

EXECUTION VERSION

DATED 3 DECEMBER 2024

**THE MINISTRY OF ECONOMY AND FINANCE
ACTING FOR AND ON BEHALF OF
THE REPUBLIC OF ECUADOR**

as Borrower

and

THE BANK OF NEW YORK MELLON

as Facility Agent

and

AMAZON CONSERVATION DAC

as Original Lender

FACILITY AGREEMENT

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THIS AGREEMENT (this "**Agreement**") is dated 3 December 2024 and made by and among:

- (1) **THE MINISTRY OF ECONOMY AND FINANCE ACTING FOR AND ON BEHALF OF THE REPUBLIC OF ECUADOR**, as borrower (the "**Borrower**");
- (2) **THE BANK OF NEW YORK MELLON**, a banking corporation organized and existing under the laws of the State of New York, not in its individual capacity, but solely as facility agent of the other Finance Parties (as defined below) (the "**Facility Agent**"); and
- (3) **AMAZON CONSERVATION DAC**, a designated activity company (limited by shares) incorporated under the laws of Ireland, under register number 773548, as original lender (the "**Original Lender**").

RECITALS

- (A) The Borrower wishes to have a loan facility upon the terms and subject to the conditions set out in this Agreement.
- (B) IADB (as defined below) is prepared to provide a guarantee in respect of certain payment obligations of the Borrower under this Agreement upon the terms and subject to the conditions set out in the IADB Guarantee (as defined below). The provision of the IADB Guarantee by IADB is conditioned on, among other things, the entry by the Borrower into the Counter-Guarantee Agreement (as defined below) and the performance by the Republic (as defined below) of certain policy conditions provided therein.
- (C) DFC (as defined below) is prepared to provide a political risk insurance policy in respect of certain payment obligations of the Borrower under this Agreement upon the terms and subject to the conditions set out in the PRI Policy (as defined below). The provision of the PRI Policy is connected to, among other things, the performance of the Conservation Commitments Agreement (as defined below).
- (D) The Borrower and the Original Lender have agreed to proceed with the transactions set out in this Agreement (which are connected to the performance of the Conservation Commitments) to facilitate the following objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Borrower's debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the Ecuadorian Amazon within the framework of the *Biocorredor Amazónico*, as detailed further in the Conservation Commitments. In furtherance of these objectives, the Borrower has also agreed to pay certain Debt Exchange Linked Conservation Fees (as defined below).

IT IS AGREED as follows:

SECTION 1 INTERPRETATION

1. DEFINITIONS AND INTERPRETATION

1.1 Definitions

In this Agreement:

"Additional Conservation Payment" means any payment due from the Borrower in accordance with Clause 6.4 (*Additional Conservation Payments*) to the extent a Conservation Event has occurred, is continuing and has not been waived by the Project Coordinator, calculated in accordance with the Conservation Commitments Agreement.

"Additional Conservation Payment Account" means the account of the Original Lender with account name: AMAZON CONSERV ADDTL CONSERV PYMTS; account number: 9053442; and opened with: The Bank of New York Mellon.

"Additional Conservation Payment Amount" has the meaning given to such term in the Conservation Commitments Agreement.

"Additional Reserve Payment" has the meaning as that term is defined in Clause 6.3 (*Additional Reserve Payments*).

"Additional Reserve Payment Trigger Date" has the meaning as that term is defined in Clause 6.3 (*Additional Reserve Payments*).

"Affiliate" means, in relation to any person, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"Anti-Money Laundering Framework" has the meaning given in Clause 16.18 (*Anti-Terrorism; Anti-Money laundering*).

"Applicable Discount Rate" means the yield to maturity implied by the yields reported as of 10:00 A.M. (New York City time) on the date of determination of the Make-Whole Payment on the display designated as "Page PX1" of the Bloomberg Financial Markets Services Screen (or such other display as may replace Page PX1 on the Bloomberg Financial Markets Services Screen) for actively traded U.S. Treasury securities having a maturity equal to the Weighted Average Life of the remaining Repayment Instalments if they were paid on their scheduled Repayment Dates. Such implied yield will be determined, if necessary, by (a) converting U.S. Treasury quotations to bond-equivalent yields in accordance with accepted financial practice and (b) interpolating linearly between (i) the actively traded U.S. Treasury security with the maturity closest to and greater than the Weighted Average Life and (ii) the actively traded U.S. Treasury security with the maturity closest to and less than the Weighted Average Life.

"Arbitral Award Amount" has the meaning as that term is defined in Clause 37.1(g) (*Arbitration*).

"**Assignee**" has the meaning given in Schedule 3 (*Form of Assignment and Assumption*).

"**Assignment and Assumption**" means an assignment and assumption entered into by a Lender and an eligible assignee (with the consent of any party whose consent is required by Clause 20 (*Successors and Assigns*)), and acknowledged and accepted by the Facility Agent, in substantially the form of Schedule 3 (*Form of Assignment and Assumption*) or any other form acceptable to the Facility Agent (acting at the direction of the relevant Lender).

"**Assignor**" has the meaning given in Schedule 3 (*Form of Assignment and Assumption*).

"**Authorization**" means an authorization, consent, approval, resolution, permit, license, exemption, filing, notarization or registration.

"**Automatic Extension Event**" means any act, event or condition that arises after the effective date of the Conservation Commitments Agreement and which wholly or partly prevents or delays the Borrower from meeting the Conservation Milestones as they become due under the Conservation Commitments Agreement, including, but not limited to hurricanes, named tropical storms, floods, tsunamis, lightning strike, volcanic eruptions, natural disasters, fire, earthquakes, explosions or other similarly unusual severe conditions; declared acts of war; sabotage or terrorism; and epidemics and pandemics (if accompanied by a declaration of national public health emergency and, in the case of pandemic, the World Health Organization has declared a Public Health Emergency of International Concern (as defined in the International Health Regulations of the World Health Organization)), *provided that* such impact has not occurred as a result of, or is not otherwise attributable to, any action or failure to act on the part of the Borrower, in each case, to the extent that such act, event or condition (i) is beyond the reasonable control of the Borrower, (ii) is not the result of any acts, omissions or delays of the Borrower, and (iii) could not have been avoided by the exercise of reasonable precautions and measures in order to prevent or avoid such event or mitigate the effect thereof on the Borrower's ability to perform its obligations under the Conservation Commitments Agreement.

"**Availability Period**" means the period from and including the date of this Agreement to and including the date falling ninety (90) calendar days after the date of this Agreement.

"**Biocorredor Amazónico Bonds**" means the nature linked debt securities to be issued by the Original Lender on or around the Settlement Date and under which payments are made by reference to payments under this Agreement.

"**Borrower**" has the meaning as that term is defined in the preamble.

"**Business Day**" means:

- (a) in relation to payments, a day (other than a Saturday or Sunday) on which banks are open for general business in New York and which is a Quito Business Day; and

- (b) in relation to notifications and determinations, a day (other than a Saturday or Sunday) on which banks are open for general business in London and New York and which is a Quito Business Day.

"**Central Bank**" means the Central Bank of Ecuador (*Banco Central del Ecuador*).

"**Code**" means the US Internal Revenue Code of 1986.

"**Commitment**" means:

- (a) in relation to the Original Lender, the amount determined in accordance with Clause 2.2 (*Loan Economic Terms determination*), *provided that* the amount of the Commitment so determined shall not exceed USD1,000,000,000; and
- (b) in relation to any other Lender, the amount of any Commitment transferred to it under this Agreement,

to the extent not cancelled, reduced or transferred by it under this Agreement.

"**Confidential Information**" means all information relating to the Borrower, the Finance Documents or the Facility of which any Party becomes aware in its capacity as, or for the purpose of becoming, a Party or which is received by a Party in relation to, or for the purpose of becoming a Party under, the Finance Documents from any other Party or any of its advisors, in whatever form, and includes information given orally and any document, electronic file or any other way of representing or recording information which contains or is derived or copied from such information but excludes information that:

- (a) is or becomes public information other than as a direct or indirect result of any breach by that Party of Clause 31 (*Confidentiality*); or
- (b) is identified in writing at the time of delivery as non-confidential by the sending Party or any of its advisors; or
- (c) is known by that Party before the date the information is disclosed to it in accordance with paragraphs (a) or (b) above or is lawfully obtained by that Party after that date, from a source which is, as far as that Party is aware, unconnected with any other Party and which, in either case, as far as that Party is aware, has not been obtained in breach of, and is not otherwise subject to, any obligation of confidentiality.

"**Confidentiality Undertaking**" means a confidentiality undertaking substantially in the relevant recommended form of the LSTA confidentiality undertaking, as recommended from time to time, or any other confidentiality undertaking under substantially similar terms customary for access to investor data sites.

"**Conservation Commitments**" means the conservation commitments set out in Exhibit A of the Conservation Commitments Agreement which, as of the date of this Agreement, are replicated in Schedule 4 (*Conservation Commitments Annex*).

"Conservation Commitments Agreement" means the agreement dated on or about the date hereof between the Ministry of Environment, the Original Lender, the Facility Agent and the Project Coordinator.

"Conservation Event" means (a) the failure by the Ministry of Environment to achieve a Conservation Milestone when due, subject to any applicable grace period received by the Ministry of Environment pursuant to Section 2.2 of the Conservation Commitments Agreement, or (b) subsequent to the completion of any Conservation Milestone and prior to the termination of the Conservation Commitments Agreement, the Ministry of Environment affirmatively takes any action that causes the Ministry of Environment to no longer be in compliance with such Conservation Milestone as reasonably determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement and such non-compliance continues for a period of thirty (30) days after the Project Coordinator has submitted notice thereof to the Ministry of Environment.

"Conservation Event Notice" means a notice delivered by the Project Coordinator to the Facility Agent (substantially in the form of Schedule 9 attached hereto) and as described in Clause 6.4(a) (*Additional Conservation Payments*) notifying the Facility Agent of the occurrence of a Conservation Event, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, which notice shall set forth the nature of the relevant Conservation Event and the total Additional Conservation Payment in respect thereof.

"Conservation Funding Agreement" means the conservation funding agreement dated on or about the date hereof between, among others, the Original Lender, the CTF and the Project Coordinator.

"Conservation Milestone" means each of the milestones set forth in clauses 1 through 4 of Exhibit A of the Conservation Commitments Agreement (as replicated, as of the date of this Agreement, in Schedule 4 (*Conservation Commitments Annex*)); *provided that* Conservation Undertakings shall not be deemed to be Conservation Milestones under this Agreement for any purpose. References herein to numbered Conservation Milestones (such as "Conservation Milestone 1") shall be to the corresponding numbered milestone set forth in such Exhibit A.

"CTF" means at any given time, (i) unless removed pursuant to Clause 11 of the Conservation Funding Agreement, *Fondo del Biocorredor Amazónico Inc.*, a Delaware non-stock, non-profit corporation, or (ii) any Qualifying Conservation Entity (as defined in the Conservation Funding Agreement) that has replaced the previous Conservation Trust Fund pursuant to Clause 11 of the Conservation Funding Agreement.

"Conservation Undertakings" means the commitments undertaken by the Borrower pursuant to Section 5 of Exhibit A of the Conservation Commitments Agreement (as replicated, as of the date of this Agreement, in Schedule 4 (*Conservation Commitments Annex*)).

"Counter-Guarantee Agreement" means the contingency reimbursement contract (*Contrato de Reembolso por Contingencia*) dated on or about the date hereof between the Borrower and IADB.

"Day Count Fraction" means 30/360.

"Debt Exchange" means the sovereign debt swap transaction whereby, on the Settlement Date, pursuant to and in accordance with the Exchange and Settlement Agreement, the Borrower and the Original Lender shall agree that the Relevant Tendered Debt shall be exchanged for the Facility, such that the obligation of the Original Lender to disburse the Facility to the Borrower shall be satisfied, discharged and deemed performed by delivery by the Original Lender of the Relevant Tendered Debt to the Borrower.

"Debt Exchange Linked Conservation Fees" means the amounts determined in accordance with Clause 2.2 (*Loan Economic Terms determination*) payable by the Borrower on each Interest Payment Date in accordance with Clause 10 (*Debt Exchange Linked Conservation Fees*); *provided that* if (i) the value of the third party capital contributed by way of endowment to the Endowment Account exceeds USD250,000,000 and (ii) the value of the capital contributed to the Endowment Account exceeds USD50,000,000 then, from the date on which both (i) and (ii) apply, the amount payable on each Interest Payment Date shall be reduced to an amount as determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Default" means an Event of Default or any event or circumstance specified in Clause 19 (*Events of Default*) which would (with the expiry of a grace period, the giving of notice, the making of any determination under the Finance Documents or any combination of any of the foregoing) be an Event of Default.

"DFC" means the U.S. International Development Finance Corporation, an agency of the United States of America.

"Disclosure Side Agreement" means the disclosure side agreement dated on or about the date hereof between the Borrower, BofA Securities, Inc. and the Original Lender, regarding the Ecuador Disclosure.

"Dispute" has the meaning as that term is defined in Clause 37.1 (*Arbitration*).

"Disruption Event" means either or both of:

- (a) a material disruption to those payment or communications systems or to those financial markets which are, in each case, required to operate in order for payments to be made in connection with the Facility (or otherwise in order for the transactions contemplated by the Finance Documents to be carried out) which disruption is not caused by, and is beyond the control of, any of the Parties; or
- (b) the occurrence of any other event which results in a disruption (of a technical or systems-related nature) to the treasury or payments operations of a Party preventing that, or any other Party:

- (i) from performing its payment obligations under the Finance Documents;
or
- (ii) from communicating with other Parties in accordance with the terms of the Finance Documents,

and which (in either such case) is not caused by, and is beyond the control of, the Party whose operations are disrupted.

"Early Disbursement Event" means, as determined by IADB under the IADB Guarantee:

- (a) the occurrence of any of the following circumstances, if the same has occurred and is continuing for more than sixty (60) days from the date of the payment of sums by IADB or the breach or the withdrawal or suspension (after any grace period, remediation period or extension, if any is applicable, has lapsed), and while the same is continuing:
 - (i) the delay in payment of the sums that the Borrower owes to IADB: (A) for any sums paid by IADB in accordance with the terms of the IADB Guarantee or paid by IADB or on behalf of the Borrower with respect to the IADB Guarantee, including any payment made by IADB to a trust, escrow or any other kind of account or administration fund as stipulated in the Counter-Guarantee Agreement and regulated in the IADB Guarantee, or (B) for any commissions, interest or any other concept; in both cases as per the Counter-Guarantee Agreement or any other agreement entered into between IADB and the Borrower, including a loan agreement or an agreement documenting and/or confirming one or more transactions involving derivatives (including its annexes and supplementary agreements), as the same may be amended or supplemented from time to time;
 - (ii) the breach by the Borrower of the Program or of any other obligation set forth in the Counter-Guarantee Agreement or in an agreement entered into between IADB and the Borrower documenting and/or confirming one or more transactions involving derivatives (including its annexes and supplementary agreements); or
 - (iii) the withdrawal or suspension of Ecuador as a member of IADB;
- (b) it is found that the Borrower or an employee, agent or representative of the Borrower committed a Prohibited Practice in respect of the performance of the Program and the Borrower failed to take corrective measures (including the appropriate notification to IADB upon becoming aware that the respective Prohibited Practice was committed) within a time period deemed reasonable by IADB; or
- (c) the Program is affected by any restriction to the statutory powers or any amendment to the powers or patrimony of the Borrower, in which case IADB shall have the right to request reasoned and detailed information from the Borrower in order to determine if the change or changes have or could have an

adverse impact in the performance of the Program. IADB shall only be entitled to claim or act on this circumstance (c), after hearing the Borrower and reviewing the information and clarifications provided by the Borrower or the lack of response from the Borrower, if the changes materially adversely affect the Program and the information and clarifications provided by the Borrower, if any are provided, are not satisfactory to IADB.

"Ecuador" means the Republic of Ecuador.

"Ecuador Disclosure" means the information set out in Schedule 7 (*Ecuador Disclosure*) hereto, as amended or supplemented at the Settlement Date.

"Eligible Debt" means the following issued and outstanding USD-denominated international debt securities issued by Ecuador:

- (a) Step-Up Coupon Notes due 2030 (QIB Restricted Global Notes ISIN: XS2214238102 / Common Code: 221423810; Regulation S Global Notes ISIN: XS2214237807 / Common Code: 221423780; and IAI Restricted Global Notes ISIN: XS2214238284 / Common Code: 221423828);
- (b) Step-Up Coupon Notes due 2035 (QIB Restricted Global Notes ISIN: XS2214238524 / Common Code: 221423852; Regulation S Global Notes ISIN: XS2214238441 / Common Code: 221423844; and IAI Restricted Global Notes ISIN: XS2214238953 / Common Code: 221423895);
- (c) Step-Up Coupon Notes due 2040 (QIB Restricted Global Notes ISIN: XS2214239258 / Common Code: 221423925; Regulation S Global Notes ISIN: XS2214239175 / Common Code: 221423917; and IAI Restricted Global Notes ISIN: XS2214239332 / Common Code: 221423933);
- (d) Step-Up Coupon Notes due 2040 ((i) QIB Restricted Global Notes ISIN: XS1458516967 / Common Code: 145851696; and Regulation S Global Notes ISIN: XS1458514673 / Common Code: 145851467; (ii) QIB Restricted Global Notes ISIN: XS1626768656 / Common Code: 162676865; and Regulation S Global Notes ISIN: XS1626768730 / Common Code: 162676873; (iii) QIB Restricted Global Notes ISIN: XS1080331181 / Common Code: 108033118; and Regulation S Global Notes ISIN: XS1080330704 / Common Code: 108033070; (iv) QIB Restricted Global Notes ISIN: XS2058848826 / Common Code: 205884882; and Regulation S Global Notes ISIN: XS2058845210 / Common Code: 205884521; (v) QIB Restricted Global Notes ISIN: XS1535072109 / Common Code: 153507210; and Regulation S Global Notes ISIN: XS1535071986 / Common Code: 153507198; (vi) QIB Restricted Global Notes ISIN: XS1626529157 / Common Code: 162652915; and Regulation S Global Notes ISIN: XS1626530320 / Common Code: 162653032; (vii) QIB Restricted Global Notes ISIN: XS1707041429 / Common Code: 170704142; and Regulation S Global Notes ISIN: XS1707041262 / Common Code: 170704126; (viii) QIB Restricted Global Notes ISIN: XS1755432363 / Common Code: 175543236; and Regulation S Global Notes ISIN: XS1755429732 / Common Code: 175542973; (ix) QIB Restricted Global Notes ISIN: XS1929377015 / Common Code: 192937701; and Regulation S Global Notes ISIN: XS1929376710 /

Common Code: 192937671; and (x) QIB Restricted Global Notes ISIN: XS2058866307 / Common Code: 205886630; and Regulation S Global Notes ISIN: XS2058864948 / Common Code: 205886494) and

- (e) other outstanding debt securities issued by Ecuador.

"End Date" means the later of the date on which all amounts due and payable by the Republic under the Facility Agreement are paid in full and the date that is eighteen (18) years and six (6) months from the date hereof.

"Endowment Account" means the investment management account to be opened and maintained with a banking institution duly licensed to conduct banking business in an OECD member country and in accordance with applicable laws and regulations, in the name of the CTF and funded by any proceeds received by CTF pursuant to the Conservation Funding Agreement.

"Event of Default" means any event or circumstance specified as such in Clause 19 (*Events of Default*).

"Exchange and Settlement Agreement" means the exchange and settlement agreement dated on or about the date hereof between the Borrower, BofA Securities, Inc., the Facility Agent and the Original Lender, for the purpose of implementing the Debt Exchange.

"Excluded Indebtedness" means the following series of securities issued by Ecuador:

- (a) the 12 per cent. U.S. Dollar Denominated Global Bonds due 2012; and
(b) the U.S. Dollar Denominated Step-up Global Bonds due 2030.

"Expropriation Event" means (a) with regards to the CTF, a *de jure* or *de facto* taking, seizure, confiscation, requisition, exercise of rights of eminent domain, public improvement, inverse condemnation, condemnation, expropriation, creeping expropriation, nationalization or similar action or proceeding, of the CTF or any of its property by the Republic, any Governmental Authority thereof, any agency or any entity, person or organization acting on the instruction of the Republic, (b) actually depriving the CTF whether *de jure* or *de facto* by the implementation of law of the Republic, or actions by the Republic, the government or any agency of the CTF's rights necessary to conduct its business or own its property, including but not limited to by way of any action taken by the Republic which adversely modifies the tax-exempt status of the CTF in Ecuador or imposes charges which have the same or similar effect; and/or (c) with regards to the Conservation Commitments Agreement, the abrogation, repudiation, or impairment of contract, including forced renegotiation of the terms thereof.

"Extended Deadline for Compliance" means, in respect of a Conservation Commitment, the applicable date determined pursuant to the Conservation Commitments Agreement (such date being the Original Deadline for Compliance in respect of such Conservation Commitment as extended by one or more Grace Periods in accordance with the Conservation Commitments Agreement).

"External Indebtedness" means all Indebtedness (other than the indebtedness under this Agreement) that is not (a) issued pursuant to agreements or evidenced by instruments that expressly submit the resolution of all disputes to the exclusive jurisdiction of the courts of Ecuador or (b) governed by Ecuadorian law.

"Facility" means the term loan facility made available under this Agreement as described in Clause 2 (*The Facility*).

"Facility Agent" has the meaning as that term is defined in the preamble.

"FATCA" means:

- (a) sections 1471 to 1474 of the Code or any associated regulations;
- (b) any treaty, law or regulation of any other jurisdiction, or relating to an intergovernmental agreement between the US and any other jurisdiction, which (in either case) facilitates the implementation of any law or regulation referred to in paragraph (a) above; or
- (c) any agreement pursuant to the implementation of any treaty, law or regulation referred to in paragraphs (a) or (b) above with the US Internal Revenue Service, the US government or any governmental or taxation authority in any other jurisdiction.

"FATCA Deduction" means a deduction or withholding from a payment under a Finance Document required by FATCA.

"FATCA Exempt Party" means a Party that is entitled to receive payments free from any FATCA Deduction.

"FATF" has the meaning given in Clause 16.18 (*Anti-Terrorism; Anti-Money laundering*).

"Finance Document" means each of this Agreement, the Exchange and Settlement Agreement, the IADB Guarantee, the Conservation Commitments Agreement, the Conservation Funding Agreement, the Disclosure Side Agreement, any agreement relating to the Endowment Account or any other account pursuant to the Conservation Funding Agreement and any other document designated as such by the Facility Agent (acting at the direction of the Majority Lenders) and the Borrower (but not including, for the avoidance of doubt, the Counter-Guarantee Agreement).

"Finance Party" means the Facility Agent (not in its individual capacity, but solely as agent for the Lenders) or a Lender.

"First Interest Payment Date" means the first interest payment date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Governmental Authority" means (a) any national, state, county, city, town, village, municipal or local government, or any political subdivision thereof, (b) any agency, authority, instrumentality, regulatory body, court, central bank, Superintendence, Ministry, department, commission, board, or bureau, whether civilian or military, or other entity exercising executive, legislative, judicial, taxing, regulatory or

administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), or (c) a government-owned, government-run or government-controlled association, organization, business, or enterprise.

