Adapting to climate change</li> <li>Reducing water consumption</li> <li>Advancing circular economy</li> </ul>	  	<p><b>Water Resources Sector (Mitigation):</b></p> <p>Promoting green infrastructure to ensure the availability, quantity, and quality of water resources to address climate change impacts.</p> <p>Implementing resilient infrastructure for the provision of sustainable potable water, sanitation, irrigation, and drainage services in the context of climate change.</p>

1 Net-zero GHG emissions..





## Sustainable Water and Wastewater Management (cont.)

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>ii. Research and innovation related to water quality, consumption efficiency, treatment, and decontamination.</p> <p>iii. Infrastructure and systems for efficient and sustainable water<sup>2</sup>. management. This includes the construction, reconstruction, upgrading, or expansion of infrastructure aimed at water resource management and the provision of water or sanitation services, in alignment with the current National Development Plan's goals and requirements. It covers sewer networks (including household connections), pumping stations, conveyance systems, and wastewater treatment plants at various stages (primary, secondary, and/or tertiary), as well as appropriate wastewater disposal systems. It also includes the conservation of water resources, such as the protection of water catchment areas, watershed preservation, and the prevention of pollution affecting water supplies, including nature-based<sup>3</sup> solutions.</p> <p>iv. Systems or infrastructure for mitigating risks from extreme hydroclimatic events, such as river and/or pluvial flooding or prolonged droughts. This includes the construction, reconstruction, upgrading, expansion, or adaptation of reservoirs to manage extreme water-related climate events, as well as improvements, maintenance, and adaptation of drainage systems and stormwater networks, pumping stations, and stormwater storage facilities.</p>			<p><b>Health (adaptación):</b> Promoting the planning, design, construction, and maintenance of new health infrastructure, as well as upgrading existing facilities, incorporating present and future climate variables to ensure climate resilience.</p>

2 The financed infrastructure must have technical studies verifying compliance with national standards, including the Environmental and Social Impact Assessment (ESIA), as well as other criteria established by the Ministry of Environment, Water, and Ecological Transition.

3 Watersheds, wetlands, mangrove forests, urban stormwater retention areas, floodplains, agricultural soils..





## Sustainable Water and Wastewater Management (cont.)

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>v. Monitoring systems, including smart networks, drought and flood early warning systems, and water quality monitoring processes.</p> <p>vi. Creating, expanding, and/or strengthening sustainable nature-based water management initiatives and programs within economic sectors and the Popular and Solidarity Economy (EPS), to implement circular economy or clean production measures, ensuring more efficient water and wastewater resource management.</p> <p>vii. Potable water supply projects involving the construction, upgrading, reconstruction, or expansion of infrastructure such as water intake facilities, treatment plants, potable and non-potable water conveyance networks, distribution systems—including pumping stations, storage tanks, and household connections.</p> <p>viii. Wastewater methane recovery and mitigation systems, including anaerobic sludge digesters, biogas capture systems in existing open-air anaerobic lagoons, new aerobic treatment plants or covered lagoons, and simple degassing devices at the effluent discharge of municipal anaerobic reactors.</p> <p>ix. Wastewater methane utilization, including gas digesters for combined heat and power (CHP), gas digesters for electricity or heat only.</p>			





## Renewable Energy

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>They include the financing and/or refinancing of loans and investments related to the following<sup>4</sup>:</p> <p>i. Feasibility and pre-feasibility studies, emissions estimation, construction, equipment, operation, and maintenance of projects involving non-fossil renewable energy sources in the following types of investments:</p> <ul style="list-style-type: none"> <li>Wind energy<sup>5</sup>,</li> <li>Solar PV<sup>6</sup>,</li> <li>Solar thermal,</li> <li>Hydropower plants<sup>7</sup> (less than 25 MW),</li> <li>Bioenergy<sup>8</sup>,</li> <li>Geothermal energy<sup>9</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>Reducing GHG emissions</li> <li>Providing long-term low-carbon infrastructure</li> <li>Promoting energy generation from renewable sources</li> </ul>	 <b>7 ENERGÍAASEGURABLE Y NO CONTAMINANTE</b>	<p><b>Energy Sector (Cross-cutting):</b></p> <p>Promoting the development and consumption of renewable energy, ensuring accessibility and availability.</p>

4 Ecuador's Second NDC strategy for renewable energy development focuses on expanding the generation and use of renewable energy, while ensuring its accessibility and availability as part of the country's transition to a low-emission energy system. This approach is supported by a range of technical and statistical documents that guide its planning and implementation, including the 2023 National Energy Balance, which highlights the significant share of renewables in the electricity matrix; the 2023–2032 Master Electricity Plan, which prioritizes clean technologies for future system expansion; the 2024–2070 National Climate Change Mitigation Plan, which sets sector-specific decarbonization targets; and the 2022 Annual Report on Ecuador's Electricity Sector, which provides updated data on coverage, generation, and demand. The strategy also builds on the experience gained from the First NDC (2020–2025).

5 Wind power facilities must ensure that no more than 15% of the electricity generated comes from non-renewable sources. Expenses related to electricity production from wind energy will be considered eligible only when: (i) recycling at the end of their lifecycle is guaranteed based on waste management plans or dismantling processes, for example, through contractual agreements; or (ii) they have an Environmental Management Instrument that includes a Closure Plan or Decommissioning Plan.