"Grace Period" means, in respect of a Conservation Commitment, (i) a grace period extending any Original Deadline for Compliance as requested by the Ministry of Environment and approved by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, (ii) a grace period extending any Original Deadline for Compliance as a result of an Automatic Extension Event, or (iii) a grace period extending any Original Deadline for Compliance as a result of an exit of the Project Coordinator from the Conservation Commitments Agreement.

"Guarantee Demand Notice" means notice in writing from the Facility Agent (or, if applicable, the Original Lender) to IADB (a) notifying IADB of any failure of the Borrower to pay, or cause to be paid, in full the Borrower's obligation arising under Clause 6.3 (*Additional Reserve Payments*) to make an Additional Reserve Payment by the Additional Reserve Payment Trigger Date or the relevant date specified in Clause 6.3(d) (*Additional Reserve Payments*) (as applicable) (up to, in aggregate with any amounts previously demanded and paid, the Maximum Guaranteed Amount) and (b) constituting a demand by the Facility Agent (or, if applicable, the Original Lender) on IADB for payment pursuant to the IADB Guarantee, in the form set forth in Exhibit A to the IADB Guarantee.

"Guarantee Payment Account" means the account of the Original Lender with account name: AMAZON CONSERV GUARANTEE PYMT ACCT; account number: 9053440; and opened with: The Bank of New York Mellon.

"Holding Company" means, in relation to a person, any other person in respect of which it is a Subsidiary.

"IADB" means the Inter-American Development Bank.

"IADB Guarantee" means the Partial Credit Guarantee dated on or about the date hereof among IADB, the Facility Agent and the Original Lender with respect to certain payment obligations of the Borrower under this Agreement, up to the Maximum Guaranteed Amount.

"ICC Court" has the meaning as that term is defined in Clause 37.1 (*Arbitration*).

"IMF" means the International Monetary Fund.

"Immune Property", in accordance with the provisions of the laws of Ecuador, means:

- (a) any property which is used or designated for use in the performance of the functions of the diplomatic missions of Ecuador or its consular posts;
- (b) aircraft, naval vessels and other property of a military character or used or designated for use in the performance of military functions;
- (c) property forming part of the cultural heritage of Ecuador or part of its archives;

- (d) unexploited natural non-renewable resources in Ecuador;
- (e) funds in the national Treasury Account;
- (f) assets and resources comprising available monetary reserves of Ecuador;
- (g) public domain assets used for providing public services in Ecuador;
- (h) national assets located in the territory of Ecuador and belonging to Ecuador, such as streets, bridges, roads, squares, beaches, sea and land located over 4,500 meters above sea level;
- (i) accounts of the Central Bank, whether they are held abroad or locally; and
- (j) public entities' deposits with the Central Bank, whether they are maintained abroad or locally.

"Indebtedness" means for any person (a) all indebtedness of or guaranteed by such person for or in connection with borrowed money, and (b) all obligations of or guaranteed by such person (other than those specified in (a)) evidenced by debt securities, debentures, notes or other similar instruments; *provided that* Indebtedness shall not include commercial agreements not having the commercial effect of a borrowing.

"Interest Payment Date" means each interest payment date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Interest Period" means, in relation to the Loan, each period determined in accordance with Clause 9 (*Interest Periods*).

"Interim Process Agent" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"Lender" means:

- (a) the Original Lender;
- (b) any bank, financial institution, trust, fund or other entity which has become a Party in accordance with Clause 20.2 (*Assignments by Lenders*); and
- (c) in relation to the rights and benefits of a Lender (including with regards to reimbursement or indemnification) only, and not to any obligation, DFC, to the extent that DFC has become a Party in accordance with Clause 20.6 (*Assignment to DFC*),

which in each case has not ceased to be a Party in accordance with the terms of this Agreement. For the avoidance of doubt, a "Lender" does not include the Facility Agent in its role as facility agent under this Agreement.

"Lender Replacement Event" means an assignment by the Original Lender (or any other replacement issuer) in its role as issuer of and borrower under (as applicable) the Biocorredor Amazónico Bonds to a replacement issuer and borrower pursuant to and

in accordance with the terms and conditions of the documents constituting the Biocorredor Amazónico Bonds, including where (a) it would suffer material and quantifiable adverse tax consequences if it was not replaced, (b) it becomes illegal for it to perform its obligations under the Biocorredor Amazónico Bonds, (c) it becomes subject to sanctions or (d) an event of default has occurred and is continuing (and such event of default has not been waived) in respect of itself under the Biocorredor Amazónico Bonds, each of (a) to (d) above as set out in the terms and conditions of the documents constituting the Biocorredor Amazónico Bonds.

"Loan" means the loan made or to be made under the Facility or the principal amount outstanding for the time being of the loan.

"Loan Economic Terms" means the following terms, which shall be determined on the Pricing Date in accordance with Clause 2.2 (*Loan Economic Terms determination*):

- (a) the initial Commitment of the Original Lender;
- (b) each Interest Payment Date;
- (c) the First Interest Payment Date;
- (d) the Rate;
- (e) the Repayment Schedule, setting out each Repayment Date, each Repayment Instalment and the Maturity Date;
- (f) the Settlement Date;
- (g) the Upfront Payment; and
- (h) the Debt Exchange Linked Conservation Fee.

"LSTA" means the Loan Syndications & Trading Association.

"Major Commitment Breach" means the occurrence of any of the following as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement: (a) failure to meet Conservation Milestone 1, Conservation Milestone 4 or Conservation Milestone 7 by the Original Deadline for Compliance, as may be extended by the Project Coordinator as provided pursuant to the Conservation Commitments Agreement; (b) failure to meet any two (2) or more Conservation Commitments by the Original Deadline for Compliance, as may be extended by the Project Coordinator as provided pursuant to the Conservation Commitments Agreement; (c) any material misrepresentation by the Republic under the Conservation Commitments Agreement; (d) failure of the Republic to comply, in any material respect, with any of its information undertakings under the Conservation Commitments Agreement or (e) an Expropriation Event, *provided that* in the case of paragraphs (c) and (d) above, the Republic has six (6) months from the date of the occurrence or deemed occurrence of such misrepresentation or such failure to provide a cure of the misrepresentation or failure that is reasonably satisfactory to the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement.

"Major Commitment Breach Declaration" means a written declaration of a Major Commitment Breach submitted by the Project Coordinator to the Ministry of Environment pursuant to and in accordance with the Conservation Commitments Agreement.

"Majority Lenders" means (i) in respect of the matters specified in Clause 30.2 (*Exceptions*) only, a Lender or Lenders whose Commitments aggregate more than 75% of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 75% of the Total Commitments immediately prior to the reduction) and (ii) in respect of all other matters, a Lender or Lenders whose Commitments aggregate more than 66 $\frac{2}{3}$ % of the Total Commitments (or, if the Total Commitments have been reduced to zero, aggregated more than 66 $\frac{2}{3}$ % of the Total Commitments immediately prior to the reduction).

"Make-Whole Payment" means an amount equal to the sum of (a) (x) the present value (calculated by the agent appointed at such time by a Lender or the Pricing Agent, applying a discount rate equal to the Applicable Discount Rate) of the aggregate amount of principal, interest and Debt Exchange Linked Conservation Fees that would have accrued hereunder on the portion of the Loan being prepaid (if that portion had not been prepaid) from the date of prepayment to the applicable originally scheduled repayment date *minus* (y) the principal amount of the portion of the Loan being prepaid, and (b) any cost, loss or liability incurred by a Lender (as determined by such Lender) as a result of a prepayment and/or the related termination, settlement or reestablishment of any hedge arrangement or related trading position (irrespective of the currency thereof), *provided that* the Make-Whole Payment shall not be less than zero.

"Material Adverse Effect" means a material adverse effect on:

- (a) the financial or economic condition of the Borrower;
- (b) the ability of the Borrower to perform its payment obligations under this Agreement; or
- (c) the validity or enforceability of this Agreement against the Borrower or the rights or remedies of any Finance Party hereunder.

"Maturity Date" means the final Repayment Date for the Loan, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*), *provided that* in no circumstances shall the Maturity Date be less than the date falling 15 years or extend beyond the date falling 18.5 years after the date of this Agreement.

"Maximum Guaranteed Amount" means, as of any date of determination, an amount equal to the lesser of: (a) USD155,000,000, *minus* the aggregate amount of any payments made by IADB under the IADB Guarantee previously paid as of such date of determination, and (b) the Maximum Guaranteed Impact Loan Amounts.

"Maximum Guaranteed Impact Loan Amounts" means, as of any date of determination, the amount set forth in the column titled "Maximum Guaranteed Impact Loan Amount" of the table included in Schedule I to the IADB Guarantee, which is determined by reference to the period ending on (but excluding) the period end date occurring on or immediately preceding the date of calculation, as such table included

in Schedule I to the IADB Guarantee is provided (by electronic mail or otherwise in writing) by any of IADB, the Facility Agent or the Original Lender to the Borrower.

"Ministry of Environment" means the Ministry of Environment, Water and Ecological Transition of Ecuador acting for and on behalf of the Republic.

"New York Convention" means the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards 1958.

"OECD" means The Organisation for Economic Co-operation and Development.

"Original Deadline for Compliance" means, in respect of a Conservation Commitment, the applicable deadline(s) for compliance specified in Exhibit A of the Conservation Commitments Agreement in respect of such Conservation Commitment (as replicated, as of the date of this Agreement, in Schedule 4 (*Conservation Commitments Annex*)) excluding, for the avoidance of doubt, any Grace Periods as applicable pursuant to the Conservation Commitments Agreement in respect thereof.

"Original Lender" has the meaning as that term is defined in the preamble.

"Participant" has the meaning as that term is defined in Clause 20.4 (*Participations*).

"Party" means a party to this Agreement.

"PATRIOT Act" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (Title III of Pub. L. No. 107-56 (signed into law October 26, 2001, as amended)).

"Permanent Process Agent" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"Permitted Security" has the meaning given to that term in Clause 18.4 (*Negative pledge*).

"PRI Policy" means the political risk insurance policy from DFC with respect to certain payment obligations of the Borrower under this Agreement.

"Pricing Agent" means BofA Securities, Inc. acting as agent on behalf of the Original Lender to assist with the determination of the Loan Economic Terms pursuant to and in accordance with the Exchange and Settlement Agreement.

"Pricing Date" means the date falling one (1) Business Day after the date on which the Tender Offer expires, or such other date as agreed to by the Borrower in accordance with the Exchange and Settlement Agreement.

"Program" has the meaning given to that term (in Spanish, *Programa*) in the Counter-Guarantee Agreement.

"Prohibited Practice" means any practice prohibited by IADB in connection with the activities financed by it, determined by the Board of Executive Directors of IADB or to be determined in the future and notified to the Borrower, including corrupt practices,

fraudulent practices, coercive practice, collusive practices, obstructive practices and misappropriation.

"Project Coordinator" means, at any given time, (i) unless replaced pursuant to Section 7.3 of the Conservation Commitments Agreement, TNC, or (ii) any entity that has replaced the previous Project Coordinator pursuant to Section 7.3 of the Conservation Commitments Agreement.

"Project Financing" means any financing of all or part of the costs of the acquisition, construction or development of any properties in connection with a project if the person or persons providing such financing expressly agree to look to the properties financed and the revenues to be generated by the operation of, or loss of or damage to, such properties as the principal source of repayment for the moneys advanced.

"Public Planning and Finance Code" means the *Código Orgánico de Planificación y Finanzas Públicas*.

"Quito Business Day" means a day other than:

- (a) Saturday or Sunday; or
- (b) any day which is a public holiday in Ecuador and is listed in Schedule 6 (*Quito Public Holidays*).

"Rate" means the fixed interest rate determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Related Fund" in relation to a fund (the **"first fund"**), means:

- (a) a fund which is managed or advised by the same investment manager or investment adviser as the first fund; or
- (b) if it is managed by a different investment manager or investment adviser, a fund whose investment manager or investment adviser is an Affiliate of the investment manager or investment adviser of the first fund.

"Relevant Tendered Debt" means all of the Eligible Debt that is tendered for purchase, and is actually purchased, in connection with the Tender Offer, that will be delivered to the Borrower by the Original Lender (who will in turn receive such Eligible Debt from the offeror of the Tender Offer) in accordance with the terms of, and as further described in, the Exchange and Settlement Agreement.

"Repayment Date" means each repayment date set out in the Repayment Schedule, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Repayment Instalment" means the applicable instalment for repayment of the Loan on the corresponding Repayment Date, in accordance with the Repayment Schedule, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Repayment Schedule" means the repayment schedule setting out each Repayment Date, each Repayment Instalment and the Maturity Date, determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Repeating Representations" means each of the representations set out in Clauses 16.1 (*Status*) to 16.5 (*Governing law, arbitral awards and scope of immunity*), paragraph (a) of Clause 16.8 (*No material defaults*), and Clause 16.11 (*Acts of commercial public credit*).

"Replacement Agent" has the meaning as that term is defined in Clause 39 (*Service of Process*).

"Representative" means any delegate, agent, manager, administrator, nominee, attorney, trustee or custodian.

"Republic" means the Republic of Ecuador.

"Sanctioned Entity" means any entity that:

- (a) is a party sanctioned pursuant to a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; or
- (b) is a firm, individual, parent company, subsidiary, or previous form of organization constituted by or with any of the same individual(s) as principal(s) declared ineligible by the Guarantor; in accordance with its sanctions procedure, or declared ineligible by another international financial institution and subject to agreements that the Guarantor may have for the mutual enforcement of sanctions, and listed in the website <https://www.iadb.org/en/who-we-are/transparency/sanctions-system/sanctioned-firms-and-individuals>.

"Sanctioned Jurisdiction" has the meaning assigned to such term in the definition of Sanctioned Person.

"Sanctioned Person" means (a) any person that is the subject or target of any Sanctions administered by a Sanctions Authority, or the equivalent Governmental Authorities in the Republic or any jurisdiction in which amounts deriving from the Facility will be used or from which repayments of the obligations will be derived (hereinafter, the **"Sanctions Programs"**), (b) any person domiciled, resident, or located in Iran, Syria, Cuba, North Korea or the Crimea, Donetsk, and Luhansk regions of Ukraine and the non-government controlled areas of Ukraine in the oblasts of Kherson, the non-government controlled areas of Ukraine in the oblasts of Zaporizhzhia (hereinafter, **"Sanctioned Jurisdiction"**) or (c) any other person, organization or vessel with whom a U.S. Person may not engage under any Prohibited Nations Act in the absence of specific governmental authorization or (d) any person, organization or vessel owned or controlled by, or acting on behalf of, persons, entities or other parties referred to in (a) to (c), or (e) located within or operating from a Sanctioned Territory, or otherwise subject to or the target of any Sanctions.

"Sanctioned Territory" means any country or territory that is the subject or target of a general export, import, financial or investment embargo under Sanctions.

"Sanctions" means all economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by a relevant Sanctions Authority.

"Sanctions Authority" means any agency or person which is duly appointed, empowered or authorized to enact, administer, implement and/or enforce Sanctions, including (without limitation):

- (a) the Department of the Treasury's Office of Foreign Assets Control of the United States of America (OFAC);
- (b) the U.S. Department of State;
- (c) the U.S. Department of Commerce;
- (d) the United Nations Security Council;
- (e) the European Union (EU) or any of its member states;
- (f) His Majesty's Treasury in the United Kingdom (UK HMT);
- (g) the Swiss Secretariat of Economic Affairs (SECO);
- (h) the Hong Kong Monetary Authority (HKMA);
- (i) the Monetary Authority of Singapore (MAS);
- (j) the Ministry of Foreign Affairs of Japan;
- (k) Global Affairs Canada of Canada; and
- (l) the Department of Foreign Affairs and Trade of Australia.

"Sanctions Programs" has the meaning assigned to such term in the definition of Sanctioned Person.

"Security" means any mortgage, lien, pledge, security interest, deed of trust to secure indebtedness, charge, or other encumbrance or preferential arrangement having the practical effect of constituting a security interest.

"Semi-Annual Date" has the meaning given to it in the Conservation Commitments Agreement.

"Settlement Date" means the settlement date determined in accordance with Clause 2.2 (*Loan Economic Terms determination*).

"Specified Date" has the meaning given to that term in paragraph (c) of Clause 21.14 (*Resignation of the Facility Agent*).

"Specified Time" means 12:00 noon on the proposed Settlement Date, or such other time as agreed between the Borrower and the Facility Agent (acting on the instructions of the Original Lender).

"Subsidiary" means, in relation to any company or corporation, a company or corporation:

- (a) which is controlled, directly or indirectly, by the first mentioned company or corporation;
- (b) more than half the issued share capital of which is beneficially owned, directly or indirectly by the first mentioned company or corporation; or
- (c) which is a Subsidiary of another Subsidiary of the first mentioned company or corporation,

and for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same).

"Tender Offer" means the third-party cash tender offer of the applicable Eligible Debt to be announced and conducted by the Original Lender acting as the offeror.

"TNC" means The Nature Conservancy, a non-profit corporation established under the laws of the District of Columbia.

"Total Commitment" means the aggregate of the Commitments.

"U.S." means the United States of America.

"Upfront Payment" means the upfront payment determined in accordance with Clause 2.2 (*Loan Economic Terms determination*) and payable by the Borrower on or prior to the Settlement Date to the Original Lender in respect of costs, expenses and reserves incurred or established by the Original Lender to implement the transactions contemplated under the Finance Documents which shall not exceed USD19,000,000.

"Utilization" means the utilization of the Facility.

"Utilization Request" means the notice substantially in the form set out in Schedule 2 (*Utilization Request*).

"VAT" means:

- (a) any tax imposed in compliance with the Council Directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112); and
- (b) any other tax of a similar nature, whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in paragraph (a) above, or imposed elsewhere.

"Weighted Average Life" means, as of any date, the number of years obtained by dividing (i) the sum of all remaining Repayment Instalments into (ii) the sum of the products obtained by multiplying (a) each Repayment Instalment remaining by (b) the

Day Count Fraction from such date to the scheduled Repayment Date or such Repayment Instalment.

1.2 Construction

- (a) Unless a contrary indication appears, any reference in this Agreement to:
- (i) the "**Facility Agent**", any "**Finance Party**", any "**Lender**", or any "**Party**" shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
 - (ii) "**assets**" includes present and future properties, revenues and rights of every description;
 - (iii) an "**agency**" of a state shall be construed as a reference to any political sub division, regional or municipal government, ministry, department, authority or statutory corporation (whether autonomous or not) of or any corporation or other entity which is controlled or (as to fifty percent (50%) or more of its issued share capital or the equivalent thereof) owned, directly or indirectly, by such state or its government and/or one or more such agencies;
 - (iv) a "**Finance Document**" or any other agreement or instrument is a reference to that Finance Document or other agreement or instrument as amended, novated, supplemented or otherwise modified from time to time in accordance with the terms hereof and thereof;
 - (v) "**guarantee**" means (other than where the defined term "**IADB Guarantee**" is used) any guarantee, letter of credit, bond, indemnity or similar assurance against loss, or any obligation, direct or indirect, actual or contingent, to purchase or assume any indebtedness of any person or to make an investment in or loan to any person or to purchase assets of any person where, in each case, such obligation is assumed in order to maintain or assist the ability of such person to meet its indebtedness;
 - (vi) "**indebtedness**" includes any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
 - (vii) a "**person**" includes any individual, firm, company, corporation, government, state or agency of a state or any association, trust, joint venture, consortium or partnership (whether or not having separate legal personality);
 - (viii) a "**regulation**" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law), as may be amended from time to time, of any governmental, intergovernmental or supranational body, agency, department or of any regulatory, self-regulatory or other authority or organization;
 - (ix) a provision of law is a reference to that provision as amended or re-enacted from time to time;

- (x) a time of day is a reference to New York time;
 - (xi) words importing the singular include the plural and vice versa; and
 - (xii) a Section, Clause or Schedule is, unless otherwise stated, to a section, clause or schedule of this Agreement.
- (b) Section, Clause and Schedule headings are for ease of reference only.
 - (c) The Schedules to this Agreement form an integral part thereof.
 - (d) Unless a contrary indication appears, a term used in any other Finance Document or in any notice given under or in connection with any Finance Document has the same meaning in that Finance Document or notice as in this Agreement.
 - (e) A Default (other than an Event of Default) is "**continuing**" if it has not been remedied or waived, and an Event of Default is "**continuing**" if it has not been (i) in the case of payment Events of Default, remedied or (ii) in the case of non-payment Events of Default, waived.
 - (f) The words "**include**" and "**including**" shall be construed as "**including without limitation**" (and cognate expressions shall be construed accordingly).

1.3 Currency symbols and definitions

"\$", "USD", "US Dollars" and "dollars" denote the lawful currency of the United States of America.

SECTION 2 THE FACILITY

2. THE FACILITY

2.1 The Facility

Subject to the terms of this Agreement, the Lenders make available to the Borrower a dollar term loan facility in an aggregate amount equal to the Total Commitments.

2.2 Loan Economic Terms determination

On the Pricing Date, the Loan Economic Terms will be determined by the Pricing Agent in accordance with the Exchange and Settlement Agreement, and acknowledged and agreed to by the Original Lender and the Borrower. The Pricing Agent shall thereafter give written notice of such Loan Economic Terms to each of the Finance Parties and the Borrower, with a copy to DFC and IADB and TNC for information purposes only.

2.3 Finance Parties' rights and obligations

- (a) The obligations of each Finance Party under the Finance Documents are several. Failure by a Finance Party to perform its obligations under the Finance Documents does not affect the obligations of any other Party under the Finance Documents. No Finance Party is responsible for the obligations of any other Finance Party under the Finance Documents.
- (b) The rights of each Finance Party under or in connection with the Finance Documents are separate and independent rights and any debt arising under the Finance Documents to a Finance Party from the Borrower shall be a separate and independent debt.
- (c) A Finance Party may, except as otherwise stated in the Finance Documents, separately enforce its rights under the Finance Documents.

3. PURPOSE

3.1 Purpose

The Borrower shall apply all amounts borrowed by it under this Agreement to implement the settlement of the Debt Exchange.

3.2 Monitoring

No Finance Party is bound to monitor or verify the application of any amount borrowed pursuant to this Agreement.

4. CONDITIONS OF UTILIZATION

4.1 Initial conditions precedent

The Borrower may only deliver the Utilization Request if the Original Lender and the Facility Agent have received (or waived (in the case of the Facility Agent, on

instructions of the Original Lender) receipt of) all of the documents and other evidence listed in Schedule 1 (*Conditions precedent*) in form and substance satisfactory to the Original Lender. Promptly upon receipt by the Facility Agent of notice from the Original Lender confirming the satisfaction of the conditions precedent set forth in Schedule 1 (*Conditions precedent*) the Facility Agent shall notify the Borrower of such satisfaction.

4.2 **Further conditions precedent**

The Original Lender will only be obliged to comply with Clause 5.3 (*Lenders' participation*) if on the date of the Utilization Request and on the Settlement Date:

- (a) no Default is continuing or would result from the proposed Loan; and
- (b) the representations in Clause 16 (*Representations*) made by the Borrower are true in all material respects as of such date;

4.3 **Maximum number of Loans**

The Borrower may only deliver one Utilization Request and only one Loan may be outstanding.

SECTION 3 UTILIZATION

5. UTILIZATION

5.1 Delivery of the Utilization Request

The Borrower may utilize the Facility by delivery to the Facility Agent and the Original Lender of the duly completed Utilization Request not later than the Specified Time.

5.2 Completion of the Utilization Request

- (a) The Utilization Request is irrevocable and shall specify the terms on which the Borrower wishes to borrow the Loan.
- (b) Only one (1) Utilization Request may be submitted under this Agreement, pursuant to which the Facility shall be utilized in full (and not in part).

5.3 Lenders' participation

- (a) If the conditions set out in Clause 4 (*Conditions of Utilization*) Clause 5.1 (*Delivery of the Utilization Request*) and Clause 5.2 (*Completion of the Utilization Request*) have been met, the Original Lender shall make the Loan available by the Settlement Date set out in the Utilization Request.
- (b) The amount of each Lender's participation in the Loan will be equal to the proportion borne by its respective Commitment to the Total Commitments.

5.4 Cancellation of Commitment

The Total Commitments which, at that time, are unutilized shall be immediately cancelled at the end of the Availability Period.

SECTION 4
REPAYMENT, PREPAYMENT AND CANCELLATION

6. REPAYMENT

6.1 Repayment of the Loan

- (a) Subject to Clause 24.1(b) (*Payments to the Facility Agent*), the Borrower shall repay the Loan in instalments by repaying on each Repayment Date an amount which reduces the amount of the outstanding aggregate Loan in an amount equal to the applicable Repayment Instalment, in each case as set out in the Repayment Schedule, to the Facility Agent.
- (b) Any repayment or prepayment of the Loan shall be made in the currency in which the Loan is denominated pursuant to this Agreement.

6.2 Reborrowing

The Borrower may not reborrow any part of the Facility which is repaid.

6.3 Additional Reserve Payments

- (a) If the Borrower fails to pay any amount of principal under Clause 6 (*Repayment*), any amount of interest under Clause 8 (*Interest*) or any Debt Exchange Linked Conservation Fees under Clause 10 (*Debt Exchange Linked Conservation Fees*) on or prior to the date which is the last Business Day falling within the eight (8) calendar day period following the applicable Repayment Date (an "**Additional Reserve Payment Trigger Date**"), then the Borrower shall pay an amount to the Facility Agent, acting on behalf and for the benefit of the Lenders, equal to the lower of (A) the amount of principal and/or interest and/or Debt Exchange Linked Conservation Fees payable by the Borrower on that Additional Reserve Payment Trigger Date but not paid by the Borrower on that Additional Reserve Payment Trigger Date and (B) the Maximum Guaranteed Amount (an "**Additional Reserve Payment**"). Such Additional Reserve Payment shall be due from the Borrower on the relevant Additional Reserve Payment Trigger Date, *provided that* the Borrower shall have a ten (10) Business Day grace period to make such payment.
- (b) If the Borrower fails to pay such Additional Reserve Payment on the relevant Additional Reserve Payment Trigger Date (and the relevant non-payment of principal and/or interest and/or Debt Exchange Linked Conservation Fees has not been cured):
 - (i) the Facility Agent (on behalf of the Lenders) shall, pursuant to Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*), on the Business Day after such Additional Reserve Payment Trigger Date, submit a Guarantee Demand Notice to IADB under the IADB Guarantee (in an amount up to or equal to such Additional Reserve Payment, as confirmed to it by the Majority Lenders) and provide copies of such Guarantee Demand Notice as required under

Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*);

- (ii) upon receipt of a duly completed Guarantee Demand Notice, IADB shall, in accordance with the IADB Guarantee, be obligated on the terms and conditions thereof to make payment of the amount requested in such Guarantee Demand Notice (up to the Maximum Guaranteed Amount), by paying the relevant amount to the Facility Agent no later than ten (10) Business Days (as defined in the IADB Guarantee) from receipt of the Guarantee Demand Notice, and the Facility Agent shall notify the Borrower of receipt of such payment by IADB pursuant to Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*);
- (iii) if the Borrower remedies the relevant failure to pay the amount of principal and/or interest and/or Debt Exchange Linked Conservation Fees, as applicable, set forth in this Clause 6.3, within the grace period specified in Clause 19.1 (*Failure to pay*), or remedies the failure to pay such Additional Reserve Payment, then:
 - (A) if IADB has not made a corresponding payment under the IADB Guarantee and any Guarantee Demand Notice submitted in connection therewith has been revoked, such Additional Reserve Payment shall be deemed discharged; and
 - (B) if IADB has made a corresponding payment under the IADB Guarantee (or will make such a corresponding payment and the relevant Guarantee Demand Notice submitted in connection therewith cannot be revoked (as determined by IADB under the IADB Guarantee in its sole discretion)), then such payment by IADB shall, following receipt of such payment by the Facility Agent, be deposited in the Guarantee Payment Account and shall be applied by the Lenders on each Repayment Date in respect of the Repayment Instalments by an amount equal to the greater of (x) zero and (y) the balance of the Guarantee Payment Account on such Repayment Date minus the sum of all future unpaid Repayment Instalments. If, after application of the amounts deposited in the Guarantee Payment Account pursuant to this paragraph (iii)(B), there remains an unapplied balance in the Guarantee Payment Account, such unapplied balance shall be promptly returned to the Borrower by the Lenders. The Facility Agent shall notify the Borrower upon receipt of any such payment by IADB in accordance with Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*).
- (c) For the avoidance of doubt, any Additional Reserve Payment payable by the Borrower pursuant to this Clause 6.3 shall be in addition to any corresponding amount of principal payable under Clause 6 (*Repayment*) and/or interest payable under Clause 8 (*Interest*) and/or any Debt Exchange Linked Conservation Fees under Clause 10 (*Debt Exchange Linked Conservation Fees*), as applicable, that is not paid by the Borrower.

- (d) If an acceleration notice has been delivered to the Borrower pursuant to Clause 19.18 (*Acceleration*) and has not been revoked, then the Facility Agent on behalf of the Lenders shall demand that the Borrower, within five (5) Business Days of such demand, pay an Additional Reserve Payment in an amount equal to the Maximum Guaranteed Amount (or such lower amount as directed by the Majority Lenders). If the Borrower fails to pay such Additional Reserve Payment on the date it falls due:
- (i) the Facility Agent on behalf of the Lenders may (in accordance with directions from the Majority Lenders) from such date submit one or more Guarantee Demand Notices to IADB under the IADB Guarantee, and provide copies of such Guarantee Demand Notices as required under Clause 21.5(c) (*Duties of the Facility Agent in connection with the IADB Guarantee*); and
 - (ii) any corresponding payment by IADB under the IADB Guarantee shall discharge such Additional Reserve Payment (to the extent of the corresponding payment). The Facility Agent shall notify the Borrower upon receipt of any such payments by IADB in accordance with Clause 21.5(f) (*Duties of the Facility Agent in connection with the IADB Guarantee*).

6.4 Additional Conservation Payments

- (a) If the Facility Agent is notified by the Project Coordinator of a Conservation Event, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, through a Conservation Event Notice, the Facility Agent shall promptly provide a notice to the Borrower (an "**Original Notice**") requiring payment of an Additional Conservation Payment in an amount equal to the Additional Conservation Payment Amount, as specified in the Conservation Event Notice, by the Borrower to the Facility Agent within sixty (60) days of the date of receipt by the Borrower of the Original Notice.
- (b) On each Semi-Annual Date following the delivery of the Original Notice, until such time as the Facility Agent has received a notice from the Project Coordinator that such Conservation Event referred to in the Original Notice has been cured, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement (a "**Conservation Event Stop Notice**"), the Facility Agent shall provide a notice to the Borrower (an "**Additional Notice**") requiring payment of such Additional Conservation Payment in an amount equal to such Additional Conservation Payment Amount by the Borrower to the Facility Agent within no later than sixty (60) days of the date of receipt by the Borrower of the Additional Notice with respect to such Conservation Event.
- (c) Following receipt of any Additional Conservation Payment specified in paragraph (a) and (b) above, the Facility Agent shall deposit such Additional Conservation Payment amount (in dollars) into the Additional Conservation Payment Account unless and until it is to be applied in accordance with paragraphs (d) or (e) below.

- (d) If, following the delivery of an Original Notice in connection with a Conservation Event, the Facility Agent receives a Conservation Event Stop Notice from the Project Coordinator relating to such Conservation Event, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, then the Facility Agent shall promptly notify the Borrower and the Lenders of such notification from the Project Coordinator and the relevant Additional Conservation Payments paid by the Borrower in respect of such Conservation Event (as of the date of such notice from the Project Coordinator) shall be promptly returned to the Borrower by the Facility Agent in accordance with Section 3.1 of the Conservation Commitments Agreement; *provided that* on the first Business Day following the third anniversary of the relevant Conservation Event and on each succeeding anniversary, if (i) the relevant Conservation Event has not been cured to the reasonable satisfaction of the Project Coordinator, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, and (ii) the Project Coordinator has not received a certificate from the Ministry of Environment certifying the relevant Conservation Event has been cured together with the evidence reasonably demonstrating such cure has occurred, as determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement, then the Project Coordinator shall direct the Facility Agent in writing to transfer an amount equal to the sum of all Additional Conservation Payments previously paid by the Borrower in respect of such Conservation Event (and not previously transferred pursuant to Section 3.1 of the Conservation Commitments Agreement) to the CTF.
- (e) If the End Date has occurred, all amounts in the Additional Conservation Payment Account will be transferred to the CTF in accordance with Clause 8.3 of the Conservation Funding Agreement.
- (f) For the avoidance of doubt, notwithstanding any transfer of funds pursuant to paragraph (d) above, any obligations of the Borrower to pay Additional Conservation Payments in accordance with this Clause 6.4 shall continue, including whether or not it has received notice of the same.
- (g) Failure by the Ministry of Environment to comply with or achieve (as applicable) Conservation Commitments, including the occurrence of a Major Commitment Breach, may result in an Event of Default pursuant to Clause 19.14 (*Major Commitment Breach*).
- (h) Any failure by the Borrower to pay any Additional Conservation Payment required under this Clause 6.4 within the applicable grace period shall constitute an Event of Default under Clause 19.15 (*Failure to pay Additional Conservation Payments*) (and will not, for the avoidance of doubt, constitute an Event of Default under Clause 19.1 (*Failure to pay*)).
- (i) The Borrower acknowledges that any notices provided by the Facility Agent in accordance with this Clause 6.4 and any notices provided by the Project Coordinator in accordance with this Clause 6.4 or Section 3.1 of the Conservation Commitments Agreement are final and may not be disputed, absent manifest error; nevertheless it being understood that any dispute relating

to a matter subject to notification (including, without limitation, whether a Conservation Event has occurred or whether a Conservation Milestone (or has not) been met) could be disputed under the Conservation Commitments Agreement.

- (j) The amount payable in respect of any Additional Conservation Payment shall be determined by the Project Coordinator pursuant to and in accordance with the Conservation Commitments Agreement and specified in the Conservation Event Notice provided to the Facility Agent by the Project Coordinator, any Original Notice or the Additional Notice provided to the Borrower by the Facility Agent.
- (k) The aggregate amount of Additional Conservation Payments paid by the Borrower (not including any Additional Conservation Payments returned to the Borrower) under this Agreement shall not exceed the amount equal to the aggregate principal amount of the Relevant Tendered Debt *minus* the principal amount of the Facility *minus* the Upfront Payment (and the Borrower shall not be required to pay any Additional Conservation Payment, or any portion thereof, that would result in the aggregate amount of Additional Conservation Payments exceeding such amount).
- (l) For the avoidance of doubt, failure to pay any Additional Conservation Payment will not directly result in a claim under the IADB Guarantee.
- (m) In delivering any notice to the Borrower pursuant to this Clause 6.4, the Facility Agent shall only act on the basis of the information provided to it by the Project Coordinator pursuant to the Conservation Commitments Agreement.
- (n) Any Original Notice or Additional Notice provided by the Facility Agent pursuant to this Clause 6.4 shall specify (A) the relevant Conservation Commitment; and (B) the applicable Additional Conservation Payment amount; in each case as specified in the Conservation Event Notice or Continuation Conservation Event Notice the Facility Agent receives from the Project Coordinator.

7. PREPAYMENT

7.1 Illegality

If, in any applicable jurisdiction, it becomes or will become unlawful for any Lender to perform any of its obligations as contemplated by this Agreement or to fund or maintain its participation in the Loan:

- (a) that Lender may promptly notify the Facility Agent who will in turn notify the Borrower; and
- (b) the Borrower shall either exercise its rights pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) or repay that Lender's participation in the Loan made to the Borrower on the last day of the Interest Period for the Loan occurring after the Facility Agent, acting at the direction of such Lender, has notified the Borrower or, if earlier, the date specified by the

Lender in the notice delivered to the Facility Agent (being no earlier than the last day of any applicable grace period permitted by law) and that Lender's Commitment shall be cancelled in the amount of the participation repaid.

7.2 **Right of replacement or repayment in relation to a single Lender**

- (a) If:
 - (i) any Lender claims indemnification from the Borrower under Clause 12.1 (*Increased costs*); or
 - (ii) any Lender claims prepayment of its share of the Loan under Clause 7.1 (*Illegality*),

the Borrower may, whilst the circumstance giving rise to the requirement for that prepayment or indemnification continues, give the Facility Agent notice of its intention to procure the repayment of that Lender's participation in the Loan or give the Facility Agent notice of its intention to replace that Lender in accordance with paragraph (c) below.

- (b) On the last day of the Interest Period on which the Borrower has given notice of its intention to procure the repayment of a Lender's participation in the Loan under paragraph (a) above (or, if earlier, the date specified by the Borrower in that notice), the Borrower shall repay that Lender's participation in the Loan.
- (c) The Borrower may, in the circumstances set out in paragraph (a) above, not less than ten (10) Business Days' prior notice to the Facility Agent and that Lender, replace that Lender by requiring that Lender to (and, to the extent permitted by law, that Lender shall) assign pursuant to Clause 20.2 (*Assignments by Lenders*) all (and not part only) of its rights and obligations under this Agreement to another Lender or to a bank, financial institution, trust, fund or other entity selected by the Borrower which confirms its willingness to assume and does assume all the obligations of the transferring Lender in accordance with Clause 20.2 (*Assignments by Lenders*) for a purchase price in cash or other cash payment payable at the time of the transfer equal to the outstanding principal amount of such Lender's participation in the outstanding Loan and all accrued interest and other amounts payable in relation thereto under the Finance Documents.
- (d) The replacement of a Lender pursuant to paragraph (c) above shall be subject to the following conditions:
 - (i) the Borrower shall have no right to replace the Facility Agent;
 - (ii) neither the Facility Agent nor any Lender shall have any obligation to find a replacement Lender;
 - (iii) in no event shall the Lender replaced under paragraph (c) above be required to pay or surrender any of the fees received by such Lender pursuant to the Finance Documents;

- (iv) the Lender shall only be obliged to assign its rights and obligations pursuant to paragraph (c) above once it is satisfied that it has complied with all necessary "know your customer", anti-money laundering, onboarding and/or other similar checks as required under all applicable laws and regulations and/or pursuant to such Lender's internal requirements in relation to that transfer;
 - (v) following any payment of compensation by DFC in accordance with the PRI Policy, or so long as the PRI Policy is in full force and effect as of the effective date of such replacement of a Lender, the consent of DFC in accordance with Clause 20.2 (*Assignments by Lenders*) shall be required for any replacement of a Lender pursuant to paragraph (c) above, together with confirmation from DFC (in the sole discretion of DFC) that the PRI Policy will remain in full force and effect following such replacement; and
 - (vi) so long as the IADB Guarantee remains in full force and effect, the consent of IADB in accordance with Clause 20.2 (*Assignments by Lenders*) shall be required for any replacement of a Lender pursuant to paragraph (c) above, together with confirmation from IADB that the IADB Guarantee will remain in full force and effect following such replacement.
- (e) A Lender shall perform the checks described in paragraph (d)(iv) above as soon as reasonably practicable following delivery of a notice referred to in paragraph (c) above and shall notify the Facility Agent and the Borrower when it is satisfied that it has complied with those checks.

7.3 **Loss of PRI Policy cover**

If at any time the PRI Policy is terminated or otherwise ceases to be in full force and effect for any reason, then:

- (a) the Facility Agent may, if directed by the Majority Lenders notify the Borrower; and
- (b) the Borrower shall repay each Lender's participation in the Loan on the later to occur of: (i) the date falling ninety (90) days from the date on which the Facility Agent notifies the Borrower; and (ii) the next Interest Payment Date.

7.4 **Loss of the IADB Guarantee cover**

If at any time the IADB Guarantee is terminated or otherwise ceases to be in full force and effect for any reason, other than (i) the Maximum Guaranteed Amount being reduced to zero or (ii) an Early Disbursement Event occurring leading to IADB depositing all required amounts into an escrow account in connection therewith in accordance with the terms of the IADB Guarantee, then:

- (a) the Facility Agent may, if directed by the Majority Lenders and if the prior written consent of DFC has been obtained, notify the Borrower; and

- (b) the Borrower shall repay each Lender's participation in the Loan on the later to occur of: (i) the date falling thirty (30) days from the date on which the Facility Agent notifies the Borrower; and (ii) the next Interest Payment Date.

7.5 Restrictions

- (a) Any notice of prepayment given by any Party under this Clause 7 shall be irrevocable and, unless a contrary indication appears in this Agreement, shall specify the date or dates upon which the relevant prepayment is to be made and the amount of that prepayment.
- (b) Any prepayment under this Agreement shall be made together with accrued interest on the amount prepaid and, subject to any applicable Make-Whole Payment, without premium or penalty. The Lender shall appoint the Pricing Agent or another agent to calculate the Make-Whole Payment.

The Make-Whole Payment shall only be due and payable by the Borrower with respect to any amount (i) prepaid under Clause 7.1 (*Illegality*) or (ii) repaid or transferred upon the exercise by the Borrower of its right of repayment or replacement pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) in connection with the Lender's claim for prepayment under Clause 7.1 (*Illegality*); in each case on the date of such prepayment, repayment or the date on which the Lender's rights and obligations are assigned in accordance with Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*), but only if the illegality giving rise to such Lender's claim for prepayment arises under the laws, regulations or decrees of Ecuador, or otherwise arises directly or indirectly from actions of the Borrower provided that, in each case, the Lender claiming the Make-Whole Payment shall deliver to the Borrower reasonably detailed supporting documentation, as provided to such Lender by the party appointed to calculate the Make-Whole Payment, evidencing the amount of the Make-Whole Payment.

- (c) The Borrower may not reborrow any part of the Facility which is prepaid.
- (d) The Borrower shall not repay or prepay any part of the Loan except at the times and in the manner expressly provided for in this Agreement.
- (e) No amount of the Total Commitments cancelled under this Agreement may be subsequently reinstated.
- (f) If the Facility Agent receives a notice under this Clause 7, it shall promptly forward a copy of that notice to either the Borrower or the affected Lender, as appropriate.
- (g) If the Loan is repaid or prepaid, then an amount of the Commitments (equal to the amount of the Loan which is repaid or prepaid) will be deemed to be cancelled on the date of repayment or prepayment.

**SECTION 5
COSTS OF UTILIZATION**

8. INTEREST

8.1 Calculation of interest

The rate of interest on the Loan for each Interest Period is the percentage rate per annum which is equal to the Rate.

8.2 Payment of interest

Subject to Clause 24.1(b) (*Payments to the Facility Agent*), on each Interest Payment Date, the Borrower shall pay accrued interest on the Loan at the Rate for the Interest Period to which that Interest Payment Date relates.

9. INTEREST PERIODS

9.1 Interest Periods

- (a) Each Interest Period in respect of the Loan shall be for a period of three (3) months, beginning on the First Interest Payment Date and ending on the immediately succeeding Interest Payment Date.
- (b) No Interest Period for the Loan shall extend beyond the Maturity Date for the Loan.
- (c) For the purpose of determining any Interest Period, any adjustment to any Interest Payment Date on account of such date not being a Business Day shall not be taken into account.

SECTION 6
ADDITIONAL PAYMENT OBLIGATIONS

10. DEBT EXCHANGE LINKED CONSERVATION FEES

Subject to Clause 24.1(b) (*Payments to the Facility Agent*), on each Interest Payment Date, in addition to any interest payable under Clause 8 (*Interest*), the Borrower shall pay an amount equal to the Debt Exchange Linked Conservation Fees to the Original Lender.

11. TAX GROSS UP AND INDEMNITIES

11.1 Definitions

In this Agreement:

"Protected Party" means a Finance Party that is or will be subject to any liability, or required to make any payment, for or on account of Tax in relation to a sum received or receivable (or any sum deemed for the purposes of Tax to be received or receivable) under a Finance Document.

"Tax Credit" means a credit against, relief or remission for, or repayment of any Tax.

"Tax Deduction" means a deduction or withholding for or on account of Tax from a payment under a Finance Document, other than a FATCA Deduction.

"Tax Payment" means either the increase in a payment made by the Borrower to a Finance Party under Clause 11.2 (*Tax gross-up*) or a payment under Clause 11.3 (*Tax indemnity*).

Unless a contrary indication appears, in this Clause 11 a reference to **"determines"** or **"determined"** means a determination made in the absolute discretion of the person making the determination.

11.2 Tax gross-up

- (a) The Borrower shall make all payments to be made by it without any Tax Deduction, unless a Tax Deduction is required by law.
- (b) The Borrower shall promptly upon becoming aware that the Borrower must make a Tax Deduction (or that there is any change in the rate or the basis of a Tax Deduction) notify the Facility Agent accordingly. Similarly, a Lender shall notify the Facility Agent on becoming so aware in respect of a payment payable to that Lender. If the Facility Agent receives such notification from a Lender it shall notify the Borrower.
- (c) If a Tax Deduction is required by law to be made by the Borrower, the amount of the payment due from the Borrower shall be increased to an amount which (after making any Tax Deduction) leaves an amount equal to the payment which would have been due if no Tax Deduction had been required.

- (d) If the Borrower is required to make a Tax Deduction, the Borrower shall make that Tax Deduction and any payment required in connection with that Tax Deduction within the time allowed and in the minimum amount required by law.
- (e) Within thirty (30) days of making either a Tax Deduction or any payment required in connection with that Tax Deduction, the Borrower shall deliver to the Facility Agent, for the Lenders entitled to the payment, evidence reasonably satisfactory to such Lenders that the Tax Deduction has been made or (as applicable) any appropriate payment paid to the relevant taxing authority.