6 Solar power facilities must ensure that no more than 15% of the electricity generated comes from non-renewable sources. Expenses related to electricity production from solar photovoltaic energy will be considered eligible only when: (i) durability and ease of disassembly, separability through accessibility, interchangeability of components, refurbishment, and recycling are guaranteed; or (ii) they have an Environmental Management Instrument that includes a Closure Plan or Decommissioning Plan.

7 Facilities operate with life cycle emissions below 100 gCO<sub>2</sub>e/kWh.

8 Eligible bioenergy expenditures must meet four conditions::  
Facilities operate at over 80% GHG emissions reduction relative to the associated fossil fuel comparator.  
Demonstrate maintained or enhanced woody carbon stocks.  
Zero Deforestation Commitment.  
For facilities that produce electricity from biomass or biofuel, the electricity generated must have GHG emissions no higher than 100gCO<sub>2</sub>e/ kWh.  
Eligible feedstocks for the purposes of this framework include all feedstocks except:  
- Wood (and all wooden biomass)  
- Third-generation biofuels  
- Biodegradable municipal solid waste, including sewage sludge and food waste.

9 Raw materials may only be based on agricultural residues, which will be considered eligible only if accompanied by traceability confirming environmental and sustainable management or origin in line with best practices, without being limited to certifications such as RSB/ISSC EU/ BONSUCRO/RTRS. We would consider accepting future certifications that may arise in accordance with market standards and meet the criteria described in the certifications mentioned above. The production of raw materials for biofuels is not permitted in areas of high biodiversity.

Eligible expenses for geothermal energy must meet the following condition:  
- The gas source is renewable.  
- Greenhouse gas emission limits: 100 g CO<sub>2</sub>e/kWh (Emissions must be calculated based on the life cycle or using direct emission factors from the reservoir).





## Renewable Energy (cont.)

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>ii. Transmission infrastructure fully dedicated to supporting electricity generation systems recognized as eligible under this general framework.</p> <p>iii. Investments in onshore solar and/or wind energy projects that integrate power generation and energy storage (batteries).</p>			<p><b>Productive and Strategic Sectors (Mitigation)</b></p> <p>Implementing sustainable management systems for sediment control in watersheds.</p> <p>Strengthening reservoir dredging to extend the lifespan of electromechanical components in hydroelectric plants.</p>



## Energy efficiency

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>These include loans and investments to improve energy efficiency in buildings, homes, and industries, including the following<sup>10</sup>:</p> <ul style="list-style-type: none"> <li>i. Lighting improvements, such as replacement with LED technology or new technologies resulting in savings of more than 20%.</li> <li>ii. Energy efficiency investments in buildings, homes, and/or businesses resulting in savings of more than 20%; this includes (but is not limited to) modernization, thermal insulation, and/or HVAC system upgrades.</li> <li>iii. Construction, equipment, or contracting of specialized services to reduce energy losses in the Electricity Distribution System.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Savings</li> <li>• GHG Reduction</li> <li>• Promote energy generation through renewable sources</li> </ul>		<p><b>Energy Sector (Mitigation):</b> Implement and strengthen energy efficiency and change consumption patterns and behaviors within biophysical limits.</p>

<sup>10</sup> Ecuador's Second NDC strategy on energy efficiency aims to implement and strengthen energy efficiency and change consumption patterns and behavior within biophysical limits, prioritizing the use of clean technologies, especially in sectors such as transportation, and promoting a just transition that considers local particularities and the well-being of the population. This line of action is technically supported by key documents such as the National Energy Efficiency Plan 2016–2035, which sets out the roadmap for the rational use of energy in productive and residential sectors; the National Energy Balance 2023, which analyzes energy supply and demand; the National Climate Change Mitigation Plan 2024–2070, which includes specific efficiency measures to reduce emissions; and the Fifth National Communication and First Biennial Transparency Report, which provide information on progress and gaps in the sector. Additionally, it incorporates lessons learned from the First NDC (2020–2025).





## Low-carbon Transportation

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>Include financing and/or refinancing of costs associated with the following<sup>11</sup>:</p> <p>i. Construction, operation, and maintenance of zero direct emission transportation projects, including key components and supporting infrastructure in the following types of investments:</p> <ul style="list-style-type: none"> <li>• Metro lines: new lines</li> <li>• Electric Buses</li> <li>• Tramways</li> <li>• Trains</li> <li>• Bike Lanes</li> <li>• Cargo infrastructure, including heavy-duty vehicles adapted for transporting components needed for wind projects</li> <li>• Acquisition of electric vehicles or vehicles promoting the transition to lower carbon emissions, with emissions below 75gCO<sub>2</sub>/passenger*km.</li> </ul> <p>ii. Construction, operation, and maintenance of clean transportation infrastructure, including:</p> <ul style="list-style-type: none"> <li>• Infrastructure necessary for clean transportation, such as electric charging points and improvements to electrical grid connectivity.</li> <li>• Infrastructure and equipment (including fleets) for active mobility (walking, cycling, electric bicycles, and electric scooters).</li> <li>• Infrastructure that is predominantly used for low-carbon transportation<sup>12</sup>.</li> </ul>	<ul style="list-style-type: none"> <li>• Improving air quality</li> <li>• Promoting the transition to clean transport</li> <li>• Reducing GHG emissions by promoting low-carbon modes of transport</li> </ul>	   	<p><b>Energy Sector (Mitigation):</b></p> <p>Promote, implement, and develop sustainable mobility for all types of transport.</p>

11 Ecuador's Second NDC strategy for sustainable transport focuses on promoting, implementing, and developing sustainable mobility for all types of transport, promoting energy efficiency and the adoption of clean technologies as part of a just transition that takes into account local conditions and improves the quality of life of the population. This strategy is supported by technical information from sources such as the 2023 National Energy Balance, which identifies transport as one of the main energy consumers; the 2016–2035 National Energy Efficiency Plan, which establishes measures to reduce energy consumption in this sector; transportation and automotive sector statistics that allow mobility and emissions patterns to be evaluated; and the 2024–2070 National Climate Change Mitigation Plan, which sets out a roadmap for decarbonizing transportation in the medium and long term. It also incorporates lessons learned from the First NDC (2020–2025).

12 Only infrastructure that is essential for the operation of the transport service will be considered. Investments will not be used to finance or refinance infrastructure intended for fuel transport.





## Sustainable Management of Natural Resources and Land Use

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>Eligible expenses include financing and refinancing of loans and investments associated with construction, operation, maintenance, expansion, training, and adaptation for the promotion of land use, biodiversity preservation, and management of areas under a conservation mechanism recognized by the Republic of Ecuador, including the following:</p> <p>i. Sustainable Forest Management: Commercial management of natural forests in a sustainable manner for timber production that is certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC) and has a Sustainable Management Plan.</p> <p>ii. Conservation and restoration programs for native and exotic forests.</p> <p>iii. Management and maintenance of areas within the National System of Protected Areas (SNAP), Areas of Conservation and Sustainable Use (ACUS), and other nationally recognized mechanisms.</p> <p>iv. Protection and restoration of terrestrial and freshwater ecosystems, watersheds, biodiversity, habitats, and soil and its services.</p> <p>v. Drip irrigation infrastructure.</p>	<ul style="list-style-type: none"> <li>Integrate conservation with the sustainable use of natural resources, land use, and protected areas through the services provided by ecosystems.</li> <li>Climate change mitigation.</li> <li>Conservation and sustainable use of terrestrial systems.</li> <li>Biodiversity conservation and protection of terrestrial systems.</li> </ul>	   	<p><b>USCUSS Sector (Mitigation):</b></p> <p>Strengthen actions and increase areas under conservation mechanisms, hydrologically important areas, and areas for restoration with endemic and native species of natural heritage. Strengthen and increase areas under sustainable forest management.</p> <p>Strengthen and increase the establishment and management of sustainable commercial forest plantations.</p> <p>Strengthen the forest control system.</p> <p>Promote the transformation of conventional production systems towards sustainable and deforestation-free agricultural production systems.</p> <p><b>Natural Heritage (Adaptation):</b></p> <p>Establish conservation areas, ecosystem restoration, and sustainable practices that reduce biodiversity loss due to the negative impacts of climate change in priority areas identified through climate risk analysis.</p> <p>Establish management plans to promote the conservation of native and endemic plant habitats.</p>





## Pollution Prevention and Control

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>Eligible expenses include the financing and refinancing of loans and investments related to<sup>13</sup>:</p> <p>i. Construction, operation, and maintenance of facilities for the collection, sorting, and disposal of non-hazardous waste<sup>14</sup> in order to prepare it for reuse and/or recycling.</p> <p>ii. Acquisition, operation, and/or maintenance of waste collection vehicles, provided they meet the transport criteria defined in this framework.</p> <p>iii. Green waste processing facilities<sup>15</sup> for producing compost for use in agricultural, municipal, or consumer fields with an Environmental Management Instrument, if applicable.</p> <p>iv. Projects to capture biogas from closed landfill facilities<sup>16</sup>.</p>	<ul style="list-style-type: none"> <li>• Circular Economy</li> <li>• GHG Reduction</li> <li>• Air quality improvement</li> </ul>		<p><b>Waste Sector (Adaptation):</b></p> <p>Promote active methane (CH<sub>4</sub>) capture in landfills.</p> <p>Promote comprehensive solid waste management, prioritizing source separation and the use of organic waste through a circular economy approach that promotes the principle of hierarchy.</p> <p>Reduce greenhouse gas emissions through wastewater treatment and reuse.</p>

<sup>13</sup> Ecuador's Second NDC strategy for the waste sector focuses on reducing greenhouse gas emissions through integrated waste and solid waste management, promoting concrete actions such as: active methane (CH<sub>4</sub>) capture in landfills, source separation and use of organic waste through a circular economy approach, and wastewater treatment and reuse. These lines of action have been formulated taking into account the implementation of the next National Plan for the Integrated Management of Non-Hazardous Solid Waste (PNGIRS) or its equivalent during the period 2026–2035, which will make it possible to define the objectives, targets, indicators, strategies, and programs necessary for effective management. This planning is supported by technical information from the Fifth National Communication and the First Biennial Transparency Report, the National Climate Change Mitigation Plan 2024–2070, INEC population estimates, and data on per capita production of municipal solid waste. It also incorporates lessons learned from the First NDC (2020–2025).

<sup>14</sup> Includes non-hazardous materials with high recycling potential such as paper, cardboard, glass, non-hazardous plastics, among others.