11.3 Tax indemnity

- (a) Except as provided below, the Borrower shall (within three (3) Business Days of demand by the Facility Agent (acting at the direction of the Protected Party)) pay to a Protected Party an amount equal to the loss, liability or cost which that Protected Party determines will be or has been (directly or indirectly) suffered for or on account of Tax by that Protected Party in respect of a payment received or receivable (or any payment deemed to be received or receivable) under a Finance Document.
- (b) Paragraph (a) above shall not apply:
 - (i) with respect to any Tax assessed on a Lender:
 - (A) under the law of the jurisdiction in which that Lender is incorporated or, if different, the jurisdiction (or jurisdictions) in which that Lender is treated as resident for tax purposes; or
 - (B) under the law of the jurisdiction in which that Lender's facility office is located in respect of amounts received or receivable in that jurisdiction,

if that Tax is imposed on or calculated by reference to the net income received or receivable (but not any sum deemed to be received or receivable) by that Lender; or
 - (ii) to the extent a loss, liability or cost:
 - (A) is compensated for by an increased payment under Clause 11.2 (*Tax gross-up*); or
 - (B) relates to a FATCA Deduction required to be made by a Party.
- (c) A Protected Party making, or intending to make a claim under paragraph (a) above shall promptly notify the Facility Agent (with a copy of such notice to the Borrower) of the event which will give, or has given, rise to the claim, following which the Facility Agent shall notify the Borrower.
- (d) A Protected Party shall, on receiving a payment from the Borrower under this Clause 11.3, notify the Facility Agent.

11.4 Tax Credit

If the Borrower makes a Tax Payment and the relevant Finance Party determines that:

- (a) a Tax Credit is attributable to an increased payment of which that Tax Payment forms part, to that Tax Payment or to a Tax Deduction in consequence of which that Tax Payment was required; and
- (b) that Finance Party has obtained and utilized that Tax Credit,

the Finance Party shall pay an amount to the Borrower which that Finance Party determines will leave it (after that payment) in the same after-Tax position as it would have been in had the Tax Payment not been required to be made by the Borrower.

11.5 Stamp taxes

The Borrower shall pay and, within three (3) Business Days of demand, indemnify each Finance Party against any cost, loss or liability that Finance Party incurs in relation to all stamp duty, registration or other similar Taxes payable in respect of any Finance Document, except for any such Tax payable in the jurisdiction of establishment of a Finance Party, or in connection with entering into an Assignment and Assumption (other than an Assignment and Assumption entered into pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*) or Clause 14.1 (*Mitigation*)) or similar document or documents entered into pursuant to Clause 20.6 (*Assignment to DFC*).

11.6 VAT

- (a) Any amounts expressed to be payable by the Borrower to a Finance Party under a Finance Document which constitute the consideration for any supply for VAT purposes are deemed to be exclusive of any VAT payable pursuant to the laws of Ecuador which is chargeable on that supply. If such VAT is or becomes chargeable on any supply made by any Finance Party to the Borrower pursuant to the laws of Ecuador, then the Borrower must pay such Finance Party (in addition to and at the same time as paying any other consideration for such supply) an amount equal to the amount of the VAT. Notwithstanding the foregoing, if a Default has occurred, then the Borrower must pay such Finance Party any VAT payable pursuant to the laws of any applicable jurisdiction.
- (b) If VAT is or becomes chargeable on any supply made by any Finance Party (the "**Supplier**") to any other Finance Party (the "**Recipient**") under a Finance Document, and any Party other than the Recipient (the "**Relevant Party**") is required by the terms of any Finance Document to pay an amount equal to the consideration for that supply to the Supplier (rather than being required to reimburse or indemnify the Recipient in respect of that consideration):
 - (i) (where the Supplier is the person required to account to the relevant tax authority for the VAT) the Relevant Party must also pay to the Supplier (at the same time as paying that amount) an additional amount equal to the amount of the VAT. The Recipient must (where this paragraph (i) applies) promptly pay to the Relevant Party an amount equal to any

credit or repayment the Recipient receives from the relevant tax authority which the Recipient reasonably determines relates to the VAT chargeable on that supply; and

- (ii) (where the Recipient is the person required to account to the relevant tax authority for the VAT) the Relevant Party must promptly, following demand from the Recipient, pay to the Recipient an amount equal to the VAT chargeable on that supply but only to the extent that the Recipient reasonably determines that it is not entitled to credit or repayment from the relevant tax authority in respect of that VAT.
- (c) Where a Finance Document requires any Party to reimburse or indemnify a Finance Party for any cost or expense, that Party shall reimburse or indemnify (as the case may be) such Finance Party for the full amount of such cost or expense, including such part thereof as represents VAT, save to the extent that such Finance Party reasonably determines that it is entitled to credit or repayment in respect of such VAT from the relevant tax authority.
- (d) Any reference in this Clause 11.6 to any Party shall, at any time when such Party is treated as a member of a group or unity (or fiscal unity) for VAT purposes, include (where appropriate and unless the context otherwise requires) a reference to the person who is treated at that time as making the supply, or (as appropriate) receiving the supply, under the grouping rules (provided for in Article 11 of Council Directive 2006/112/EC (or as implemented by the relevant member state of the European Union) or any other similar provision in any jurisdiction which is not a member state of the European Union) so that a reference to a Party shall be construed as a reference to that Party or the relevant group or unity (or fiscal unity) of which that Party is a member for VAT purposes at the relevant time or the relevant representative member (or head) of that group or unity (or fiscal unity) at the relevant time (as the case may be).
- (e) In relation to any supply made by a Finance Party to any Party under a Finance Document, if reasonably requested by such Finance Party, that Party must promptly provide such Finance Party with details of that Party's VAT registration and such other information as is reasonably requested in connection with such Finance Party's VAT reporting requirements in relation to such supply.

11.7 **FATCA information**

- (a) Subject to paragraph (c) below, each Party shall, within ten (10) Business Days of a reasonable request by another Party:
 - (i) confirm to that other Party whether it is:
 - (A) a FATCA Exempt Party; or
 - (B) not a FATCA Exempt Party;
 - (ii) supply to that other Party such forms, documentation and other information relating to its status under FATCA as that other Party

reasonably requests for the purposes of that other Party's compliance with FATCA; and

- (iii) supply to that other Party such forms, documentation and other information relating to its status as that other Party reasonably requests for the purposes of that other Party's compliance with any other law, regulation, or exchange of information regime.
- (b) If a Party confirms to another Party pursuant to paragraph (a)(i) above that it is a FATCA Exempt Party and it subsequently becomes aware that it is not or has ceased to be a FATCA Exempt Party, that Party shall notify that other Party reasonably promptly.
- (c) Paragraph (a) above shall not oblige any Finance Party to do anything, and paragraph (a)(iii) above shall not oblige any other Party to do anything, which would or might in its reasonable opinion constitute a breach of:
 - (i) any law or regulation;
 - (ii) any fiduciary duty; or
 - (iii) any duty of confidentiality.
- (d) If a Party fails to confirm whether or not it is a FATCA Exempt Party or to supply forms, documentation or other information requested in accordance with paragraph (a)(i) or (ii) above (including, for the avoidance of doubt, where paragraph (c) above applies), then such Party shall be treated for the purposes of the Finance Documents (and payments under them) as if it is not a FATCA Exempt Party until such time as the Party in question provides the requested confirmation, forms, documentation or other information.

11.8 FATCA Deduction

- (a) Each Party may make any FATCA Deduction it is required to make by FATCA, and any payment required in connection with that FATCA Deduction, and no Party shall be required to increase any payment in respect of which it makes such a FATCA Deduction or otherwise compensate the recipient of the payment for that FATCA Deduction.
- (b) Each Party shall promptly, upon becoming aware that it must make a FATCA Deduction (or that there is any change in the rate or the basis of such FATCA Deduction), notify the Party to whom it is making the payment and, in addition, shall notify the Borrower and the Facility Agent and the Facility Agent shall notify the other Finance Parties.

12. INCREASED COSTS

12.1 Increased costs

- (a) Subject to Clause 12.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party

as a result of (i) the introduction of or any change in (or in the interpretation, administration or application of) any law or regulation; or (ii) compliance with any law or regulation made after the date of this Agreement.

- (b) The Original Lender acknowledges that as of the date of this Agreement it does not expect to be subject to BASEL III or CRD IV, and consequently the Original Lender acknowledges that it would not be entitled to claim or receive payment under this Clause 12 as a result of the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

If and to the extent that the Original Lender subsequently becomes, or any Lender becomes or is, subject to BASEL III or CRD IV, then subject to Clause 12.3 (*Exceptions*) the Borrower shall, within three (3) Business Days of a demand by the Facility Agent, pay for the account of a Finance Party the amount of any Increased Costs incurred by that Finance Party as a result of the implementation or application of, or compliance with, Basel III or CRD IV or any law or regulation that implements or applies Basel III or CRD IV.

- (c) In this Agreement

"Increased Costs" means:

- (i) a reduction in the rate of return from the Facility or on a Finance Party's overall capital;
- (ii) an additional or increased cost; or
- (iii) a reduction of any amount due and payable under any Finance Document,

which is incurred or suffered by a Finance Party to the extent that it is attributable to that Finance Party funding or performing its obligations under any Finance Document.

"Basel III" means:

- (i) the agreements on capital requirements, a leverage ratio and liquidity standards contained in "Basel III: A global regulatory framework for more resilient banks and banking systems", "Basel III: International framework for liquidity risk measurement, standards and monitoring" and "Guidance for national authorities operating the countercyclical capital buffer" published by the Basel Committee on Banking Supervision in December 2010, each as amended, supplemented or restated;
- (ii) the rules for global systemically important banks contained in "Global systemically important banks: assessment methodology and the additional loss absorbency requirement – Rules text" published by the Basel Committee on Banking Supervision in November 2011, as amended, supplemented or restated; and

- (iii) any further guidance or standards published by the Basel Committee on Banking Supervision relating to "Basel III."

"**CRD IV**" means EU CRD IV and UK CRD IV.

"**EU CRD IV**" means:

- (i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms; and
- (ii) Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC.

"**UK CRD IV**" means:

- (i) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**Withdrawal Act**");
- (ii) the law of the United Kingdom or any part of it, which immediately before IP completion day (as defined in the European Union Withdrawal Agreement Act 2020) implemented Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC and its implementing measures; and
- (iii) direct EU legislation (as defined in the Withdrawal Act), which immediately before IP completion day (as defined in the European Union Withdrawal Agreement Act 2020) implemented EU CRD IV as it forms part of domestic law of the United Kingdom by virtue of the Withdrawal Act.

12.2 Increased cost claims

- (a) A Finance Party intending to make a claim pursuant to Clause 12.1 (*Increased costs*) shall notify the Facility Agent of the event giving rise to the claim, following which the Facility Agent shall promptly provide such notification to the Borrower.
- (b) Each Finance Party shall, as soon as practicable after the Facility Agent provided notice to the Borrower under paragraph (a) above, provide a certificate confirming the amount of its Increased Costs to the Facility Agent and the Borrower.

12.3 Exceptions

- (a) Clause 12.1 (*Increased costs*) does not apply to the extent any Increased Cost is:
 - (i) attributable to a Tax Deduction required by law to be made by the Borrower;
 - (ii) attributable to a FATCA Deduction required to be made by a Party;
 - (iii) compensated for by Clause 11.3 (*Tax indemnity*) (or would have been compensated for under Clause 11.3 (*Tax indemnity*) but was not so compensated solely because any of the exclusions in paragraph (b) of Clause 11.3 (*Tax indemnity*) applied); or
 - (iv) attributable to the wilful breach by the relevant Finance Party of any law or regulation (including wilful breach by the relevant Finance Party to make a timely filing with the competent authority).

13. OTHER INDEMNITIES

13.1 Currency indemnity

- (a) If any sum due from the Borrower under the Finance Documents (a "**Sum**"), or any order, judgment or award given or made in relation to a Sum, has to be converted from the currency (the "**First Currency**") in which that Sum is payable into another currency (the "**Second Currency**") for the purpose of:
 - (i) making or filing a claim or proof against the Borrower; or
 - (ii) obtaining or enforcing an order, judgment or award in relation to any litigation or arbitration proceedings,

the Borrower shall as an independent obligation, within three (3) Business Days of demand, indemnify each Finance Party to whom that Sum is due against any cost, loss or liability arising out of or as a result of the conversion including any discrepancy between (A) the rate of exchange used to convert that Sum from the First Currency into the Second Currency and (B) the rate or rates of exchange available to that person at the time of its receipt of that Sum.

- (b) To the extent permitted by law, the Borrower undertakes not to invoke any right it may have in any jurisdiction to pay any amount under the Finance Documents in a currency or currency unit other than that in which it is expressed to be payable.

13.2 Other indemnities

The Borrower shall indemnify each Finance Party against any cost, loss or liability incurred by that Finance Party as a result of:

- (a) the occurrence of any Event of Default;

- (b) a failure by the Borrower to pay any amount due under a Finance Document on its due date, including without limitation, any cost, loss or liability arising as a result of Clause 23 (*Sharing among the Finance Parties*);
- (c) funding, or making arrangements to fund, its participation in the Loan requested by the Borrower in the Utilization Request but not made by reason of the operation of any one or more of the provisions of this Agreement (other than by reason of default or negligence by that Finance Party alone); or
- (d) the Loan not being prepaid in accordance with a notice of prepayment given by the Borrower.

13.3 Indemnity to the Facility Agent

The Borrower shall promptly indemnify the Facility Agent and its agents engaged pursuant to Clause 21.9(c) (*Rights of the Facility Agent*) against any cost, loss, expense or liability reasonably incurred by the Facility Agent as a result of:

- (a) any action it may take or refrain from taking in connection with a Default;
- (b) acting or relying on any notice, request or instruction which it reasonably believes to be genuine, correct and appropriately authorized; or
- (c) any other cost, loss, expense or liability reasonably incurred by the Facility Agent (including duly documented attorney's fees and expenses) in connection with the services provided by the Facility Agent hereunder or under the Finance Documents (including any expense in enforcing its indemnity rights hereunder),

in each case except for any cost, loss, expense or liability that results from the gross negligence or wilful misconduct of the Facility Agent.

This Clause 13.3 (*Indemnity to the Facility Agent*) shall survive notwithstanding any termination of this Agreement or any other Finance Document to which the Facility Agent is a party or the resignation or replacement of the Facility Agent.

14. MITIGATION BY THE LENDERS

14.1 Mitigation

- (a) Each Lender shall (to the extent practicable) in consultation with the Borrower, take all reasonable steps to mitigate any circumstances which arise and which would result in any amount becoming payable under or pursuant to any of Clause 7.1 (*Illegality*), Clause 11 (*Tax gross-up and indemnities*) or Clause 12 (*Increased costs*) including assigning its rights and obligations under the Finance Documents to a bank, financial institution, trust, fund or other entity.
- (b) Paragraph (a) above does not in any way limit the obligations of the Borrower under the Finance Documents and in each case any such assignment will be subject to: (i) following any payment of compensation by DFC in accordance with the PRI Policy or, so long as the PRI Policy is in full force and effect as of the effective date of any such assignment, the consent of DFC in accordance with Clause 20.2 (*Assignments by Lenders*), and (ii) so long as the IADB

Guarantee remains in full force and effect, the consent of IADB in accordance with Clause 20.2 (*Assignments by Lenders*).

14.2 **Limitation of liability**

- (a) The Borrower shall promptly indemnify each Lender for all costs and expenses reasonably incurred by that Lender as a result of steps taken by it under Clause 14.1 (*Mitigation*).
- (b) A Lender is not obliged to take any steps under Clause 14.1 (*Mitigation*) if, in the opinion of that Lender (acting reasonably), to do so might be prejudicial to it.

15. **COSTS AND EXPENSES**

15.1 **Transaction expenses**

Unless otherwise provided in a Finance Document, each Party shall be responsible for its own costs and expenses in connection with the negotiation, preparation, printing, and execution of this Agreement and any other Finance Document.

15.2 **Amendment costs**

If (a) the Borrower requests an amendment, waiver or consent or (b) an amendment is required pursuant to Clause 24.9 (*Change of currency*), the Borrower shall, within ten (10) Business Days of demand, reimburse the Facility Agent for the amount of all documented costs and expenses (including legal fees) reasonably incurred by each Finance Party (including under any separate transaction under which payments may be made by reference to this Agreement) in responding to, evaluating, negotiating or complying with that request or requirement.

15.3 **Enforcement costs**

The Borrower shall, within ten (10) Business Days of demand, pay to each Finance Party the amount of all documented costs and expenses reasonably incurred (including legal fees) by that Finance Party (including under any separate transaction under which payments may be made by reference to this Agreement) in connection with the enforcement of, or the preservation of any rights under, any Finance Document.

SECTION 7
REPRESENTATIONS, UNDERTAKINGS AND EVENTS OF DEFAULT

16. REPRESENTATIONS

The Borrower makes the representations and warranties set out in this Clause 16 to each Finance Party on the dates set out in Clause 16.21 (*Times for making representations*).

16.1 Status

It is a sovereign state and is not (and cannot be) subject to any insolvency procedure under the laws of Ecuador.

16.2 Binding obligations

The obligations expressed to be assumed by it in each Finance Document to which it is a party are legal and valid obligations of Ecuador, binding on it and enforceable in accordance with the terms thereof.

16.3 Execution of this Agreement

- (a) Its execution and delivery of this Agreement and its exercise of its rights and performance of its obligations under the Finance Documents to which it is a party do not and will not conflict with:
 - (i) any law or regulation applicable to it including the Constitution and the Public Planning and Finance Code; or
 - (ii) any agreement, bond or other instrument or treaty to which it is a party or which is binding upon it or any of its assets.
- (b) It has the power to enter into and perform, and has taken all necessary action to authorize its entry into and performance of, the Finance Documents to which it is a party and the transactions contemplated by the Finance Documents to which it is a party (including the payment of all amounts payable by it thereunder, such as any principal, interest, Debt Exchange Linked Conservation Fees, Additional Reserve Payments and Additional Conservation Payments).

16.4 Validity and admissibility in evidence

All Authorizations required under the laws of Ecuador:

- (a) to enable it lawfully to enter into, exercise its rights and comply with its obligations in the Finance Documents to which it is a party;
- (b) to make the Finance Documents to which it is a party admissible in evidence in the courts of Ecuador; and
- (c) to waive sovereign immunity to the extent waived herein,

have been obtained and are in full force and effect.

16.5 **Governing law, arbitral awards and scope of immunity**

- (a) In any proceedings taken in Ecuador in relation to this Agreement, the choice of New York law as the governing law of this Agreement and the choice of English law as the governing law of Clause 37.1 (*Arbitration*), will be recognized and enforced in Ecuador, and any arbitral award obtained in accordance with Clause 37.1 (*Arbitration*) will be recognized and enforced in Ecuador in accordance with the New York Convention.
- (b) The scope of immunity by the Borrower contained in this Agreement, the appointment of any Interim Process Agent, Permanent Process Agent or Replacement Agent referred to in Clause 39 (*Service of process*), the consent by the Borrower to submission of Disputes to the ICC Court as specified in Clause 37.1 (*Arbitration*), the provision that the laws of New York govern this Agreement as specified in Clause 36 (*Governing Law*) and the provision that English law shall be the governing law of Clause 37.1 (*Arbitration*) are irrevocably binding on the Borrower.

16.6 **No deductions or withholding**

Under the laws of Ecuador in force at the date of this Agreement, it is not required to make any deduction or withholding for or on account of Tax from any payment it may make under the Finance Documents to which it is a party.

16.7 **No filing or stamp taxes**

Other than registration of this Agreement with the Public Debt Registry of the Ministry of Economy and Finance, as at the date of this Agreement, under the laws of Ecuador it is not necessary that the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption) be filed, recorded or enrolled with any court or other authority in that jurisdiction or that any stamp, registration or similar tax be paid on or in relation to the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption) or the transactions contemplated by the Finance Documents to which the Borrower is a party (other than an Assignment and Assumption).

16.8 **No material defaults**

- (a) It is not in default of External Indebtedness (other than Excluded Indebtedness) in excess of USD50,000,000 (or its equivalent in any other currency or currencies).
- (b) It is not in breach of or in default under any agreement to which it is a party or which is binding on it or any of its assets to an extent or in a manner which could reasonably be expected to have a Material Adverse Effect.

16.9 **Pari passu**

Under the laws of Ecuador in force at the date of this Agreement, the Borrower's obligations under the Finance Documents to which it is a party are general, direct, unsecured, unsubordinated and unconditional obligations of the Borrower which are backed by the full faith and credit of the Borrower, and the claims of the Finance Parties

against it under the Finance Documents to which it is a party rank equally in terms of priority with the Borrower's External Indebtedness (other than Excluded Indebtedness), *provided that*, such ranking is in terms of priority only and does not require that the Borrower make ratable payments under the Finance Documents to which it is a party with payments made on its other External Indebtedness.

16.10 No material proceedings

Except as disclosed to the Original Lender prior to the date of this Agreement, no action or administrative proceeding of or before any court or agency which could reasonably be expected to have a Material Adverse Effect has (to the best of its knowledge and belief having made due enquiry) been started or threatened against it.

16.11 Acts of commercial public credit

The execution of the Finance Documents to which it is a party by the Borrower constitutes, and the exercise of its rights and performance of its obligations under the Finance Documents to which it is a party will constitute, acts of commercial public credit under the laws of Ecuador.

16.12 Anti-Bribery and anti-corruption laws

Neither the Borrower nor, to the knowledge of the Borrower, any representative, public officer, public servant, employee or agent (where such employee or agent is acting in an official capacity) or affiliated entity of the Borrower:

- (a) is aware of or has taken any action, directly or indirectly, that could result in a violation by such persons of any applicable provision of any anti-corruption law (including, but not limited to, the Foreign Corrupt Practices Act of 1977, as amended, the rules and regulations thereunder or the U.K. Bribery Act 2010, in each case, whether in connection with or arising from the OECD Convention Combating Bribery of Foreign Public Officials in International Business Transactions or otherwise); and neither the Borrower nor any of its affiliated entities was, to the knowledge of the Borrower, or any representative, public officer, public servant, agent or employee is aware of or has taken any action, directly or indirectly that could result in a sanction for violation by such persons of the Foreign Corrupt Practices Act of 1977, as amended, the rules and regulations thereunder or the U.K. Bribery Act 2010; and prohibition of non-compliance with any applicable provisions of any anti-corruption law is covered by the codes of conduct or other procedures instituted and maintained by the Borrower and its affiliated entities;
- (b) has made, offered to make, promised to make or authorized the payment or giving of, directly or indirectly, any bribe, rebate, payoff, influence payment, kickback or other payment or gift of money or anything of value (including meals or entertainment) to any officer, employee or ceremonial office holder of any government or instrumentality thereof, any political party or supra-national organization (such as the United Nations), any political candidate, any royal family member or any other person who is connected or associated personally with any of the foregoing that is prohibited under any applicable law or otherwise for the purpose of influencing any act or decision of such payee in

their official capacity, inducing such payee to do or omit to do any act in violation of their lawful duty, securing any improper advantage or inducing such payee to use their influence with a government or instrumentality thereof to affect or influence any act or decision of such government or instrumentality ("**Prohibited Payments**"); or

- (c) has been subject to any written claim, action, proceeding, investigation, notice or demand with regard to any actual or alleged Prohibited Payment.