<sup>15</sup> Considers facilities that produce compost from green waste such as food scraps, garden or yard waste that meet measurable zero methane emissions and that the resulting products are not deposited in landfills.

<sup>16</sup> The following conditions must be met

- Gas capture 75%.

- The gas is used to generate electricity and/or is fed into the natural gas grid and/or is used as fuel..





## Green Buildings

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>These include financing and/or refinancing of loans and investments for the modernization of buildings with a minimum of 20% energy savings, demonstrated by the following certifications or their equivalents:</p> <ul style="list-style-type: none"> <li>• LEED, Gold or Superior, EDGE, BREEAM certifications<sup>17</sup></li> <li>• The costs associated with modernizing existing buildings to improve their current certification level or achieve one of the certification standards recognized by this framework within three years.</li> </ul>	<ul style="list-style-type: none"> <li>• Energy Savings</li> <li>• Water Savings</li> <li>• GHG Reduction</li> </ul>	 <p>8 TRABAJO DECENTE Y CRECIMIENTO ECONÓMICO</p>  <p>9 INDUSTRIA, INNOVACIÓN E INFRAESTRUCTURA</p>  <p>11 CIUDADES Y COMUNIDADES SOSTENIBLES</p>  <p>13 ACCIÓN POR EL CLIMA</p>	<p><b>Energy Sector (Mitigation):</b></p> <p>Implement and strengthen energy efficiency and change consumption patterns and behaviors within biophysical limits</p>

17 Excellent rating (four stars) or higher.





## Adaptation to Climate Change

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>Eligible expenses include the financing and refinancing of loans and investments associated with planning, construction, operation, maintenance, expansion, training, adaptation, research, evaluation, and monitoring for climate change adaptation, considering the following:</p> <ul style="list-style-type: none"> <li>i. Create, expand, and strengthen natural heritage resilience programs/projects considering (but not limited to) establishing conservation areas, management plans, good practices, monitoring, land use planning, among others.</li> <li>ii. Create, expand, and strengthen water heritage resilience programs/projects, including (but not limited to) infrastructure resilient to droughts and floods, management of forms of protection and preventive guarantees, and improvement of sedimentation and/or regressive erosion problems.</li> <li>iii. Create, expand, and strengthen health resilience programs/projects[1], including (but not limited to) strengthening health response capacity to climate-sensitive diseases, vector control, early warning systems for floods and droughts, and mapping of threats and vulnerabilities.</li> </ul>	<ul style="list-style-type: none"> <li>• Reducing vulnerability and improving resilience to extreme weather events.</li> <li>• Improving public health through prevention and response to climate-sensitive diseases.</li> <li>• Ensuring food sovereignty and productive resilience.</li> <li>• Protecting and restoring strategic ecosystems.</li> <li>• Strengthening water security and sustainable access to water</li> </ul>	 	<p><b>Hydrological Heritage Sector (Mitigation):</b></p> <p>Promote green infrastructure to guarantee the availability and access to water resources in sufficient quantity and quality to address the impacts of climate change.</p> <p>Implement resilient infrastructure for the provision of sustainable drinking water, sanitation, irrigation, and drainage services in the context of climate change.</p> <p><b>Health (Adaptation):</b></p> <p>Promote the planning, design, construction, and maintenance of new health infrastructure and upgrade existing infrastructure, taking into account current and future climate variables to ensure climate resilience.</p> <p><b>Human settlements (Adaptation):</b></p> <p>Design and/or implement/build resilient gray and hydraulic infrastructure to prevent and control the risk of flooding and landslides and their impact on human settlements during periods of heavy rainfall.</p> <p>Design and implement projects, programs, and/or campaigns related to risk management for climate threats and their impact on human settlements.</p>





## Adaptation to Climate Change (cont.)

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
<p>iv. Create, expand, and strengthen programs/projects for resilience in human settlements[2], considering (but not limited to) the construction of infrastructure for rain, landslide, and flood control.</p> <p>v. Create, expand, and strengthen programs/projects for the resilience of strategic sectors (hydroelectric power plants and projects, road infrastructure) considering (but not limited to) reforestation and restoration, cleaning of ditches, sewers, riverbeds, and ravines, maintenance of roads and road drainage, slope stabilization, etc.</p>			<p><b>Food Sovereignty, Agriculture, Livestock, Aquaculture, and Fishing (Adaptation):</b></p> <p>Expand the coverage of technified irrigation systems with systems that are efficient and sustainable from design to implementation, focused on adaptation to climate change nationwide and that positively influence agricultural productivity.</p> <p>Actively promote and encourage crops with high nutritional value, using sustainable practices that foster agrobiodiversity, crop rotation, and sustainable land use to increase productivity in response to the threats of climate change, in line with the principles of food sovereignty.</p> <p>Institutionalize effective processes for the implementation of efficient, sustainable, and climate-resilient agricultural production systems.</p> <p>Rescue and promote the revitalization and adoption of ancestral agricultural practices as a strategy for adapting to the negative impacts of climate change.</p>





## Adaptation to Climate Change (cont.)

Eligibility criteria	Benefits	Priority SDGs	Alignment with the NDC
vi. Reconstruction of public service infrastructure <sup>18</sup> affected by climate events			<b>Productive and Strategic Sectors (Adaptation):</b> Strengthen the management of riverbanks, ravines, and small-scale artisanal dams for sediment control and transport in watersheds.
vii. Climate data monitoring, collection, storage, and processing systems.			Promote reforestation and restoration to maintain the hydrological cycle and control sediments in watersheds that feed hydroelectric power plants.
vii. Climate risk and vulnerability analysis			Implement sustainable production systems for sediment management in watershed basins.
			Reinforce the dredging of dams to extend the life of the electromechanical components of hydroelectric power plants.
			Strengthen the maintenance and cleaning of ditches, sewers, and headwalls on priority road sections that are highly susceptible to flooding.
			Carry out periodic cleaning of stream beds and assessments of water bodies near main roads.
			Promote the creation of temporary flood areas upstream of vulnerable sections in unpopulated natural areas, where extraordinary river flood flows could be evacuated.
			Build infrastructure (e.g., drainage pipes) to evacuate water during periods of extraordinary flooding on priority road sections that are highly susceptible to flooding.
			Build flood protection infrastructure (e.g., dikes) on priority road sections that are highly susceptible to flooding.
			Carry out slope stabilization works (retaining walls and/or cutting and filling) in ravines near main roads at risk of landslides.
			Build crown ditches on priority roads and critical sections to reduce the instability of slopes with high risk of landslides.
			Promote the design, construction, and maintenance of road infrastructure that is resilient to the effects of climate change

18 Services considered for reconstruction under climate change adaptation projects include:

- Infrastructure eligible under this framework
- Climate-resilient roads and road infrastructure
- Basic public infrastructure services, such as drinking water and sewerage networks affected by droughts or floods, and decentralized electrical systems such as solar microgrids for vulnerable areas
- Essential social infrastructure, such as health centers and schools, which must incorporate resilient design with passive ventilation, resistant materials, and safe access routes;
- Degraded ecosystem services, including the restoration of forests, mangroves, moorlands, or water recharge areas that provide flood protection and regulate the local climate; and/or
- Agricultural production systems, through the rehabilitation of irrigation systems, storage facilities, and agricultural land affected by erosion, salinization, or desertification.

All reconstruction must reduce vulnerability to future climate risks and increase the adaptive capacity of communities and ecosystems. Designs are expected to incorporate climate scenarios projected in climate risk and vulnerability analyses, appropriate materials, community participation, and efficient use of natural resources.





# Project Evaluation and Selection Process

The selection and evaluation process for projects eligible for financing with the proceeds from the issuance of green bonds will ensure that such proceeds are allocated exclusively to initiatives that meet the criteria set forth in the “Use of Proceeds” section of this Framework. Likewise, the BDE B.P. will ensure that these funds are not used for projects that are on the IFC Exclusion List (Annex 1: IFC Exclusion List). In addition, projects classified as Category A (High Impact) will be excluded, i.e., those that have adverse environmental and social impacts that are cumulative and/or synergistic in nature and of quantitative and/or qualitative significance, and which may also be diverse, irreversible, and unprecedented. This exclusion will be determined by the Environmental and Social Management System (ESMS) of the BDE B.P., whose general guidelines are detailed below.



## Environmental and Social Management System (ESMS)

The Environmental and Social Management System (ESMS) of the Development Bank of Ecuador B.P. (BDE B.P.) is a critical strategic and operational framework for identifying, assessing, managing, and monitoring the environmental and social risks and impacts arising from its financing operations. This system reflects BDE B.P.'s institutional commitment to sustainable development and the promotion of investments that contribute to improving the living standards of the Ecuadorian population, while respecting the principles of inclusion, equity, and environmental sustainability.

The ESMS is aligned with widely recognized international standards, such as the International Finance Corporation (IFC) Performance Standards on Environmental and Social Sustainability, the Ecuador Principles, and the environmental and social safeguards of the World Bank (WB) and the Inter-American Development Bank (IDB). These international guidelines ensure that BDE B.P.'s operations are carried out under criteria of environmental and social due diligence, thus promoting adequate prevention, mitigation, and compensation for adverse impacts, as well as maximizing positive benefits for communities and ecosystems.

With the ESMS, BDE B.P. strengthens its institutional capacity to channel financing to projects with high positive social and environmental impact, incorporating approaches to gender, climate change, community participation, and protection of human rights, as well as water and sanitation. It also promotes transparency, accountability, and continuous management improvement of its operations, consolidating itself as a key player in financing the country's sustainable development.

## Application Scope of the Environmental and Social Management System (ESMS)

The Environmental and Social Management System (ESMS) of BDE B.P. is applied across all its credit operations, covering the financing of investment projects aimed at Decentralized Autonomous Governments (GADs), Public Companies (EPs), and Real Estate Developers (PIs). These projects are developed in strategic sectors for the bank, with a special emphasis on the efficient and resilient management of water resources, the provision of potable water and sanitation services, as well as sustainable urban development.

## Social and Environmental Risk Classification Methodology

To ensure sustainability and minimize risk associated with its financing operations, ESMS classifies projects based on their environmental and social impact, in line with international best practices:

- 1) Category A (High Impact)<sup>19</sup>:** Projects that may generate significant, cumulative, and/or synergistic adverse environmental and social impacts, with the possibility of being irreversible or unprecedented



<sup>19</sup> The detailed definition of the categories and subcategories is described in the Environmental and Social Management Manual.