16.13 Sanctioned Person

- (a) Neither the Borrower nor, to the knowledge of the Borrower, any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower or, when acting in connection with this Agreement, the Finance Documents to which the Borrower is a party, and/or the transactions contemplated thereby, any official representatives of the Borrower, is a Sanctioned Person.
- (b) The Facility will not be used, contributed or made available, directly or indirectly,
 - (i) to fund any activities, business, trade or transactions (A) involving or for the benefit of a Sanctioned Person or Sanctioned Jurisdictions, (B) in a country or territory that is a Sanctioned Territory, or (C) that could result in any person (including DFC) being in breach of Sanctions or becoming a Sanctioned Person; or
 - (ii) in a manner that would, directly or indirectly, result in acting in a manner prohibited by any Sanctions Programs.

16.14 Other requirements

Without prejudice to Clauses 16.12 (*Anti-bribery and anti-corruption laws*) and 16.13 (*Sanctioned Person*), to the knowledge of the Borrower, no investigation, action, suit, proceeding or other inquiry by or before any national or international court, governmental agency, authority or body or any arbitrator involving senior public officials (persons being currently entrusted with a prominent public function, including members of government and members of legislative bodies) of the Borrower with respect to the anti-money laundering laws and regulations of Ecuador, or any other jurisdiction is currently pending or threatened.

16.15 Outstanding External Indebtedness

In the last twelve (12) months prior to the date of this Agreement, no outstanding External Indebtedness of the Borrower, other than Excluded Indebtedness, has become repayable before its stated maturity by reason of default, nor has any security in respect of such External Indebtedness become enforceable by reason of default by the Borrower and no event has occurred or is, so far as the Borrower is aware, impending which (with the lapse of time or the making of any determination or the giving of notice or the compliance with any other formality) will be expected to result in any such External Indebtedness becoming so repayable or any such security becoming enforceable by

reason of default and no person to whom any such External Indebtedness of the Borrower is owed, has demanded or threatened to demand repayment of, or to take any steps to enforce any security for, the same.

16.16 **No license or qualification**

It is not necessary under the laws of Ecuador:

- (a) in order to enable any Finance Party to enforce its rights under any Finance Document to which the Borrower is a party; or
- (b) by reason of the execution of any Finance Document to which the Borrower is a party or the performance by it of its obligations under any Finance Document to which the Borrower is a party,

that any Finance Party should be licensed, qualified or otherwise entitled to carry on business in Ecuador.

16.17 **Choice of law**

The choice of New York law in this Agreement is a valid choice of law under the laws of Ecuador and, accordingly, would be recognized and applied by the courts of Ecuador if this Agreement or any claim hereunder is brought before any such court; *provided that* in any proceedings in Ecuador for the enforcement of this Agreement, a court in Ecuador would apply the procedural law of Ecuador.

16.18 **Anti-Terrorism; Anti-Money laundering**

- (a) Ecuador is not designated by the Secretary of State of the United States as a State Sponsor of Terrorism pursuant to section 104(c) of the Export Control Reform Act (50 U.S.C. § 4813(c)), section 40 of the Arms Export Control Act (22 U.S.C. § 2780), or section 620A of the Foreign Assistance Act of 1961 (22 U.S.C. § 2371).
- (b) Ecuador has implemented, through measures adapted to its particular circumstances, the necessary laws, regulations, and regulatory and enforcement structures to implement the framework of measures recommended by the Financial Action Task Force ("**FATF**") in order to combat money laundering and terrorist financing, as well as the financing of proliferation of weapons of mass destruction as set forth in the International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation as promulgated by the FATF (the "**Anti-Money Laundering Framework**") and has not been identified by the FATF as a jurisdiction with strategic deficiencies in its Anti-Money Laundering Framework.

16.19 **Statutory and policy requirements**

The representations and warranties contained in Clause 2 (*Representations and Warranties*) of Schedule 8 (*Statutory and Policy Requirements*) are true and correct.

16.20 **Change in law**

To the best of its knowledge and belief having made due enquiry, there is no pending amendment to the laws, regulations, statutes or treaties of the Republic, nor any (a) of the foregoing proposed in writing by or to any Governmental Authority or (b) pending legislation in the Jurisdiction, that, if it were to become effective, could reasonably be expected to have a material adverse effect on the validity or enforceability of this Agreement, the ability of the Borrower to make payments, or cause payments to be made, under this Agreement in such currency as required herein and/or to comply with the terms set forth in the Conservation Commitments Agreement.

16.21 **Times for making representations**

- (a) Each of the representations and warranties set out in this Clause 16 are made by the Borrower on the date of this Agreement, the date of the Utilization Request and the Settlement Date.
- (b) The Repeating Representations are deemed to be made by the Borrower by reference to the facts and circumstances then existing on the first day of each Interest Period.

17. **INFORMATION UNDERTAKINGS**

The undertakings in this Clause 17 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents to which the Borrower is a party or any Commitment is in force.

17.1 **Financial and conservation information**

- (a) The Borrower must promptly supply the following financial information to the Facility Agent as soon as it becomes available:
 - (i) the annual financial information issued by the Central Bank for each calendar year;
 - (ii) data on the international balance of payments on an annual basis; and
 - (iii) each quarterly report issued by the Central Bank.
- (b) The Borrower must promptly supply to the Facility Agent such information in relation to the economy of Ecuador and the financial condition or operations of the Borrower as the Facility Agent (on behalf of any Lender) may reasonably request (acting at the direction of such Lender) *provided that* such information is of a type that is provided by the Borrower from time to time to the general public and/or its creditors generally.
- (c) The Borrower must promptly inform the Facility Agent of:

- (i) the imposition of any law, decree or regulation materially and adversely affecting the Borrower's ability to perform its obligations under the Finance Documents to which it is a party; or
 - (ii) the occurrence of any situation or event which would prevent or materially and adversely interfere with the performance by the Borrower of its obligations under the Finance Documents to which it is a party.
- (d) The Borrower shall promptly supply the following to the Facility Agent as soon as it is delivered (or otherwise becomes available) under the Conservation Commitments Agreement:
- (i) a copy of each final conservation milestone report pursuant to Section 2.3(c) of the Conservation Commitments Agreement; and
 - (ii) a copy of each final annual conservation report pursuant to Section 2.4(c) of the Conservation Commitments Agreement.

17.2 Other information

The Borrower shall, from time to time upon written request of the Facility Agent (acting at the direction of the Lenders) furnish the Facility Agent with such other financial, statistical and general information about the Borrower and its agencies as the Facility Agent may reasonably require, *provided that* such information (i) is not subject to disclosure restrictions under applicable law, (ii) has already been produced or made available by the Borrower and (iii) is not required to be provided to the Facility Agent in any language other than the language in which it is available.

17.3 Notification of material events

- (a) The Borrower shall notify the Facility Agent of:
- (i) any Default (and the steps, if any, being taken to remedy it) promptly upon becoming aware of its occurrence;
 - (ii) any failure to pay, or material non-compliance which qualifies as an event of default under the terms of any External Indebtedness of the Borrower; and
 - (iii) filing or commencement of any action, suit or proceeding by or before any arbitrator, governmental or quasi-governmental body, agency, authority, court, tribunal, or other entity exercising executive, legislature, judicial, taxing, regulatory or administrative power or functions against or affecting the Borrower or its properties or assets relating to any External Indebtedness and involving actions or claims in excess of USD50,000,000.
- (b) Each notice delivered pursuant to paragraph (a) of this Clause 17.3 shall (i) be accompanied by a certificate signed by the Undersecretary of Public Finance of the Ministry of Economy and Finance of Ecuador, on its behalf, setting forth (x) the details of the event or development requiring such notice under this Clause 17.3 and (y) any action taken or proposed to be taken by the Borrower with

respect thereto, and (ii) contain a heading or reference line that reads "Notice under Clause 17.3 (*Notification of material events*) of the Facility Agreement dated as of 3 December 2024 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador as Borrower, The Bank of New York Mellon as Facility Agent, and Amazon Conservation DAC, as Original Lender".

- (c) The Facility Agent must promptly forward to each Finance Party all information and notifications by the Borrower under paragraph (b) of this Clause 17.3.

17.4 "Know your customer" checks

- (a) The Borrower must promptly on the request of any Finance Party supply to that Finance Party any documentation or other evidence which is reasonably requested by that Finance Party (whether for itself, on behalf of any Finance Party or any prospective new Lender) to enable a Finance Party or prospective new Lender to carry out and be satisfied with the results of any "know your customer" checks or other similar checks required under any applicable law or regulation.
- (b) Each Lender must promptly upon the request of the Facility Agent supply to, or procure the supply of, such documentation or other evidence as is reasonably requested by the Facility Agent (for itself) in order for the Facility Agent to carry out and be satisfied it has complied with all necessary "know your customer" checks or other similar checks under any applicable law or regulation pursuant to the transactions contemplated in the Finance Documents.

17.5 Access

- (a) If no Default is outstanding, the Borrower shall permit the representatives of DFC, at DFC's own expense, and upon reasonable prior notice to the Borrower, to visit the principal executive office of the government of Ecuador, in order to discuss with the government of Ecuador's ministers or officials the affairs, finances and accounts of the Borrower (including its relevant ministries and agencies) that are related to this Agreement, with at least a twenty (20) calendar days' advance notice, which request shall specify the purpose of the visit.
- (b) If a Default is outstanding, the Borrower shall permit the representatives of the Lenders and of DFC, at the Borrower's expense (such expense to be reasonably incurred by the Lenders and DFC, as applicable), and upon five (5) Business Days' advance notice to the Borrower, to visit the offices of the government of Ecuador to examine such non-confidential and non-privileged records, reports and other papers, to make copies and extracts therefrom, as are relevant to this Agreement and to discuss the affairs, finances and accounts of the Borrower with its relevant ministers and officials, all at such reasonable times and as often as may be reasonably requested.

18. GENERAL UNDERTAKINGS

The undertakings in this Clause 18 remain in force from the date of this Agreement for so long as any amount is outstanding under the Finance Documents to which the Borrower is a party or any Commitment is in force.

18.1 Maintenance of legal validity

The Borrower shall obtain, comply with the terms of and do all that is necessary to maintain in full force and effect all authorizations, approvals, licenses and consents required in or by the laws of Ecuador to enable it lawfully to enter into and perform its obligations under the Finance Documents to which it is a party and to ensure the legality, validity, enforceability or admissibility in evidence in Ecuador of the Finance Documents to which it is a party.

18.2 Use of Facility

The Borrower shall use the Facility solely for the purposes set out in Clause 3.1 (*Purpose*).

18.3 Compliance with laws

The Borrower shall comply with all laws to which it is subject, if failure so to comply would materially impair its ability to perform its obligations under the Finance Documents to which it is a party.

18.4 Negative pledge

The Borrower shall not create or suffer to exist, or permit the Central Bank to create or suffer to exist, any Security upon any of its present or future assets or revenues to secure or otherwise provide for the payment of any External Indebtedness of the Borrower or the Central Bank unless, on or prior to the date such Security is created or comes into existence, the obligations of the Borrower under this Agreement are secured equally and rateably with such External Indebtedness.

The Borrower may, however, create or permit to subsist the following Security ("**Permitted Security**"):

- (a) any Security on property to secure External Indebtedness arising in the ordinary course of business to finance export, import or other trade transactions, which matures (after giving effect to renewals and refinancings) no more than one year after it was originally incurred;
- (b) any Security upon property to secure the purchase price of such property or to secure any External Indebtedness incurred solely for the purpose of financing the acquisition of such property;
- (c) any Security on property arising by operation of law (or pursuant to any agreement establishing a Security equivalent to one which would otherwise exist under relevant local law), including any right of set-off with respect to demand or time deposits with financial institutions and bankers' liens with respect to property held by financial institutions (in each case deposited with or

delivered to such financial institutions in the ordinary course of the depositor's activities);

- (d) any Security existing on such property at the time of its acquisition;
- (e) any Security in existence as of the date of this Agreement;
- (f) any Security securing External Indebtedness issued upon surrender or cancellation of the principal amount of any of the Excluded Indebtedness, to the extent the Security is created to secure that External Indebtedness;
- (g) any Security created in connection with any Project Financing, *provided that* the properties to which any such Security applies are solely with respect to (A) properties which are the subject of such Project Financing or (B) revenues or claims which arise from the operation, failure to meet specifications, failure to complete, exploitation, sale or loss of, or damage to, such properties;
- (h) additional Security created in any calendar year upon assets, revenues or receivables of the Borrower having, when encumbered, a fair market value not exceeding an aggregate amount equal to USD50,000,000 (or its equivalent in other currency or currencies) to collateralize, or to purchase collateral, guarantees or other credit support in respect of, new borrowings by the Borrower, *provided that*, to the extent that in any calendar year USD50,000,000 (or its equivalent in other currency or currencies) exceeds such aggregate fair market value of the assets, revenues or receivables so encumbered during that year, the aggregate fair market value of assets, revenues and receivables which may be encumbered in subsequent calendar years shall be increased by the amount of such excess; *provided, however, that* the fair market value of the assets, revenues or receivables so encumbered in any calendar year will in no event exceed USD150,000,000 (or its equivalent in other currency or currencies); and
- (i) any renewal or extension of any of the Security described above; *provided that* no renewal or extension of any permitted Security shall (A) extend to or cover any property other than the property then subject to the Security being extended or renewed or (B) increase the amount of financing secured by that Security.

18.5 Sanctions

The Borrower shall (and shall procure that any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower shall):

- (a) not directly or indirectly use or permit to be used all or any part of the Facility, or lend, contribute or otherwise make available all or any part of the Facility directly or indirectly to any person or entity (whether or not related to any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower) for the purpose or with the effect of breaching any applicable anti-bribery or anti-corruption laws or involving, for the benefit of, or financing the activities of any person or entity which is subject to Sanctions or located in a Sanctioned Jurisdiction or Sanctioned Territory to the extent

prohibited by applicable Sanctions or in any manner that would contribute to a violation of applicable Sanctions by any Finance Party or any other person;

- (b) not fund all or part of any payment under the Facility out of proceeds directly or indirectly derived from transactions which would be prohibited by applicable Sanctions or would otherwise cause any Finance Party to be in breach of any Sanctions;
- (c) not become a Sanctioned Person; and
- (d) to the extent permitted by law, promptly upon becoming aware thereof, supply to the Finance Parties details of any claim, action, suit, proceedings or investigation against it with respect to applicable Sanctions by any Sanctions Authority.

18.6 Improper payment

The Borrower shall not offer, give, insist on, receive or solicit any illegal payment or improper advantage to influence the action of any person with respect to any transaction contemplated by the Finance Documents and the Borrower will ensure that any representative, public officer, public servant, agent, employee or affiliated entity of the Borrower comply with the foregoing.

18.7 Specific undertakings required under the PRI Policy

In the event that any Finance Party commences arbitral proceedings in connection with a Dispute against the Borrower hereunder, the Borrower shall, without prejudice to its defense of such arbitral proceedings, include the potential amount of the arbitral award as a contingent or express liability, as appropriate, in each relevant annual budget of the Republic until the arbitral award is satisfied.

18.8 Claims pari passu

The Borrower shall ensure that at all times its obligations under the Finance Documents to which it is a party are general, direct, unsecured, unsubordinated and unconditional obligations of the Borrower and will be backed by the full faith and credit of the Borrower and ensure that the Finance Documents to which it is a party will rank equally in terms of priority with the Borrower's External Indebtedness (other than Excluded Indebtedness), *provided that*, such ranking is in terms of priority only and does not require that the Borrower make ratable payments under the Finance Documents to which it is a party with payments made on its other External Indebtedness.

18.9 Conservation Commitments

- (a) The Parties acknowledge that the Ministry of Environment has undertaken in the Conservation Commitments Agreement to comply with or achieve (as applicable) the Conservation Commitments pursuant to the terms of the Conservation Commitments Agreement.
- (b) The Parties agree that, in the event that the Facility Agent is notified in writing that a Grace Period applies pursuant to the terms of the Conservation Commitments Agreement, the Facility Agent shall forward such notice to the

other Finance Parties, DFC and IADB, and such Grace Period shall apply without any further consent being required. For the avoidance of doubt, any failure or delay of the Project Coordinator in providing such notice to the Facility Agent, or of the Facility Agent to forward such notice to the other Finance Parties, DFC and IADB, shall in no event trigger (i) a consent right for any Party, (ii) Additional Conservation Payments; nor (iii) an Event of Default under this Agreement.

- (c) The Borrower agrees that any failure by the Ministry of Environment to achieve any Conservation Commitment, including without limitation the occurrence of a Conservation Event, will:
 - (i) if applicable, trigger Additional Conservation Payments in accordance with Clause 6.4 (*Additional Conservation Payments*); and
 - (ii) potentially trigger an Event of Default under this Agreement (but only in accordance with Clause 19.14 (*Material Commitment Breach*)).

18.10 Statutory and policy requirements

The Borrower shall comply with the covenants set out in Clause 3 (*Covenants*) of Schedule 8 (*Statutory and policy requirements*).

19. EVENTS OF DEFAULT

Each of the events or circumstances set out in this Clause 19 is an Event of Default (save for Clause 19.18 (*Acceleration*)).

19.1 Failure to pay

The Borrower fails to pay any amount due and payable by it under the Finance Documents to which it is a party (including any principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8 (*Interest*), Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*), Additional Reserve Payments pursuant to Clause 6.3 (*Additional Reserve Payments*) and any other amount, but excluding any Additional Conservation Payments pursuant to Clause 6.4 (*Additional Conservation Payments*), on the date and in the currency and in the manner specified therein unless such failure to pay is remedied within thirty (30) calendar days after the due date.

19.2 Misrepresentation

Any representation, warranty or statement made or deemed to be made by the Borrower in the Finance Documents to which it is a party or in any notice or other document, certificate or statement delivered by it pursuant thereto or in connection therewith is or proves to have been incorrect or misleading in any material respect when made or deemed to be made unless the circumstances giving rise to the misrepresentation or breach of warranty are:

- (a) capable of remedy; and
- (b) remedied within ten (10) Business Days of the earlier of:

- (i) the Facility Agent (acting at the direction of the Majority Lenders) giving notice of the misrepresentation or breach of warranty to the Borrower; and
- (ii) the Borrower becoming aware of the misrepresentation or breach of warranty.

19.3 **Other obligations**

The Borrower fails to perform or comply with any other obligation, other than the obligations set forth in Clause 6.4 (*Additional Conservation Payments*), Clause 19.1 (*Failure to pay*) or Clause 19.15 (*Failure to pay Additional Conservation Payments*), expressed to be assumed by it in the Finance Documents to which it is a party and such failure, if capable of remedy, is not remedied within thirty (30) days (except in relation to Clause 17.1 (*Financial information*) where the period for remedy shall be ninety (90) days) after the Facility Agent (acting at the direction of the Majority Lenders) has given notice thereof to the Borrower.

19.4 **Cross default**

- (a) Any External Indebtedness (other than Excluded Indebtedness) of the Borrower is not paid when due nor within any originally applicable grace period.
- (b) Any External Indebtedness (other than Excluded Indebtedness) of the Borrower is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
- (c) Any commitment for any External Indebtedness (other than Excluded Indebtedness) of the Borrower is cancelled or suspended by a creditor of the Borrower as a result of an event of default (however described).
- (d) No Event of Default will occur under this Clause 19.4 if the aggregate amount of External Indebtedness of the Borrower or commitment for External Indebtedness of the Borrower falling within paragraphs (a) to (c) above is less than USD50,000,000 (or its equivalent in any other currency or currencies).

19.5 **Moratorium**

Ecuador and/or a court of proper jurisdiction, declares a formal and official suspension of payments or a moratorium with respect to payments on Ecuador's External Indebtedness (other than Excluded Indebtedness).

19.6 **Insolvency**

Ecuador is unable or admits an inability to pay its External Indebtedness (other than Excluded Indebtedness) as such indebtedness falls due or, by reason of actual or anticipated financial difficulties, suspends or announces its intention to suspend making payments on any of its External Indebtedness (other than Excluded Indebtedness).

19.7 **Restructuring**

By reason of financial difficulties of the Borrower, the Borrower is mandated or otherwise required as a condition to its financing, by the IMF or any other international financial institution that Ecuador is a member of, to enter into negotiations with any one or more creditors, in respect of External Indebtedness of the Borrower (other than Excluded Indebtedness) in an aggregate principal amount in excess of USD50,000,000 (or its equivalent in any other currency or currencies), with a view to the re-profiling, rescheduling, reorganization and/or conversion of such External Indebtedness or similar actions; *provided that*, for the avoidance of doubt, the following shall not be considered re-profiling, rescheduling, reorganization and/or conversion of External Indebtedness subject to this Clause 19.7:

- (a) the refinancing of existing External Indebtedness on a voluntary basis with the proceeds of newly incurred External Indebtedness; and
- (b) any re-profiling, rescheduling, reorganization and/or conversion of External Indebtedness undertaken in the course of prudent fiscal management to improve the financial condition of the Borrower.

19.8 **Judgment**

There shall have been entered against Ecuador or the Central Bank in a matter related to External Indebtedness (other than Excluded Indebtedness) a final judgment, decree or order by a court of competent jurisdiction from which no appeal may be made, or is made within the time limit for doing so, for the payment of money in excess of USD50,000,000 (or its equivalent in any other currency or currencies) and one hundred twenty (120) days shall have passed since the entry of any such order without Ecuador having satisfied the judgment.

19.9 **Arbitral award**

There shall be made against Ecuador or the Central Bank in a matter related to External Indebtedness (other than Excluded Indebtedness) an arbitral award by a tribunal of competent jurisdiction from which no appeal or application to set aside may be made, or is made within the time limit for doing so, for the payment of money in excess of USD50,000,000 (or its equivalent in any other currency or currencies) and one hundred twenty (120) days shall have passed since the making of any such award without Ecuador having satisfied the award.

19.10 **IMF and IADB**

The Borrower ceases to be a member in good standing of the IMF and/or the IADB or becomes ineligible to use the resources of the IMF. Without prejudice to the foregoing, for the avoidance of doubt, this Clause 19.10 does not in any way restrict the rights of Ecuador to freely undertake sovereign decisions.

19.11 **Repudiation**

The Borrower disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the legal validity of any Finance Documents to which it is a party or any

other financial instrument which constitutes any External Indebtedness of the Borrower, in each case in a formal administrative, legislative, judicial or arbitral proceeding.

19.12 **Illegality**

- (a) At any time it is or becomes unlawful for the Borrower to perform or comply with any or all of its obligations under this Agreement or any other Finance Document to which it is a party.
- (b) Any of the obligations of the Borrower under this Agreement or any other Finance Document to which it is a party are not or cease to be legal, valid, binding and enforceable.

19.13 **Validity and enforceability**

Any Authorization required by the Borrower for the validity or enforceability of the Finance Documents to which it is a party or for the performance by the Borrower of its obligations under the Finance Documents to which it is a party, or for the admissibility in evidence of the Finance Documents to which it is a party, is revoked, or is not issued or timely renewed, or ceases to be in full force and effect.

19.14 **Major Commitment Breach**

A Major Commitment Breach has occurred and the Project Coordinator has submitted a Major Commitment Breach Declaration in respect thereof to the Ministry of Environment under the Conservation Commitments Agreement.