- 2) **Category B (Moderate Impact):** Projects with moderate and reversible adverse impacts that can be mitigated through environmental and social control measures.
- 3) **Category C (Low Impact):** Projects with minimal or no environmental and social impacts.

## ESMS Structure and Procedures

The Environmental and Social Management System (ESMS) of BDE B.P. is structured around an Environmental and Social Management Manual, which establishes the institutional policy for risk management, defines the organizational structure responsible for its implementation, and details the methodologies and procedures for identifying, assessing, mitigating, and monitoring environmental and social impacts throughout the cycle of projects financed by the entity.

This system strengthens the comprehensive management of environmental and social risks in BDE B.P.'s credit portfolio, ensuring compliance with current national regulations and alignment with international standards. This minimizes risks to communities, protects the natural environment, and improves the quality and sustainability of public and private investments supported by the Bank.

As part of its mitigation measures, BDE B.P. offers specialized technical assistance to loan beneficiaries. This service covers the formulation, execution, and monitoring of investment projects, ensuring that resources are managed efficiently and that projects meet criteria for environmental sustainability, social inclusion, and financial viability. This technical assistance contributes significantly to risk reduction, local capacity development, and proper application of sustainable development principles in the territory.

## Roles and Responsibilities for the ESMS

Department	Main Function
<b>Head Credit Division</b>	Leads the operational implementation of the ESMS, ensuring the integration of environmental and social criteria in the process of origination, evaluation, formalization, monitoring, and administration of financing. In coordination with the Regional Branches, it is responsible for interacting with beneficiaries (GADs, EPs, PIs) and verifying compliance with the requirements established in the Environmental and Social Management manual.
<b>Risk Management Department</b>	Formulates, updates, and reports to the Comprehensive Risk Management Committee and regulatory agencies the guidelines and metrics for identifying, mitigating, monitoring, and reporting risks, including social and environmental risks assumed in the Bank's operations. Ensures the integration of social and environmental risk within the operational, credit, and reputational risk framework.
<b>Head Technical Assistance Division</b>	Designs and implements technical programs and tools to support clients in meeting sustainability criteria. Supports the project cycle by providing specialized technical assistance in the formulation, implementation, and monitoring of environmental and social mitigation and improvement measures. Channels sustainability knowledge and best practices to beneficiaries.
<b>Head Product and Program Division</b>	Ensures that products and financing programs incorporate environmental and social eligibility criteria. Coordinates with bilateral and multilateral partners to ensure alignment with international standards and policies. Defines guidelines for the design of green and resilient products, ensuring consistency with territorial and sectoral planning instruments.
<b>Head Real Estate Division</b>	Verifies compliance with environmental and social criteria in real estate products and projects, especially those financed with international cooperation resources. Coordinates with national and international actors to ensure the proper implementation of safeguards and technical standards.

<b>Internal Banking Audit Unit</b>	Evaluates and verifies compliance with the ESMS in operations financed by BDE B.P., including the proper application of procedures established in the Environmental and Social Management Manual and the institutional regulatory framework. Reports findings and proposes corrective actions.
<b>Administrative Management</b>	Implements and promotes internal institutional environmental sustainability initiatives (energy efficiency, waste management, responsible water use, etc.). Contributes to organizational culture aligned with sustainability principles.
<b>Communication and Outreach Department</b>	Designs and implements communication strategies for ESMS outreach to internal and external stakeholders. Discloses achievements, lessons learned, and best practices in environmental and social matters, strengthening institutional transparency.
<b>Regional Branches</b>	They apply ESMS guidelines in the evaluation, monitoring, and follow-up phases of financed projects. They are the direct point of contact with beneficiaries to ensure the implementation of mitigation measures and compliance with contractual conditions in social and environmental matters.

## Social and Environmental Risk Reports

<b>Internally</b>	Environmental and social risk assessment report submitted by the Business Areas to Risk Management <b>Frequency:</b> Semi-annual
<b>Externally</b>	Environmental and social risk assessment report submitted to the Superintendence of Banking <b>Frequency:</b> Semi-annual



## Green Bond Commission

To ensure the proper evaluation and selection of projects eligible for financing with proceeds from the issuance of green bonds, the Development Bank of Ecuador B.P. will establish a Green Bond Commission, which will be attached to the relevant Credit Committee, depending on the type of financial product to be evaluated. This commission will be linked to both the Head Office Credit Committee and the Branch Credit Committee, depending on the amount to be approved.

This commission will be primarily responsible for analyzing all projects eligible for financing with proceeds from the issuance of green bonds, beginning with verification of compliance with the Exclusion List defined by the International Finance Corporation (IFC). Only projects that do not involve excluded activities will proceed to the evaluation of the other eligibility criteria, which include the technical and environmental criteria established in the “Use of Proceeds” section, as well as the maximum retroactive financing period of thirty-six months (look-back period) of the portfolio.

Each eligible project must be part of a program previously structured by the Bank and aligned with the BDE B.P. Green Bond Framework. As such, each sectoral category defined in the framework must have at least one program that offers technical, financial, and environmental support for the projects submitted. Additionally, projects must comply not only with the criteria set forth in the Green Bond Framework, but also with the specific requirements of the program under which they are submitted, as well as the reporting obligations established in the framework.

A specific section will be established within the Credit Committee to deal exclusively with eligible projects submitted by the Green Bond Commission. This commission shall meet at least every thirty days, or more frequently when necessary, prior to the Credit Committee meetings, and shall submit its recommendations on the evaluated projects.



Decisions on the eligibility of projects shall be recorded in the minutes of the meetings, following the procedure established to ensure traceability, transparency, and regulatory compliance at each stage of the approval process.

In addition to the theme analysis, it is important to emphasize that the Credit Committee, a collegiate body of the Bank, will be responsible for evaluating, approving, or rejecting credit operations, in accordance with its internal regulations and based on technical, financial, and risk criteria.



# Management of Proceeds

The net proceeds from BDE B.P.'s green bonds will be used to finance and/or refinance, in part or in full, new and/or existing eligible green projects and/or loans that comply with at least one eligible sector within the resource use section of this framework. These categories correspond to loans granted by BDE B.P. that meet the following characteristics:

- They have been disbursed during the 36 months prior to the date of issue of the bond; or they will be disbursed up to 36 months after the date of issue of the bond.
- The Fund and Treasury Management Department of BDE B.P. will be responsible for managing the net proceeds from the issuance of the thematic bonds, which will be allocated to finance and/or refinance existing eligible green projects and/or loans.

Net funds not allocated during the maximum allocation period of thirty-six months shall be credited to a sub-account and held in cash or invested in short-term, highly liquid, credit-rated instruments until they are fully allocated to new eligible projects and/or loans



within a period not exceeding 365 days. Net proceeds from divestments or repayments shall finance new eligible green projects.

Furthermore, Operations Management shall apply its traceability system through annual monitoring of the sub-account activity to track and update the balance of funds allocated to eligible projects and/or loans on an annual basis. If a project ceases to be eligible, it will be replaced by another eligible project previously approved by the Green Bond Commission. The replacement will be made as soon as possible (within one year), and this change will be reflected in the annual allocation and impact reports.



# Monitoring and Reporting

The BDE B.P. will provide investors with an Annual Report containing information on the allocation and impact of the loans and projects financed for all bonds issued under this Framework. This information will be published on the BDE B.P.'s website: [www.bde.fin.ec](http://www.bde.fin.ec). The first report will be published in the year following the date of issuance of the green bond.

The team responsible for compiling the relevant information will be the Risk Department, the Deputy General Business Department, and the Operations Department. Meanwhile, the Communication and Disclosure Department will be responsible for consolidating this information, structuring the format of the reports, and managing its disclosure within the framework of the Thematic Bonds.

## Allocation Report

BDE B.P. is committed to providing investors and stakeholders with information on the allocation of resources until the funds are fully allocated, in the form of an annual Allocation Report, which includes:

- A brief description of the projects and/or loans.
- Amounts disbursed by eligible green category.
- Percentage of resources allocated by eligible green category.
- Percentage of resources allocated for financing and refinancing.
- The remaining balance of unallocated income.

In the event that confidentiality agreements, competition considerations, or financial intermediaries are unable to provide some of this information, BDE B.P. will present the information in generic terms or on the basis of an aggregate portfolio (e.g., the percentage allocated to certain categories of projects).

## Impact Report

BDE B.P. through its Communication and Disclosure Department and with the support of the Operations Management Department and/or the Risk Management Department, if applicable, will prepare and publish an annual Impact Report until the funds have been fully allocated, aligned with the ICMA's Harmonized Framework for Impact Reporting. BDE B.P. will consolidate the information on environmental indicators reported by BDE B.P. on projects financed through the theme bond issued. Whenever information is available, the impact report may include:

- The expected environmental impact (ex-ante) of the projects and/or loans;
- The methodology and underlying assumptions used to prepare the impact indicators to be disclosed.
- At least one indicator shall be reported for each eligible category. The green impact indicator chart shall be used as a reference for impact indicators. Other relevant indicators may be included in each project, if applicable
- At least two case studies of eligible green placements for each assigned category using the bond proceeds shall be included during the reporting period.

## Green Impact Indicators

Eligible Green Categories	Impact Indicators
 <p><b>Sustainable Water and Wastewater Management</b></p>	<ul style="list-style-type: none"> <li>• Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)</li> <li>• Volume of treated water returned to the watercourse (/year)</li> <li>• Volume of collected wastewater (m<sup>3</sup>/day)</li> <li>• Volume of treated wastewater (m<sup>3</sup>/day)</li> <li>• Estimated infiltration of groundwater or surface water into the sewer system (m<sup>3</sup>/day)</li> <li>• Number of people affected by the project</li> <li>• Number of people benefiting from water supply</li> <li>• Number of people supplied with drinking water from the central system</li> <li>• Average continuity of water supply in the beneficiary areas (hours/day)</li> <li>• Average length of the central system distribution network (excluding household connections) per project (km)</li> <li>• Number of water supply connections</li> <li>• Number of water supply connections with metering</li> <li>• Average length of the sewerage network (excluding household connections) per project (km)</li> <li>• Number of people connected to the sewerage network</li> <li>• Number of people connected to the sewerage network and wastewater treatment plants</li> <li>• Number of water infrastructure projects built or improved</li> <li>• Area of protected and restored water basins (ha)</li> <li>• Average length of the stormwater system network per project (km)</li> <li>• Number of people benefiting from the stormwater system</li> </ul>