19.15 **Failure to pay Additional Conservation Payments**

- (a) The Borrower fails to pay any Additional Conservation Payment within sixty (60) days of the date of receipt by the Borrower of an Original Notice from the Facility Agent pursuant to Clause 6.4(a) (*Additional Conservation Payments*) unless such failure to pay is remedied within four (4) months of such due date.
- (b) The Borrower fails to pay any Additional Conservation Payment within sixty (60) days of the date of receipt by the Borrower of an Additional Notice from the Facility Agent pursuant to Clause 6.4(b) (*Additional Conservation Payments*).

19.16 **Changes in law**

Ecuador, or any authority asserting or exercising governmental powers in Ecuador, enacts any foreign exchange law or order which:

- (a) introduces any new restriction which prohibits or precludes the ability of the Borrower to make payments in USD to any Finance Party under this Agreement or any other Finance Document to which the Borrower is a party; or
- (b) introduces any new restriction which prohibits or precludes the ability of the Borrower, the Facility Agent, or the Lender, as applicable, from freely transmitting the USD amounts paid under this Agreement in or out of Ecuador; or

- (c) seeks to amend the currency of any amount payable by the Borrower under this Agreement.

19.17 **Terrorism**

The Borrower or the government of Ecuador is designated by the Secretary of State of the United States as a State Sponsor of Terrorism.

19.18 **Acceleration**

- (a) If an Event of Default under Clause 19.1 (*Failure to pay*) occurs, the Facility Agent shall, unless otherwise instructed by the Majority Lenders, on the fifth (5th) Business Day after the last day of the applicable grace period for such Event of Default, or on such other Business Day thereafter as subsequently instructed by the Majority Lenders, by notice in the form set out in Schedule 5 (*Form of Acceleration Notice*) to the Borrower and each Lender, declare that the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall become immediately due and payable.
- (b) On and at any time after the occurrence of an Event of Default (other than an Event of Default under Clause 19.1 (*Failure to pay*)) which is continuing, the Facility Agent shall if so directed (within one (1) Business Day of such direction) by the Majority Lenders, by notice to the Borrower:
 - (i) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall become immediately due and payable; and/or
 - (ii) declare that all or part of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be payable on demand by the Facility Agent.
- (c) Any acceleration notice delivered by the Facility Agent (or, if applicable, a Lender) to the Borrower pursuant to this Clause 19.18 shall be in the form set out in Schedule 5 (*Form of Acceleration Notice*). If applicable, any revocation of an acceleration notice delivered by the Facility Agent (at the direction of the Majority Lenders) shall be in writing.

**SECTION 8
CHANGES TO PARTIES**

20. SUCCESSORS AND ASSIGNS

20.1 Successors and assigns generally

- (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors and assigns permitted hereby.
- (b) The Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Facility Agent (acting at the direction of the Lenders) and each Lender.
- (c) No Lender may assign or otherwise transfer any of its rights or obligations hereunder except:
 - (i) to an assignee in accordance with the provisions of Clause 20.2 (*Assignments by Lenders*);
 - (ii) by way of participation in accordance with the provisions of Clause 20.4 (*Participations*);
 - (iii) by way of pledge or assignment of a security interest subject to the restrictions of Clause 20.5 (*Certain pledges*); or
 - (iv) pursuant to Clause 20.6 (*Assignment to DFC*).
- (d) Any attempted assignment or transfer by any Party hereto that does not comply with the requirements of, or is otherwise in breach of, this Clause 20 (*Successors and Assigns*) shall be null and void.
- (e) Nothing in this Agreement, expressed or implied, shall be construed to confer upon any person (other than the Parties hereto, their respective successors and assigns permitted hereby, and the Participants to the extent provided in Clause 20.4 (*Participations*)) any legal or equitable right, remedy or claim under or by reason of this Agreement.

20.2 Assignments by Lenders

- (a) Prior to any acceleration notice under Clause 19.18 (*Acceleration*) being delivered to the Borrower, a Lender may only assign all (but not part) of its Loan (including all or a portion of its rights and obligations under this Agreement in connection therewith) to:
 - (i) a replacement Lender if a Lender Replacement Event has occurred and is continuing on the effective date of such assignment, *provided that* the Facility Agent or the Lender must notify the Borrower of the occurrence and continuation, and relevant details, of such Lender Replacement Event;

- (ii) a replacement Lender selected by the Borrower and acceptable to the assigning Lender and the Borrower, at a time when such assignment is required under or pursuant to Clause 7.2 (*Right of replacement or repayment in relation to a single Lender*);
 - (iii) a new lender at a time when assignment is required under or pursuant to Clause 14.1 (*Mitigation*); and
 - (iv) DFC or its duly designated representatives.
- (b) If an acceleration notice under Clause 19.18 (*Acceleration*) has been delivered to the Borrower and not revoked, a Lender may at any time assign all or a portion of its Loan (including all or a portion of its rights and obligations under this Agreement in connection therewith) to:
- (i) any of the entities (or in any of the circumstances) specified in paragraph (a) above;
 - (ii) any other Lender;
 - (iii) an Affiliate of any Lender;
 - (iv) a bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purpose of making, purchasing or investing in loans, securities or other financial assets.
- (c) Any assignment under paragraphs (a) or (b) shall be subject to the following conditions:
- (i) *Required DFC Consent:* For so long as the PRI Policy remains in full force and effect, the prior written consent of DFC shall be required for any assignment (in accordance with the terms of the PRI Policy), other than an assignment in accordance with sub-paragraph (a)(iv) above.
 - (ii) *Required IADB Consent:* For so long as the IADB Guarantee remains in full force and effect, the prior written consent of IADB shall be required for any assignment (such consent not to be unreasonably withheld and, unless denied, to be deemed given by IADB after ten (10) Business Days of such written consent being sought in accordance with the terms of the IADB Guarantee), other than an assignment in accordance with sub-paragraph (a)(iv) above.
 - (iii) *Assignment and Assumption:* The parties to each assignment shall execute and deliver to the Facility Agent an Assignment and Assumption, together with a processing and recordation fee (if any). The assignee, if it is not a Lender, shall deliver to the Facility Agent an administrative questionnaire. The Facility Agent shall execute (as evidence of its acknowledgment and acceptance thereof) at the direction of the assigning Lender an otherwise duly completed Assignment and Assumption delivered to it by the parties thereto, appearing on its face to comply with the terms of this Agreement and delivered in accordance with the terms of this Agreement. In so acknowledging such Assignment

and Assumption the Facility Agent is entitled to rely on confirmation from the assigning Lender that such Assignment and Assumption and related documents comply with the terms of this Agreement, that all covenants and conditions precedent under this Agreement for its effectiveness have been complied with and that such Assignment and Assumption is authorized or permitted by the Finance Documents. The parties to each assignment (other than the Facility Agent) shall be responsible for the filing, recording or enrolment of such Assignment and Assumption with any court or other authority as required (if any) and payment of any related stamp, registration or similar tax.

- (iv) *No Assignment to Certain Persons*: No such assignment shall be made to the Borrower or any of the Borrower's ministries or agencies.
 - (v) *No Assignment to Natural Persons*: No such assignment shall be made to a natural person (or a Holding Company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person).
 - (vi) *No Required Borrower Consent*: The consent of the Borrower to any assignment that otherwise complies with paragraphs (a) or (b) shall not be required.
 - (vii) *Notice to Project Coordinator*. The Facility Agent shall notify the Project Coordinator of any such assignment under this Clause 20.2.
- (d) Subject to acceptance and recording thereof in the Register by the Facility Agent pursuant to Clause 20.3 (*Register*), from and after the effective date specified in each Assignment and Assumption, the assignee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement. The assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Clauses 11 (*Tax Gross Up and Indemnities*), 13 (*Other Indemnities*) and 15 (*Costs and Expenses*) with respect to facts and circumstances occurring prior to the effective date of such assignment.
- (e) Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Clause 20.2 (*Assignments by Lenders*) shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with Clause 20.4 (*Participations*).
- (f) No Assignee shall be entitled to receive any greater payment under Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*) than the relevant assigning Lender would have been entitled to receive, except to the extent that such entitlement to receive a greater payment results from a change in any law or regulation that occurs after the effective date specified in the relevant Assignment and Assumption.

20.3 Register

- (a) The Facility Agent, acting solely for this purpose as an agent of the Borrower, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitments of, and principal amounts (and stated interest) of the Loan owing to, each Lender pursuant to the terms hereof from time to time (the "**Register**").
- (b) The entries in the Register shall be conclusive absent manifest error, and the Borrower, the Facility Agent and the Lenders shall treat each person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement.
- (c) The Register shall be available for inspection by the Borrower and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

20.4 Participations

- (a) Any Lender may at any time, without the consent of, or notice to, the Borrower or the Facility Agent, sell participations to any person (other than a natural person, or a holding company, investment vehicle or trust for, or owned and operated for the primary benefit of, a natural person, or the Borrower or any of the Borrower's Affiliates) (each, a "**Participant**") in all or a portion of such Lender's rights and/or obligations under this Agreement; *provided that*:
 - (i) such Lender's obligations under this Agreement shall remain unchanged;
 - (ii) such Lender shall remain solely responsible to the other Parties hereto for the performance of such obligations; and
 - (iii) the Borrower, the Facility Agent and the Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. For the avoidance of doubt, each Lender shall be responsible for the indemnities under Clauses 13.2(b) (*Other indemnities*) and 20.2 (*Assignments by Lenders*) with respect to any payments made by such Lender to its Participant(s).
- (b) Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; *provided that*, such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver that affects such Participant.
- (c) The Borrower agrees that each Participant shall be entitled to the benefits of Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*) to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to this Clause 20; *provided that*, such Participant:
 - (i) agrees to be subject to the provisions of Clause 23 (*Sharing among the Finance Parties*) as if it were an assignee under this Clause 20; and

- (ii) shall not be entitled to receive any greater payment under Clauses 11 (*Tax Gross Up and Indemnities*) and 12 (*Increased Costs*), with respect to any participation, than its participating Lender would have been entitled to receive, except to the extent such entitlement to receive a greater payment results from a change in any law or regulation that occurs after the Participant acquired the applicable participation.
- (d) Each Lender that sells a participation agrees, at the Borrower's request and expense, to use reasonable efforts to cooperate with the Borrower to effectuate the provisions of this Clause 20 with respect to any Participant.
- (e) To the extent permitted by law, each Participant also shall be entitled to the benefits of Clause 25 (*Set-Off*) as though it were a Lender; *provided that*, such Participant agrees to be subject to Clause 23 (*Sharing among the Finance Parties*) as though it were a Lender.
- (f) Each Lender that sells a participation shall, acting solely for this purpose as a non-fiduciary agent of the Borrower, maintain a register on which it enters the name and address of each Participant and the principal amounts (and stated interest) of each Participant's interest in the Loan or other obligations under the Finance Documents (the "**Participant Register**"); *provided that*, no Lender shall have any obligation to disclose all or any portion of the Participant Register (including the identity of any Participant or any information relating to a Participant's interest in any commitments, loans or its other obligations under any Finance Document) to any person except to the extent that such disclosure is necessary to establish that such commitment, loan or other obligation is in registered form under Section 5f.103-1(c) of the United States Treasury Regulations.
- (g) The entries in the Participant Register shall be conclusive absent manifest error, and such Lender shall treat each person whose name is recorded in the Participant Register as the owner of such participation for all purposes of this Agreement notwithstanding any notice to the contrary.
- (h) For the avoidance of doubt, the Facility Agent (in its capacity as agent) shall have no responsibility for maintaining a Participant Register.

20.5 Certain pledges

Any Lender may, subject to DFC's rights under the PRI Policy, at any time pledge or grant a security interest in all or any portion of its rights under any Finance Document to any person, including DFC, or any entity extending funding to the Lender in respect of transactions contemplated herein (or any representative thereof) to secure obligations of such Lender, including:

- (a) any pledge or assignment to secure obligations to a federal reserve or central bank; and
- (b) any pledge or assignment entered into in connection with the Biocorredor Amazónico Bonds,

provided that no such pledge or assignment shall release the Lender from any of its obligations thereunder or substitute any such pledgee or assignee for the Lender as a party thereto.

20.6 Assignment to DFC

- (a) Each of the Lenders undertakes to the Facility Agent and each other Lender that it will assign and transfer to DFC any portion of its rights hereunder (including in connection with any arbitral award being obtained in accordance with Clause 37.1 (*Arbitration*)), promptly upon the request of the Facility Agent (acting at the direction of the Majority Lenders or DFC), to the extent that such assignment or transfer is required under the PRI Policy as a condition of a payment by DFC to the Lenders or Loss Payee (as defined in the PRI Policy) and shall otherwise co-operate with the Facility Agent and take all such steps requested by the Facility Agent (acting at the written direction of the Majority Lenders or DFC) with respect to the satisfaction of any condition to any claim made or to be made under the PRI Policy.
- (b) The provisions of Clause 20.2 (*Assignments by Lenders*) shall not apply to a transfer or assignment to DFC under paragraph (a) and the Borrower shall, to the extent applicable, co-operate with DFC or such Lender to give effect to the rights of DFC by way of assignment or subrogation.
- (c) Notwithstanding anything to the contrary contained in this Clause 20, the Borrower acknowledges and agrees that:
 - (i) (without prejudice to DFC's rights as subrogee) the relevant Lenders may utilize any procedures acceptable to DFC, for the purposes of assigning any of their rights and/or transferring any of their rights (including beneficial rights) in favour of DFC as required under the terms of the PRI Policy;
 - (ii) in connection with payment of any monies by DFC under the PRI Policy in respect of amounts due and payable under this Agreement, DFC shall be subrogated to, and shall be assigned or transferred, the rights of the relevant Lenders in accordance with the terms of the PRI Policy; and
 - (iii) following any such subrogation, assignment, or transfer, DFC shall have a several and independent right to enforce any of the rights or benefits (including the right to receive interest in respect thereof) to the extent of such subrogation, assignment, or transfer but shall not have any duties or obligations of the relevant Lenders (including any obligation under Clause 31 (*Confidentiality*)), or make any of the representations made by the relevant Lenders, under, and in accordance with, the terms of the Finance Documents.

**SECTION 9
THE FINANCE PARTIES**

21. ROLE OF THE FACILITY AGENT

21.1 Appointment of the Facility Agent

- (a) Each Lender appoints the Facility Agent to act as its agent under and in connection with the Finance Documents.
- (b) Each Lender authorizes the Facility Agent to exercise the rights, powers, authorities and discretions specifically given to the Facility Agent under or in connection with the Finance Documents together with any other incidental rights, powers, authorities and discretions thereto.

21.2 Instructions

- (a) The Facility Agent shall:
 - (i) unless a contrary indication appears in a Finance Document, exercise or refrain from exercising any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders; and
 - (ii) not be liable for any act (or omission) if it acts (or refrains from acting) in accordance with paragraph (i) above.
- (b) The Facility Agent shall be entitled to request instructions, or clarification of any instruction, regarding any action it may take or refrain from taking, from the Majority Lenders (or, if the relevant Finance Document stipulates the matter is a decision for any other Lender, from that Lender) as to whether, and in what manner, it should exercise or refrain from exercising any right, power, authority or discretion. The Facility Agent may refrain from acting unless and until it receives any such instructions or clarification that it has requested, and shall not incur liability to any person by reason of so refraining.
- (c) Save in the case of decisions stipulated to be a matter for any other Lender under the relevant Finance Document and unless a contrary indication appears in a Finance Document, any instructions given to the Facility Agent by the Majority Lenders shall override any conflicting instructions given by any other Parties and will be binding on all Finance Parties.
- (d) The Facility Agent may refrain from acting in accordance with any instructions of any Lender or any other Party until it has received any indemnification and/or security that it may in its discretion require (which may be greater in extent than that contained in the Finance Documents and which may include payment in advance) for any cost, loss or liability which it may incur in complying with those instructions.
- (e) In the absence of instructions from the applicable Lender, the Facility Agent may act (or refrain from acting) as it may determine in its absolute discretion.

- (f) The Facility Agent is not authorized to act on behalf of a Lender (without first obtaining that Lender's consent) in any legal or arbitration proceedings relating to any Finance Document.

21.3 Duties of the Facility Agent

- (a) Subject to paragraph (b) below, the Facility Agent shall promptly forward to a Party a copy of any document which is delivered to the Facility Agent for that Party by any other Party.
- (b) Except where a Finance Document specifically provides otherwise, the Facility Agent is not obliged to review or check the adequacy, accuracy or completeness of any document it receives or forwards to another Party.
- (c) If the Facility Agent receives written notice in accordance with the terms hereof from a Party referring to this Agreement, describing an Event of Default or a Default and stating the circumstance described is an Event of Default or a Default, it shall promptly notify the other Finance Parties.
- (d) If the Facility Agent is aware of the non-payment of any principal, interest, Additional Conservation Payments, Additional Reserve Payments or Debt Exchange Linked Conservation Fees (which is an Event of Default) or receives written notice of non-payment of any fee payable to a Finance Party (other than the Facility Agent) under this Agreement it shall promptly notify the applicable Finance Parties.
- (e) The Facility Agent's duties under the Finance Documents are solely mechanical and administrative in nature.

21.4 Obligations under the PRI Policy

- (a) In connection with:
 - (i) any proposed amendment or waiver of any term of this Agreement; or
 - (ii) any proposed assignment of its rights or transfer by novation of any of its rights and obligations by a Lender;

the Facility Agent shall (for and on behalf of the relevant Lenders), following any payment of compensation by DFC in accordance with the PRI Policy, or so long as the PRI Policy is in full force and effect as of the effective date of such amendment, waiver, assignment or transfer, promptly seek the prior written consent of DFC to the extent it is required in accordance with Clause 20.2 (*Assignments by Lenders*) or Clause 30.2(c) (*Exceptions*), as applicable, and shall not agree to such amendment, waiver, assignment or transfer if such prior written consent is required but not obtained.

- (b) The Facility Agent shall (for and on behalf of the relevant Lenders) notify DFC, as required of the Lenders under the PRI Policy, of:
 - (i) any failure of the Borrower to make any scheduled payment of principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8

(*Interest*), Additional Conservation Payments pursuant to Clause 6.4 (*Additional Conservation Payments*) or Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*) under this Agreement;

- (ii) any receipt by the Facility Agent of notice from the Borrower that any payment under this Agreement will not be timely paid;
- (iii) any demand made of the Borrower by the Facility Agent in relation to any unpaid amount under this Agreement;
- (iv) the acceleration of the Loan, or any prepayment made thereon; and
- (v) the repayment of the Loan in full.

21.5 Duties of the Facility Agent in connection with the IADB Guarantee

- (a) The Facility Agent shall notify IADB as required under the IADB Guarantee, including notifying IADB promptly (within three (3) Business Days (as defined in the IADB Guarantee)) upon:
 - (i) any failure of the Borrower to make any scheduled payment of principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8 (*Interest*), Additional Reserve Payment pursuant to Clause 6.3 (*Additional Reserve Payments*) under this Agreement or Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*);
 - (ii) any receipt by the Facility Agent of notice from the Borrower that any payment due under this Agreement will not be timely paid;
 - (iii) any notice submitted by the Facility Agent to the Borrower under this Agreement demanding payment or accelerating the Loan;
 - (iv) any demand made of the Borrower by the Facility Agent in relation to any amount unpaid under this Agreement;
 - (v) the repayment in full of, or a prepayment being made on, the Loan; and
 - (vi) the acceleration of the Loan.
- (b) For information purposes only, the Facility Agent shall promptly notify IADB upon any failure of the Borrower to pay any Additional Conservation Payment pursuant to Clause 6.4 (*Additional Conservation Payments*).
- (c) The Facility Agent may, in accordance with Clause 6.3 (*Additional Reserve Payments*), submit Guarantee Demand Notices to IADB under the IADB Guarantee demanding an amount up to or equal to any Additional Reserve Payments due but unpaid by the Borrower hereunder. The Facility Agent shall promptly provide to all Lenders and the Borrower a copy of such Guarantee Demand Notice once it has been submitted. For the avoidance of doubt, the Facility Agent shall not (unless otherwise indicated) require any direction from

any Lender in order to submit a Guarantee Demand Notice in accordance with Clause 6.3 (*Additional Reserve Payments*).

- (d) If the Facility Agent fails to submit a Guarantee Demand Notice in accordance with paragraph (c) above (or otherwise at the direction of the Majority Lenders) within the requisite time period, then any Lender may submit a Guarantee Demand Notice directly to IADB under the IADB Guarantee, *provided that* such Lender shall demand the same amounts as the Facility Agent was due to demand in accordance with paragraph (c) above, and shall notify the other Lenders and the Borrower that it is submitting such Guarantee Demand Notice.
- (e) If a Guarantee Demand Notice is submitted but, prior to payment being made by IADB in connection therewith, the Borrower makes payment of an amount under this Agreement that corresponds to an amount demanded in such Guarantee Demand Notice, then the Facility Agent or the relevant Lender (as applicable) shall notify IADB and the Lenders and direct (to the extent possible and if agreed to by the IADB pursuant to the IADB Guarantee) the cancellation of the demand of such amounts in such Guarantee Demand Notice that correspond to the amounts so paid by the Borrower.
- (f) If a Guarantee Demand Notice is submitted and IADB effects payment in connection therewith, then the Facility Agent shall notify the Lenders and the Borrower of receipt of such payment.
- (g) In connection with:
 - (i) any proposed amendment or waiver of any term of this Agreement; or
 - (ii) any proposed assignment of its rights or transfer by novation of any of its rights and obligations by a Lender,

the Facility Agent shall, so long as the IADB Guarantee remains in full force and effect, promptly seek the prior written consent of IADB to the extent it is required in accordance with Clause 20.2 (*Assignments by Lenders*) or Clause 30.2(d) (*Exceptions*), as applicable, or the IADB Guarantee and shall not agree to such amendment, waiver, assignment or transfer if such prior written consent is required but not obtained.

21.6 No fiduciary duties

- (a) Nothing in this Agreement or any other Finance Documents constitutes the Facility Agent or any agent (or similarly engaged person) as a trustee or fiduciary of any other person or as having any other implied (or express) obligations arising under the agency doctrine of any applicable law to such other person.
- (b) The Facility Agent shall not be bound to account to any Lender for any sum or the profit element of any sum received by it for its own account.

21.7 Duties of the Facility Agent with respect to the Project Coordinator

Without creating any third-party rights for the Project Coordinator in respect of this Agreement, the Facility Agent shall, for information purposes only and solely to the extent such notice obligations are required under the Conservation Commitments Agreement, promptly notify the Project Coordinator upon the occurrence of the following events:

- (a) any failure of the Borrower to make any scheduled payment of principal pursuant to Clause 6 (*Repayment*), interest pursuant to Clause 8 (*Interest*), Additional Conservation Payments pursuant to Clause 6.4 (*Additional Conservation Payments*) or Debt Exchange Linked Conservation Fees pursuant to Clause 10 (*Debt Exchange Linked Conservation Fees*) under this Agreement;
- (b) any receipt by the Facility Agent of notice from the Borrower that any payment due under this Agreement will not be timely paid;
- (c) any demand made of the Borrower by the Facility Agent in relation to any amount unpaid under this Agreement;
- (d) any notice submitted by the Facility Agent to the Borrower under this Agreement accelerating the Loan;
- (e) any assignment occurring under Clause 22 (*Successors and Assigns*);
- (f) the occurrence of any Event of Default under Clause 19 (*Events of Default*);
- (g) the repayment in full of, or a prepayment being made on, the Loan; and
- (h) any notice given by the Facility Agent under Clauses 21.13 (*Resignation of the Facility Agent*) and 21.14 (*Replacement of the Facility Agent*).

21.8 Business with the Borrower

The Facility Agent may accept deposits from, lend money to, own securities of, act as the financial advisor or in any other advisory capacity for, and generally engage in any kind of banking or other business with, the Borrower or any of its agencies as if such person were not the Facility Agent hereunder and without any duty to account therefor to the Lenders.

21.9 Rights of the Facility Agent

- (a) The Facility Agent may rely on:
 - (i) any representation, notice or document believed by it to be genuine, correct and appropriately authorized; and
 - (ii) any statement made by a director, authorized signatory or employee of any person regarding any matters which may reasonably be assumed to be within their knowledge or within their power to verify,

in each case absent manifest error.

- (b) The Facility Agent may assume (unless and until it has received written notice to the contrary, in its capacity as agent for the Lenders, from the Borrower or a Lender) that:
- (i) no Default or Event of Default has occurred (unless it is a Default or Event of Default due to the failure of the Borrower to pay any amount due to the Facility Agent under Clause 6 (*Repayment*), Clause 8 (*Interest*) or Clause 10 (*Debt Exchange Linked Conservation Fees*)); and
 - (ii) any right, power, authority or discretion vested in any Party or the Majority Lenders has not been exercised.
- (c) Without prejudice to Clause 15.3 (*Enforcement Costs*) or the Facility Agent's ability to exercise its rights or remedies upon a potential Default, Default, or Event of Default, the Facility Agent may engage legal counsel and agents in connection with the services provided by it hereunder at the expense of the Borrower, *provided that* (in connection with the payment of such expense by the Borrower) the Facility Agent shall be required to have the Borrower's written consent.
- (d) The Facility Agent may perform any and all of its duties and exercise its rights and powers hereunder or under any other Finance Document by or through any one or more agents or attorneys and shall not be liable for any such agents or attorneys appointed by it with due care. Each of the Facility Agent and any such agent may perform any and all of its duties and exercise its rights and powers by or through their respective Affiliates and Representatives.
- (e) Unless indicated to the contrary in any Finance Document, the Facility Agent may disclose to any other Party any information it reasonably believes it has received as agent under this Agreement.
- (f) The Facility Agent shall have the right to accept and act upon instructions, including funds transfer instructions ("**Instructions**") given pursuant to this Agreement and delivered using Electronic Means; *provided that* the Borrower and the Original Lender (the "**Instructing Parties**") shall provide to the Facility Agent an incumbency certificate satisfactory to the Facility Agent listing persons with the authority to provide such instructions ("**Authorized Persons**") and containing specimen signatures of such Authorized Persons, which incumbency certificate shall be amended by the relevant Instructing Party whenever a person is to be added or deleted from the listing. If an Instructing Party elects to give the Facility Agent Instructions using Electronic Means and the Facility Agent in its discretion elects to act upon such Instructions, the Facility Agent's understanding of such Instructions shall be deemed controlling. The Instructing Parties understand and agree that the Facility Agent cannot determine the identity of the actual sender of such Instructions and that the Facility Agent shall conclusively presume that directions that purport to have been sent by an Authorized Person listed on the incumbency certificate provided to the Facility Agent have been sent by such Authorized Person. The Instructing Parties shall be responsible for ensuring that only Authorized Persons transmit such Instructions to the Facility Agent and that the Instructing Parties and all Authorized Persons are solely responsible to safeguard the use and

confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the applicable Instructing Party. The Facility Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Facility Agent's reliance upon and compliance with such instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Instructing Parties agree (i) to assume all risks arising out of the use of Electronic Means to submit instructions to the Facility Agent, including the risk of the Facility Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Facility Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Instructing Parties; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances and (iv) to notify the Facility Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

In this paragraph (f), "**Electronic Means**" means the following communication methods: S.W.I.F.T., email, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Facility Agent, or another method or system specified by the Facility Agent as available for use in connection with its services hereunder.

- (g) Notwithstanding any other provision of any Finance Document to the contrary, the Facility Agent is not obliged to do or omit to do anything if it would or might in its opinion or the opinion of its counsel, constitute a breach of any law or regulation or a breach of a duty of confidentiality, or expose the Facility Agent to liability or that is contrary to any Finance Document.
- (h) Notwithstanding any provision of any Finance Document to the contrary, the Facility Agent is not obliged to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties, obligations or responsibilities or the exercise of any right, power, authority or discretion if it has grounds for believing the repayment of such funds or adequate indemnity against, or security for, such risk or liability is not reasonably assured to it.
- (i) Notwithstanding anything contained herein to the contrary, the Facility Agent undertakes to perform such duties and only such duties as are specifically set forth in this Agreement and the other Finance Documents to which it is a party and no implied covenants or obligations shall be read into this Agreement against the Facility Agent (it being agreed that the permissive right of the Facility Agent to do things enumerated in this Agreement shall not be construed as a duty or obligation in accordance with Clause 21.12(m) (*Exclusion of liability*)). The Facility Agent has no obligations of any kind to any Party under or in connection with any Finance Document to which it is not a Party and no obligations of the Facility Agent are incorporated by reference herein in connection with any such Finance Documents.

21.10 Majority Lenders' instructions

- (a) Unless a contrary indication appears in a Finance Document, the Facility Agent shall (i) exercise any right, power, authority or discretion vested in it as Facility Agent in accordance with any instructions given to it by the Majority Lenders (or, if so instructed by the Majority Lenders, refrain from exercising any right, power, authority or discretion vested in it as Facility Agent) and (ii) not be liable for any act (or omission) if it acts (or refrains from taking any action) with the consent or in accordance with an instruction of the Majority Lenders.
- (b) Unless a contrary indication appears in a Finance Document, any instructions given by the Majority Lenders will be binding on all the Finance Parties.
- (c) The Facility Agent may refrain from acting in accordance with the instructions of the Majority Lenders until it has received such security as it may require for any cost, loss or liability (together with any associated value-added tax) which it may incur in complying with the instructions.
- (d) In the absence of instructions from the Majority Lenders the Facility Agent may act (or refrain from taking action).

21.11 Responsibility for documentation

The Facility Agent is not responsible or liable for:

- (a) the adequacy, accuracy and/or completeness of any information (whether oral or written) supplied by the Facility Agent, the Borrower or any other person given in or in connection with any Finance Document;
- (b) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of or in connection with any Finance Document;
- (c) the performance or observance of any of the covenants, agreements or other terms or conditions set forth herein or in any Finance Document or the occurrence of any Default; or
- (d) any determination as to whether any information provided or to be provided to any Finance Party is non-public information the use of which may be regulated or prohibited by applicable law or regulation relating to insider dealing or otherwise.

21.12 Exclusion of liability

- (a) Without limiting paragraph (c) below (and without prejudice to the provisions of paragraph (e) of Clause 24.10 (*Disruption to Payment Systems etc.*)), the Facility Agent will not be liable (including for negligence or any other category of liability whatsoever) for any action taken by it under or in connection with any Finance Document, unless directly caused by its gross negligence or wilful misconduct.

- (b) The Facility Agent will not be liable for exercising, or not exercising, any right, power, authority or discretion given to it by, or in connection with, any Finance Document or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with, any Finance Document other than by reason of its gross negligence or wilful misconduct.
- (c) No Party (other than the Facility Agent) may take any proceedings against any officer, employee or agent of the Facility Agent in respect of any claim it might have against the Facility Agent or in respect of any act or omission of any kind by that officer, employee or agent in relation to any Finance Document and any officer, employee or agent of the Facility Agent may rely on this Clause 21.12.
- (d) The Facility Agent will not be liable for any delay (or any related consequences) in crediting an account with an amount required under the Finance Documents to be paid by the Facility Agent if the Facility Agent has taken reasonable steps to comply with the regulations or operating procedures of any recognized clearing or settlement system used by the Facility Agent for that purpose.
- (e) Nothing in this Agreement shall oblige the Facility Agent to carry out any "know your customer" or other checks in relation to any person on behalf of any Lender and each Lender confirms to the Facility Agent that it is solely responsible for any such checks it is required to carry out and that it may not rely on any statement in relation to such checks made by the Facility Agent.
- (f) In the absence of bad faith or manifest error on its part, the Facility Agent may conclusively rely and shall be fully protected in relying, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Facility Agent and conforming to the requirements of this Agreement. However, in the case of any such certificates or opinions that, by any provisions hereof are specifically required to be furnished to the Facility Agent, the Facility Agent shall examine such certificates and opinions to determine whether or not on their face they conform to the requirements of this Agreement (but need not confirm or investigate the accuracy of mathematical calculations or other facts stated therein).
- (g) Monies held in trust by the Facility Agent need not be segregated from other funds except to the extent required by applicable Law.
- (h) Whether or not therein expressly so provided, every provision of this Agreement relating to the conduct or affecting the liability of or affording protection to the Facility Agent shall be subject to the provisions of this Clause 21.12.
- (i) Unless otherwise specifically provided in this Agreement, any demand, request, direction or notice from the Borrower (or any other person) shall be sufficient if signed by an officer of such person.
- (j) In the absence of gross negligence or wilful misconduct on the part of the Facility Agent or such counsel of its selection with which it may consult, the advice or opinion of such counsel with respect to legal matters relating to this Agreement, the Loan and any Finance Document shall be full and complete authorization and protection from liability in respect to any action taken,

omitted or suffered by it hereunder in good faith and in reliance on the written advice or opinion of such counsel.

- (k) The Facility Agent may act through, employ or retain counsel or such other experts or advisers or agents, in each case subject to Clause 21.9(c) (*Rights of the Facility Agent*) (as applicable), as it may reasonably require for the purpose of determining and discharging its rights and duties hereunder and under any other agreement related to this transaction to which it is a party. In the absence of bad faith or contributory gross negligence on its part, the Facility Agent shall not be responsible for any negligence or misconduct on the part of any of them appointed with due care.
- (l) Notwithstanding anything contained herein to the contrary, the Facility Agent shall not be deemed to have notice or actual knowledge of any default, Default, Event of Default (unless it is a Default or Event of Default due to the failure of the Borrower to pay any amount due to the Facility Agent under Clause 6 (*Repayment*), Clause 8 (*Interest*) or Clause 10 (*Debt Exchange Linked Conservation Fees*)) or if applicable, of any waiver of any of the foregoing, unless written notice of any event that is in fact such a default, Default, Event of Default, or if applicable, of any waiver thereof, is received (either in person or by email) by a trust officer, at the corporate trust office of the Facility Agent and is delivered by or on behalf of the Borrower or Majority Lenders and such notice references the Loan and this Agreement, or any other Finance Document to which the Facility Agent is a party.
- (m) The permissive rights of the Facility Agent enumerated herein shall not be construed as duties or obligations.
- (n) In all cases where calculations are to be verified or confirmed to the Facility Agent by any other Party, in the event of any dispute or differences, the calculation provided by such Party to the Facility Agent shall prevail and be deemed final for all purposes.
- (o) In no event shall the Facility Agent be liable for interest on any money received or held by it. Unless otherwise explicitly agreed in writing by the Facility Agent, all money received by the Facility Agent will be held uninvested.
- (p) Without prejudice to paragraph (l), the delivery of reports, information and documents to the Facility Agent under this Agreement or any other Finance Documents is for informational purposes only and the Facility Agent's receipt of the foregoing will not constitute actual or constructive notice of any information contained therein or determinable from information contained therein, including the Borrower's or any other person's compliance with any covenants under this Agreement, the certificates or any other related documents.
- (q) Should the Facility Agent deem the nature of any action required on its part to be unclear, the Facility Agent may require prior to such action that it be provided by the Lenders or the Borrower, as applicable, with reasonable further instructions, upon which instructions the Facility Agent may conclusively rely.

- (r) The Facility Agent may accept and in good faith conclusively rely on all accounting, records and work of any person believed by it to be genuine without audit or other examination thereof, and the Facility Agent shall have no liability for the acts or omissions of any such person, absent manifest error, gross negligence or wilful misconduct of the Facility Agent.
- (s) In no event shall the Facility Agent be liable for any indirect, special, punitive or consequential loss or damage of any kind whatsoever, including lost profits, even if it has been advised of the likelihood of such loss or damage and regardless of the form of action.
- (t) In no event shall the Facility Agent be liable for any failure or delay in the performance of its obligations hereunder because of circumstances beyond its control, including acts of God, flood, war (whether declared or undeclared), terrorism, strikes, work stoppages, pandemics or epidemics, civil or military disturbances, nuclear or natural catastrophes, fire, riot, embargo, loss or malfunctions of utilities, communications or computer (software or hardware) services, or government action, including any Laws, ordinances, regulations, governmental action or the like that delay, restrict or prohibit the providing of the services by the Facility Agent.
- (u) The Facility Agent shall not be liable for any error of judgment made in good faith by any of its officers unless it is finally proved that the Facility Agent was grossly negligent in ascertaining the pertinent facts.
- (v) It is expressly understood and agreed by the Parties that this Agreement is executed and delivered by the Facility Agent, not individually or personally, but solely as Facility Agent in the exercise of the powers and authority conferred and vested in it. Notwithstanding anything contained herein to the contrary, unless directed in writing to do so by a Lender or the Borrower, as applicable, the Facility Agent shall not have any duty to take or exercise any discretionary actions, rights or powers (including deeming or making a determination that anything is satisfactory, approved, acceptable, selected or should be requested). The Facility Agent shall not have any liability for any delay in acting or failure to exercise any such discretionary actions, rights or powers.
- (w) Each of the Borrower and the Original Lender, severally (and not jointly and severally) and only with respect to itself, covenants and represents to the Facility Agent that neither it nor any of its affiliates, subsidiaries, directors or officers are the target or subject of any sanctions enforced by the US Government, (including, the Office of Foreign Assets Control of the US Department of the Treasury), the United Nations Security Council, the European Union, UK HMT, or other relevant Sanctions Authority. Each of the Borrower and the Original Lender, severally (and not jointly and severally) and only with respect to itself, covenants and represents that neither it nor any of its respective affiliates, subsidiaries, directors or officers will use any payments made pursuant to this Agreement, (i) to fund or facilitate any activities of or business with any person who, at the time of such funding or facilitation, is the subject or target of Sanctions, (ii) to fund or facilitate any activities of or business with any country or territory that is the target or subject of Sanctions, or (iii) in any other manner that will result in a violation of Sanctions by any person.

21.13 Lenders' indemnity to the Facility Agent

Each Lender shall (in proportion to its share of the Total Commitments or, if the Total Commitments are then zero, to its share of the Total Commitments immediately prior to their reduction to zero) indemnify the Facility Agent, within three (3) Business Days of demand, against any reasonable cost, loss or liability (including for (i) negligence or any other category of liability whatsoever and (ii) any reasonable cost or expense of its legal counsel) incurred by the Facility Agent (otherwise than by reason of the Facility Agent's gross negligence or wilful misconduct) (or, in the case of any reasonable cost, loss or liability pursuant to Clause 24.10 (*Disruption to Payment Systems etc.*) notwithstanding the Facility Agent's negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) in acting as Facility Agent under the Finance Documents (unless the Facility Agent has been reimbursed by the Borrower pursuant to a Finance Document). This Clause 21.13 shall survive notwithstanding any termination of this Agreement or any other Finance Document to which the Facility Agent is a party or the resignation or replacement of the Facility Agent or any Assignment and Assumption.

21.14 Resignation of the Facility Agent

- (a) The Facility Agent may resign and appoint one of its Affiliates as successor by giving notice to the other Finance Parties, IADB, DFC and the Borrower.
- (b) Alternatively, the Facility Agent may resign by giving thirty (30) days' notice to the other Finance Parties, IADB, DFC and the Borrower, in which case the Majority Lenders (after consultation with the Borrower) may appoint a successor Facility Agent.
- (c) If the Majority Lenders have not appointed a successor Facility Agent in accordance with paragraph (b) above within twenty (20) days after notice of resignation was given (the "**Specified Date**"), the retiring Facility Agent (after consultation with the Borrower) may in its discretion appoint a successor Facility Agent being a reputable and experienced institution customarily providing such services (using reasonable endeavors to do so at the Borrower's expense) within twenty (20) days after the Specified Date.
- (d) The retiring Facility Agent shall make available to the successor Facility Agent such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (e) The Facility Agent's resignation notice shall only take effect upon the earlier of the appointment of a successor or (if applicable) the date falling twenty (20) days after the Specified Date.
- (f) Upon the appointment of a successor, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (d)) but shall remain entitled to the benefit of this Clause 21.14. Any successor and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.

- (g) If at any time the IADB determines that the Facility Agent is or has become a Sanctioned Entity, the IADB may request the Facility Agent to resign and to assign its rights and obligations hereunder to a successor facility agent (in accordance with Clauses 21.14 and 21.15 hereof and Section 2.12(b) of the IADB Guarantee) as soon as practicable, whereupon the Facility Agent shall notify the Lenders of its receipt of such notice and shall promptly endeavor to assign such rights and obligations as soon as practicable to a successor facility agent.

21.15 Replacement of the Facility Agent

- (a) After consultation with the Borrower, the Majority Lenders may, by giving thirty (30) days' notice to the Facility Agent who shall notify DFC and IADB, replace the Facility Agent by appointing a successor Facility Agent.
- (b) The retiring Facility Agent shall make available to the successor Facility Agent, at the expense of the Borrower, such documents and records and provide such assistance as the successor Facility Agent may reasonably request for the purposes of performing its functions as Facility Agent under the Finance Documents.
- (c) The appointment of the successor Facility Agent shall take effect on the date it has succeeded to this Agreement. As from this date, the retiring Facility Agent shall be discharged from any further obligation in respect of the Finance Documents (other than its obligations under paragraph (b)) but shall remain entitled to the benefit of this Clause 21.15.
- (d) Any successor Facility Agent and each of the other Parties shall have the same rights and obligations amongst themselves as they would have had if such successor had been an original Party.
- (e) Upon receipt of notice of the IADB's determination that the Facility Agent is or has become a Sanctioned Entity, the Lenders will undertake to appoint a replacement Facility Agent as provided in this Clause 21.15, except that the minimum notice period in clause (a) shall not apply.

21.16 Confidentiality

- (a) In acting as agent for the Lenders, the Facility Agent shall be regarded as acting through its agency division which shall be treated as a separate entity from any other of its divisions or departments.
- (b) If information is received by another division or department of the Facility Agent, it may be treated as confidential to that division or department and the Facility Agent shall not be deemed to have notice of it.

21.17 Relationship with the Lenders

- (a) The Facility Agent may treat the person shown in its records as Lender at the opening of business (in the place of the Facility Agent's principal office as notified to the Finance Parties from time to time) as the Lender:

- (i) entitled to or liable for any payment due and payable under any Finance Document on that day; and
- (ii) entitled to receive and act upon any notice, request, document or communication or make any decision or determination under any Finance Document made or delivered on that day,

unless it has received not less than five (5) Business Days' prior notice from that Lender to the contrary in accordance with the terms of this Agreement.

- (b) Any Lender may by notice to the Facility Agent appoint a person to receive on its behalf all notices, communications, information and documents to be made or dispatched to that Lender under the Finance Documents. Such notice shall contain the address and (where communication by electronic mail or other electronic means is permitted under Clause 26.5 (*Electronic communication*)) electronic mail address and/or any other information required to enable the transmission of information by that means (and, in each case, the department or officer, if any, for whose attention communication is to be made) and be treated as a notification of a substitute address, electronic mail address, department and officer by that Lender for the purposes of Clause 26.2 (*Addresses*) and paragraph (a)(ii) of Clause 26.5 (*Electronic communication*) and the Facility Agent shall be entitled to treat such person as the person entitled to receive all such notices, communications, information and documents as though that person were that Lender.

21.18 Credit appraisal by the Lenders

Without affecting the responsibility of the Borrower for information supplied by it or on its behalf in connection with any Finance Document, each Lender confirms to the Facility Agent that:

- (a) it has been, and will continue to be, solely responsible for making its own independent appraisal and investigation of all risks arising under or in connection with any Finance Document including:
 - (i) the financial condition, creditworthiness, condition, affairs, status and nature of the Borrower;
 - (ii) the legality, validity, effectiveness, adequacy or enforceability of any Finance Document and any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document;
 - (iii) whether that Lender has recourse, and the nature and extent of that recourse, against any Party or any of its respective assets under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document; and

- (iv) the adequacy, accuracy and/or completeness of any information provided by the Facility Agent, any Party or by any other person under or in connection with any Finance Document, the transactions contemplated by the Finance Documents or any other agreement, arrangement or document entered into, made or executed in anticipation of, under or in connection with any Finance Document.
- (b) it is acting for its own account, and it has made its own independent decisions to enter into the Finance Documents and as to whether the transactions contemplated thereby are appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary;
- (c) it is not relying on any communication (written or oral) of the Facility Agent as investment advice or as a recommendation to enter into any Finance Document or the transactions contemplated by the Finance Documents; it being understood that information and explanations related to the terms and conditions of a Finance Document and/or the transactions contemplated by the Finance Documents shall not be considered investment advice or a recommendation to enter into that document or transaction and no communication (written or oral) received from the Facility Agent shall be deemed to be an assurance or guarantee as to the expected results of that Finance Document and/or the transactions contemplated by the Finance Documents; and
- (d) it is capable of assuming, and does hereby assume, the financial and other risks relating to the Finance Documents and that it is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of the Finance Documents and/or the transactions contemplated by the Finance Documents.

21.19 Deduction from amounts payable by the Facility Agent

If any Party owes an amount to the Facility Agent under the Finance Documents the Facility Agent may, after giving notice to that Party, deduct an amount not exceeding that amount from any payment to that Party which the Facility Agent would otherwise be obliged to make under the Finance Documents and apply the amount deducted in or towards satisfaction of the amount owed. For the purposes of the Finance Documents that Party shall be regarded as having received any amount so deducted.

21.20 Unitized voting

- (a) Subject to paragraph (b) a Lender may give instructions to the Facility Agent on portions of its Commitment or participations in the Loan independently to other portions. The Facility Agent shall treat such instructions as separate for the purposes of determining whether the Majority Lenders have provided instructions to the Facility Agent or authorized action in respect of the Finance Documents notwithstanding that the relevant Lender is the only person holding that Commitment and/or participation in the Loan under this Agreement.

- (b) For the purpose of any vote or other determination by the Majority Lenders under the Finance Documents which is intended to be unitized in the manner contemplated by paragraph (a) above, each Lender:
- (i) may notionally divide its Commitment into separate amounts to reflect arrangements to which it is a party, *provided that* no such notional division may result in its Commitment being divided into separate amounts of less than USD1;
 - (ii) may make a vote or determination on one occasion only in relation to any proposition that is the subject of a vote or determination; and
 - (iii) in relation to any vote or determination, shall make it clear to the Facility Agent:
 - (A) in relation to any vote or determination which is to be made in the positive or negative, the relevant percentage of its Commitment voting for, the relevant percentage of its Commitment voting against and the relevant percentage of its Commitment which is not voting; and
 - (B) in relation to any vote or determination which has a response other than a positive or negative response applicable thereto, the relevant percentage of its Commitment making each relevant vote or determination and the relevant percentage of its Commitment which is not voting or making a determination,
- prior to the time, on the date, set by the Facility Agent as the time and date prior to which the Facility Agent must have received the Lender's response to such request.