### Renewable Energy

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Capacity of renewable energy plants built or rehabilitated (in MW)
- Annual renewable energy generation (MWh)
- Estimated annual GHG emissions reduced/avoided (in tons of CO<sub>2</sub> equivalent)
- Expected variability in water flows due to climate change (%)
- Reduction in dependence on thermal power generation (%)
- Number of people, population and/or communities benefiting from the project
- Number of jobs created (direct and indirect)



### Energy Efficiency

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Percentage improvement in energy efficiency (%)
- Number of efficient equipment and systems installed
- Annual energy savings (in MWh)
- Number of buildings or facilities with energy efficiency measures
- Energy cost avoided (USD/year)
- Number of people, population and/or communities benefiting from the project



### Low-carbon Transportation

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Estimated annual GHG emissions reduced (in tons of CO<sub>2</sub> equivalent/passenger \* km)
- Number of low-carbon vehicles financed by type of transport
- Number of users reached
- Number of people, population, and/or communities benefiting from the project



### Sustainable Management of Natural Resources and Land Use

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Area of protected and restored land (ha)
- Annual carbon sequestration in restored ecosystems (tCO<sub>2</sub>e/year)
- Number of communities benefiting from conservation programs
- Reduction in deforestation rate (%)



### Pollution Prevention and Control

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Estimated annual GHG emissions avoided through waste reduction and/or biogas capture (tCO<sub>2</sub>e/year)
- Amount of municipal solid waste managed sustainably (tons/year)
- Number of biogas capture systems installed in landfills or sanitary landfills
- Percentage of waste recycled or reused out of the total (%)
- Number of non-hazardous waste management facilities improved or built
- Number of people or communities benefiting from adequate waste management services



### Green Buildings

- Project contribution to national GHG reduction targets (% of NDC target) Emissions avoided (tCO<sub>2</sub>e)
- Estimated ex ante annual energy savings (in MWh)
- Number of green-certified buildings, indicating the specific level of certification obtained
- Reduction in energy consumption per m<sup>2</sup> renovated (%)
- Number of residents benefitted.
- Other relevant indicators depending on the projects considered



### Adaptation to Climate Change

- Reduction in repair costs and damage caused by extreme weather events (USD)
- Reduction in the number of people affected by the loss of energy or transport services caused by extreme weather events
- Increase in agricultural land using more drought-resistant crops (ha)
- Number of beneficiaries of early warning systems for floods and/or droughts
- Area of restored mangrove ecosystems (ha)
- Reduction in climate vulnerability of prioritized areas or ecosystems through climate risk analysis (%)
- Agricultural area with climate-resilient practices implemented (ha)
- Area with climate risk analysis (ha)
- Volume of water managed with resilient solutions (m<sup>3</sup>/year)
- Increase in vegetation or forest cover in degraded areas (% or ha)
- Reduction in average recovery time after extreme weather events (days)
- Length of climate-resilient roads (km)
- Length of roads repaired due to extreme weather events (km)
- Other relevant indicators depending on the projects considered

## External Audit

BDE B.P. is committed to making every effort to hire an independent external auditor to ensure that the Allocation and Impact Reports comply with the provisions of this Framework. This process will be carried out in the allocation and impact reports for green bonds issued by BDE B.P. until the total allocation of the proceeds is completed.





## Second Party Opinion

In accordance with international best practices for the issuance of Green Bonds, BDE B.P. will seek to obtain a second party opinion (SPO) on this Framework from an internationally recognized external provider.

# Annexes

## Annex 1: IFC Exclusion List

The Development Bank of Ecuador B.P. adheres to the Exclusion List of the International Finance Corporation (IFC) for the evaluation and selection of projects eligible for financing with resources from the issuance of green bonds. This list establishes the activities that cannot be financed due to their adverse social or environmental impacts and constitutes the first filter that all projects applying for financing with resources from the Green Bond must pass. No project that engages in any of the activities described below will be considered eligible for financing under the BDE BP green bond framework:

- Production or trade of any product or activity considered illegal under the laws or regulations of the host country or international conventions and agreements, or subject to international prohibitions, such as pharmaceuticals, pesticides/herbicides, ozone-depleting substances, PCBs, wildlife, or products regulated by CITES.
- Production or trade in arms and ammunition.
- Production or trade in alcoholic beverages (excluding beer and wine).
- Production or trade in tobacco.
- Gambling, casinos, and equivalent businesses.
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment, or any equipment whose radioactive source, according to the CFI, is negligible or adequately shielded.
- Production or marketing of non-agglomerated asbestos fibers. This does not apply to the purchase or use of agglomerated fiber cement sheets with an asbestos content of less than 20%.
- Fishing with drift nets in the marine environment using nets longer than 2.5 km.
- Production or activities involving harmful or exploitative forms of forced labor<sup>20</sup>/ harmful child labor<sup>21</sup>.

<sup>20</sup> <sup>21</sup> Forced labor means any work or service that is not voluntarily performed and is extracted from an individual under threat of force or punishment. Harmful child labor means the employment of children that is economically exploitative or likely to be hazardous or to interfere with their education, or to be harmful to their health or physical, mental, spiritual, moral, or social development.

- Commercial logging operations for use in primary tropical rainforests.
- Production or trade in timber or other forest products that do not come from sustainably managed forests.





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BANCO DE DESARROLLO DEL ECUADOR B.P.



THE GOVERNMENT  
OF THE GRAND DUCHY OF LUXEMBOURG