22. CONDUCT OF BUSINESS BY THE FINANCE PARTIES

No provision of this Agreement will:

- (a) interfere with the right of any Finance Party to arrange its affairs (tax or otherwise) in whatever manner it thinks fit;
- (b) oblige any Finance Party to investigate or claim any credit, relief, remission or repayment available to it or the extent, order and manner of any claim; or
- (c) oblige any Finance Party to disclose any information relating to its affairs (tax or otherwise) or any computations in respect of Tax.

23. SHARING AMONG THE FINANCE PARTIES

23.1 Payments to Finance Parties

If a Lender (a "**Recovering Finance Party**") receives or recovers any amount from the Borrower other than in accordance with Clause 24 (*Payment Mechanics*) (a "**Recovered Amount**") and applies that amount to a payment due under the Finance Documents then:

- (a) the Recovering Finance Party shall, within three (3) Business Days, notify details of the receipt or recovery to the Facility Agent;
- (b) the Recovering Finance Party shall instruct the Facility Agent to determine whether the receipt or recovery is in excess of the amount the Recovering Finance Party would have been paid had the receipt or recovery been received or made by the Facility Agent and distributed in accordance with Clause 24 (*Payment Mechanics*), without taking account of any Tax which would be imposed on the Facility Agent in relation to the receipt, recovery or distribution; and
- (c) the Recovering Finance Party shall, within three (3) Business Days of demand by the Facility Agent, pay to the Facility Agent an amount (the "**Sharing Payment**") equal to such receipt or recovery less any amount which the Facility Agent determines may be retained by the Recovering Finance Party as its share of any payment to be made, in accordance with Clause 24.5 (*Partial payments*).

23.2 **Redistribution of payments**

The Facility Agent shall treat the Sharing Payment as if it had been paid by the Borrower and distribute it between the Finance Parties (other than the Recovering Finance Party) (the "**Sharing Finance Parties**") in accordance with Clause 24.5 (*Partial payments*) towards the obligations of the Borrower to the Sharing Finance Parties.

23.3 **Recovering Finance Party's rights**

On a distribution by the Facility Agent under Clause 23.2 (*Redistribution of payments*) of a payment received by a Recovering Finance Party from the Borrower, as between the Borrower and the Recovering Finance Party, an amount of the Recovered Amount equal to the Sharing Payment will be treated as not having been paid by the Borrower.

23.4 **Reversal of redistribution**

If any part of the Sharing Payment received or recovered by a Recovering Finance Party becomes repayable and is repaid by that Recovering Finance Party, then:

- (a) each Sharing Finance Party shall, upon request of the Facility Agent (acting upon written notice from the Recovering Finance Party), pay to the Facility Agent for the account of that Recovering Finance Party an amount equal to the appropriate part of its share of the Sharing Payment (together with an amount as is necessary to reimburse that Recovering Finance Party for its proportion of any interest on the Sharing Payment which that Recovering Finance Party is required to pay) (the "**Redistributed Amount**"); and
- (b) as between the Borrower and each relevant Sharing Finance Party, an amount equal to the relevant Redistributed Amount will be treated as not having been paid by the Borrower.

23.5 **Exceptions**

- (a) This Clause 23 shall not apply to the extent that the Recovering Finance Party would not, after making any payment pursuant to this Clause 23, have a valid and enforceable claim against the Borrower.
- (b) A Recovering Finance Party is not obliged to share with any Lender any amount which the Recovering Finance Party has received or recovered as a result of taking legal or arbitration proceedings, if:
 - (i) it notified that Lender of the legal or arbitration proceedings; and
 - (ii) that Lender had an opportunity to participate in those legal or arbitration proceedings but did not do so as soon as reasonably practicable having received notice and did not take separate legal or arbitration proceedings.

**SECTION 10
ADMINISTRATION**

24. PAYMENT MECHANICS

24.1 Payments to the Facility Agent

- (a) Subject to paragraph (b) below, on each date on which the Borrower or a Lender is required to make a payment under a Finance Document, the Borrower or the Lender shall make the same available to the Facility Agent (unless a contrary indication appears in a Finance Document) for value on the due date at the time and in such funds specified by the Facility Agent as being customary at the time for settlement of transactions in the relevant currency in the place of payment.
- (b) For any payment by the Borrower of principal under Clause 6 (*Repayment*) or interest under Clause 8 (*Interest*) or Debt Exchange Linked Conservation Fees under Clause 10 (*Debt Exchange Linked Conservation Fees*), the Borrower shall make the same available to the Facility Agent for value on the date falling three (3) Business Days prior to the relevant due date for such payment under this Agreement. Notwithstanding the foregoing:
 - (i) if the Facility Agent does not receive any such amount from the Borrower on the date falling three (3) Business Days prior to the relevant due date for such payment, it shall promptly notify the Lenders of such fact; and
 - (ii) once any such amount has been received by the Facility Agent, it shall be distributed to the relevant Lenders for value on the due date for payment of such amount (rather than for value in advance of the due date for payment of such amount).
- (c) Payments by the Borrower to the Facility Agent shall be made to such account in the principal financial center of the country of that currency with such bank as the Facility Agent specifies.
- (d) A payment by the Borrower to a Lender under a Finance Document shall only be deemed to have been made by the Borrower once it has been received by the relevant Lender, unless payment has been made by the Borrower to the Facility Agent in immediately available funds in a manner that can be readily distributed to the Lenders and the Facility Agent has failed to distribute such payment to the Lenders.

24.2 Distributions by the Facility Agent

Each payment received by the Facility Agent under the Finance Documents for another Party shall, subject to Clause 24.3 (*Distributions to the Borrower*) and Clause 24.4 (*Clawback and pre-funding*) be made available by the Facility Agent as soon as practicable after receipt to the Party entitled to receive payment in accordance with this Agreement, to such account as that Party may notify to the Facility Agent by not less than five (5) Business Days' notice with a bank in the principal financial center of the country of that currency.

24.3 Distributions to the Borrower

The Facility Agent may (with the consent of the Borrower or in accordance with Clause 25 (*Set-off*)) apply any amount received by it for the Borrower in or towards payment (on the date and in the currency and funds of receipt) of any amount due from the Borrower under the Finance Documents or in or towards purchase of any amount of any currency to be so applied.

24.4 Clawback and pre-funding

- (a) Where a sum is to be paid to the Facility Agent under the Finance Documents for another Party, the Facility Agent is not obliged to pay that sum to that other Party (or to enter into or perform any related exchange contract) until it has been able to establish to its satisfaction that it has actually received that sum.
- (b) If the Facility Agent pays an amount to another Party and it proves to be the case that the Facility Agent had not actually received that amount, then the Party to whom that amount (or the proceeds of any related exchange contract) was paid by the Facility Agent shall on demand refund the same to the Facility Agent together with interest on that amount from the date of payment to the date of receipt by the Facility Agent, calculated by the Facility Agent to reflect its cost of funds.

24.5 Partial payments

- (a) If the Facility Agent receives a payment that is insufficient to discharge all the amounts then due and payable by the Borrower under the Finance Documents, the Facility Agent shall apply that payment towards the obligations of the Borrower under the Finance Documents in the following order:
 - (i) **first**, in or towards payment pro rata of any unpaid fees, costs and expenses of the Facility Agent (including any indemnity obligations) under the Finance Documents;
 - (ii) **secondly**, in or towards payment of any accrued interest, fee or commission due but unpaid to DFC, following the payment of any compensation by DFC pursuant to the PRI Policy, under this Agreement;
 - (iii) **thirdly**, in or towards payment pro rata of any accrued interest, fee or commission (excluding any Debt Exchange Linked Conservation Fees, Additional Reserve Payments or Additional Conservation Payments) due but unpaid to any Lender other than DFC under this Agreement;
 - (iv) **fourthly**, in or towards payment of any principal due but unpaid to DFC, following the payment of any compensation by DFC pursuant to the PRI Policy, under this Agreement;
 - (v) **fifthly**, in or towards payment pro rata of any principal due but unpaid to any Lender other than DFC under this Agreement; and
 - (vi) **sixthly**, in or towards payment pro rata of any other sum (including any Debt Exchange Linked Conservation Fees, Additional Reserve

Payments or Additional Conservation Payments) due but unpaid under the Finance Documents.

- (b) The Facility Agent shall, if so directed by the Majority Lenders and DFC, vary the order set out in paragraphs (a)(ii) to (vi) above.
- (c) Paragraphs (a) and (b) above will override any appropriation made by the Borrower.

24.6 **No set-off by the Borrower**

All payments to be made by the Borrower under the Finance Documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

24.7 **Business Days**

Any payment under any Finance Document which is due to be made on a day that is not a Business Day shall be made on the next Business Day.

24.8 **Currency of account**

- (a) Subject to paragraphs (b) and (c) below, dollars is the currency of account and payment for any sum due from the Borrower under any Finance Document.
- (b) Each payment in respect of costs, expenses or Taxes shall be made in the currency in which the costs, expenses or Taxes are incurred.
- (c) Any amount expressed to be payable in a currency other than dollars shall be paid in that other currency.

24.9 **Change of currency**

- (a) Unless otherwise prohibited by law, if more than one currency or currency unit are at the same time recognized by the central bank of any country as the lawful currency of that country, then:
 - (i) any reference in the Finance Documents to, and any obligations arising under the Finance Documents in, the currency of that country shall be translated into, or paid in, the currency or currency unit of that country designated by the Facility Agent (after consultation with the Borrower); and
 - (ii) any translation from one currency or currency unit to another shall be at the official rate of exchange recognized by the central bank for the conversion of that currency or currency unit into the other, rounded up or down by the Facility Agent (acting reasonably).
- (b) Notwithstanding paragraph (a) above, payment for any sum due from the Borrower under any Finance Document shall be made in dollars.

24.10 **Disruption to Payment Systems etc.**

If either the Facility Agent determines (acting at the direction of the Majority Lenders) that a Disruption Event has occurred or the Facility Agent is notified by the Borrower that a Disruption Event has occurred:

- (a) the Facility Agent may, and shall if requested to do so by the Borrower, consult with the Borrower with a view to agreeing with the Borrower such changes to the operation or administration of the Facility as the Facility Agent may (acting at the direction of the Majority Lenders) deem necessary in the circumstances;
- (b) the Facility Agent shall not be obliged to consult with the Borrower in relation to any changes mentioned in paragraph (a) if, in its opinion, it is not practicable to do so in the circumstances and, in any event, shall have no obligation to agree to such changes;
- (c) the Facility Agent may consult with the other Finance Parties in relation to any changes mentioned in paragraph (a) but shall not be obliged to do so if, in its opinion, it is not practicable to do so in the circumstances;
- (d) any such changes agreed upon by the Facility Agent (acting at the direction of the Majority Lenders) and the Borrower shall (whether or not it is finally determined that a Disruption Event has occurred) be binding upon the Parties as an amendment to (or, as the case may be, waiver of) the terms of the Finance Documents notwithstanding the provisions of Clause 30 (*Amendments and Waivers*);
- (e) the Facility Agent shall not be liable for any damages, costs or losses to any person, any diminution in value or any liability whatsoever (including for negligence, gross negligence or any other category of liability whatsoever but not including any claim based on the fraud of the Facility Agent) arising as a result of its taking, or failing to take, any actions pursuant to or in connection with this Clause 24.10; and
- (f) the Facility Agent shall notify the other Finance Parties of all changes agreed pursuant to paragraph (d) above.

24.11 **Payments from IADB**

- (a) Any payment by the IADB to the Facility Agent pursuant to the IADB Guarantee shall be deposited by the Facility Agent into the Guarantee Payment Account.
- (b) In the event that a Finance Party receives any payment from IADB under the IADB Guarantee in respect of an amount corresponding to an Additional Reserve Payment, such Finance Party shall apply such payment towards the corresponding Additional Reserve Payment. Any such payment by IADB shall discharge the Borrower's obligation to pay the corresponding Additional Reserve Payment(s) (in respect of which such IADB payment was made), in whole or in part as applicable, under this Agreement.

25. **SET-OFF**

A Finance Party may set off any matured obligation due from the Borrower under the Finance Documents to which it is a party (to the extent beneficially owned by that Finance Party) against any matured obligation owed by that Finance Party to the Borrower, regardless of the place of payment, booking branch or currency of either obligation. If the obligations are in different currencies, the Finance Party may convert either obligation at a market rate of exchange in its usual course of business for the purpose of the set-off.

26. **NOTICES**

26.1 **Communications in writing**

Any communication to be made under or in connection with this Agreement shall be made in writing and, unless otherwise stated, may be made by letter.

26.2 **Addresses**

26.3 **Delivery**

- (a) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective if by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it

at that address and, if a particular department or officer is specified as part of its address details provided under Clause 26.2 (*Addresses*), if addressed to that department or officer.

- (b) Any communication or document to be made or delivered to the Facility Agent will be effective only when actually received by the Facility Agent and then only if it is expressly marked for the attention of the department or officer identified with the Facility Agent's signature below (or any substitute department or officer as the Facility Agent shall specify for this purpose).
- (c) All notices from or to the Borrower shall also be sent to or through the Facility Agent.
- (d) Any communication or document which becomes effective, in accordance with paragraph (b) above, after 5:00 p.m. in the place of receipt shall be deemed only to become effective on the following day.

26.4 **Notification of address**

Promptly upon receipt of notification of an address or change of address number pursuant to Clause 26.2 (*Addresses*) or changing its own address, the Party making such change shall notify the other Parties.

26.5 **Electronic communication**

- (a) Any communication or document to be made between any two Parties under or in connection with this Agreement may be made by electronic mail or other electronic means, (including by way of posting to a secure website), and this is to be an accepted form of communication if those two Parties:
 - (i) notify each other in writing of their electronic mail address and/or any other information required to enable the transmission of information by that means; and
 - (ii) notify each other of any change to their address or any other such information supplied by them by not less than five (5) Business Days' notice.
- (b) Any electronic communication made or delivered between those two Parties will be effective only when actually received (or made available) in readable form and in the case of any electronic communication or document made or delivered by a Party to the Facility Agent only if it is addressed in such a manner as the Facility Agent shall specify for this purpose.
- (c) Any electronic communication or document which becomes effective, in accordance with paragraph (b) above, after 5.00 p.m. in the place in which the Party to whom the relevant communication or documents is sent or made available at its address for the purpose of this Agreement shall be deemed only to become effective on the following day.

- (d) Any reference in this Agreement to a communication being sent or received or a document being delivered shall be construed to include that communication or document being made available in accordance with this Clause 26.5.

26.6 **English language**

- (a) Any notice given under or in connection with this Agreement must be in English.
- (b) All other documents provided under or in connection with this Agreement must be:
 - (i) in English; or
 - (ii) if not in English, and if so required by the Facility Agent, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.

27. **CALCULATIONS AND CERTIFICATES**

27.1 **Accounts**

In any litigation or arbitration proceedings arising out of or in connection with a Finance Document, the entries made in the accounts maintained by a Finance Party are *prima facie* evidence of the matters to which they relate.

27.2 **Certificates and determinations**

Any certification or determination by a Finance Party of a rate or amount under any Finance Document is, in the absence of manifest error, conclusive evidence of the matters to which it relates.

27.3 **Day count convention**

Any interest, commission or fee accruing under a Finance Document will accrue from day to day and is calculated on the basis of 30-day months and a year of 360 days.

28. **PARTIAL INVALIDITY**

If, at any time, any provision of the Finance Documents is or becomes illegal, invalid or unenforceable in any respect under any law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions nor the legality, validity or enforceability of such provision under the law of any other jurisdiction will in any way be affected or impaired.

29. **REMEDIES AND WAIVERS**

No failure to exercise, nor any delay in exercising, on the part of any Finance Party, any right or remedy under the Finance Documents shall operate as a waiver of any such right or remedy or constitute an election to affirm any of the Finance Documents. No election to affirm any of the Finance Documents on the part of any Finance Party shall be effective unless it is in writing. No single or partial exercise of any right or remedy

shall prevent any further or other exercise or the exercise of any other right or remedy. The rights and remedies provided in this Agreement are cumulative and not exclusive of any rights or remedies provided by law.

30. AMENDMENTS AND WAIVERS

30.1 Required consents

- (a) Subject to Clause 30.2 (*Exceptions*) and other than any amendment to this Agreement to amend or supplement the Ecuador Disclosure pursuant to the Disclosure Side Agreement, any term of any Finance Document may only be amended or waived with the consent of the applicable Majority Lenders and the Borrower, as appropriate, and any such amendment or waiver will be binding on all Parties.
- (b) The Facility Agent (acting at the direction of the applicable Majority Lenders) may effect, on behalf of any Finance Party, any amendment or waiver permitted by this Clause 30.

30.2 Exceptions

- (a) An amendment or waiver that has the effect of changing or which relates to:
 - (i) the definition of "Majority Lenders" in Clause 1.1 (*Definitions*);
 - (ii) an extension to the date of payment of any amount under the Finance Documents, other than in respect of any Grace Period pursuant to and in accordance with the Conservation Commitments Agreement;
 - (iii) a reduction in the amount of any payment of principal, interest, Debt Exchange Linked Conservation Fees or a reduction in any other amount payable under the Finance Documents, other than in respect of any amount of an Additional Conservation Payment which is reduced pursuant to and in accordance with the Conservation Commitments Agreement;
 - (iv) the Interest Accrual Rate pursuant to Clause 37.1 (*Arbitration*);
 - (v) an increase in or an extension of any Commitment; or
 - (vi) Clause 2.3 (*Finance Parties' rights and obligations*), Clause 20.2 (*Assignments by Lenders*), Clause 24.5 (*Partial Payments*) or this Clause 30,

shall not be made without the prior consent of the applicable Majority Lenders.

- (b) An amendment or waiver which relates to the rights or obligations of the Facility Agent shall not be made without the consent of the Facility Agent.
- (c) An amendment or waiver of any term of this Agreement shall not be made without the prior written consent of DFC, *provided that* such consent shall not be required in connection with an amendment to correct manifest errors or that

is of a minor or technical nature and does not change materially any terms of this Agreement, so long as prompt notice of such amendment is given to DFC, and such consent shall not be required if the PRI Policy has been terminated.

- (d) An amendment or waiver of any term of this Agreement that adversely affects the rights or the obligations of IADB shall not be made without the prior written consent of IADB, *provided that* such consent shall not be unreasonably withheld and, unless denied, shall be deemed given by IADB after ten (10) Business Days of such consent being sought, and such consent shall not be required if the IADB Guarantee has been terminated.

31. CONFIDENTIALITY

31.1 Confidential Information

Each Party agrees to keep all Confidential Information confidential and not to disclose it to anyone, save to the extent permitted by Clause 31.2 (*Disclosure of Confidential Information*) and other than this Agreement in such form as is published on the website of the Ministry of Economy and Finance of the Republic of Ecuador, and to ensure that all Confidential Information is protected with security measures and a degree of care that would apply to its own confidential information; *provided that* (and notwithstanding anything contained herein to the contrary) the Facility Agent's standard of care and obligations with respect to Confidential Information will be met if it acts in accordance with applicable laws, regulations and all policies and procedures adopted by it in good faith to safeguard Confidential Information delivered to it; *provided further that* DFC shall not be under any confidentiality restrictions under this Agreement (and so the restrictions in this Clause 31 shall not apply to it).

31.2 Disclosure of Confidential Information

Any Finance Party may disclose:

- (a) to any of its Affiliates and Related Funds and any of its or their officers, directors, employees, professional advisers, auditors, partners and Representatives such Confidential Information as that Finance Party shall consider appropriate if any person to whom the Confidential Information is to be given pursuant to this paragraph (a) is informed in writing of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no such requirement to so inform if the recipient is subject to professional obligations to maintain the confidentiality of the information or is otherwise bound by requirements of confidentiality in relation to the Confidential Information;
- (b) to any person:
 - (i) to (or through) whom it assigns or transfers (or may potentially assign or transfer) all or any of its rights and/or obligations under one or more Finance Documents or which succeeds (or which may potentially succeed) it as Facility Agent and, in each case, to any of that person's Affiliates, Related Funds, Representatives and professional advisers;

- (ii) with (or through) whom it enters into (or may potentially enter into), whether directly or indirectly, any participation in relation to, or any other transaction under which payments are to be made or may be made by reference to, one or more Finance Documents and to any of that person's Affiliates, Related Funds, Representatives and professional advisers;
- (iii) who is an actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to the Borrower and its obligations;
- (iv) appointed by any Finance Party or by a person to whom paragraph (b)(i), (b)(ii) or (b)(iii) above applies to receive communications, notices, information or documents delivered pursuant to the Finance Documents on its behalf (including any person appointed under paragraph (b) of Clause 21.17 (*Relationship with the Lenders*));
- (v) who invests in or otherwise finances (or may potentially invest in or otherwise finance), directly or indirectly, any transaction referred to in paragraph (b)(i), (b)(ii) or (b)(iii) above;
- (vi) to whom information is required or requested to be disclosed by any court of competent jurisdiction or any governmental, banking, taxation or other regulatory authority or similar body, the rules of any relevant stock exchange or pursuant to any applicable law or regulation;
- (vii) to whom information is required to be disclosed in connection with, and for the purposes of, any litigation, arbitration, administrative or other investigations, proceedings or disputes;
- (viii) to whom or for whose benefit that Finance Party charges, assigns or otherwise creates Security (or may do so) pursuant to Clause 20.5 (*Certain pledges*);
- (ix) who is a Party;
- (x) with the consent of the Borrower; or
- (xi) to each of DFC, IADB and TNC, taking into account the nature of DFC, IADB and TNC,

in each case, such Confidential Information as that Finance Party shall consider appropriate if:

- (A) in relation to paragraphs (b)(i), (b)(ii), (b)(iii) and (b)(iv) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking except that there shall be no requirement for a Confidentiality Undertaking if the recipient is a professional adviser and is subject to professional obligations to maintain the confidentiality of the Confidential Information;

- (B) in relation to paragraph (b)(v) above, the person to whom the Confidential Information is to be given has entered into a Confidentiality Undertaking or is otherwise bound by requirements of confidentiality in relation to the Confidential Information they receive and is informed that some or all of such Confidential Information may be price-sensitive information;
 - (C) in relation to paragraphs (b)(vi), (b)(vii) and (b)(viii) above, the person to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information except that there shall be no requirement to so inform if, in the opinion of that Finance Party, it is not practicable so to do in the circumstances;
- (c) to any person appointed by that Finance Party or by a person to whom paragraph (b)(i), (b)(ii) or (b)(iii) above applies to provide administration or settlement services in respect of one or more of the Finance Documents including in relation to the trading of participations in respect of the Finance Documents, such Confidential Information as may be required to be disclosed to enable such service provider to provide any of the services referred to in this paragraph (c) if the service provider to whom the Confidential Information is to be given has entered into a confidentiality agreement substantially in the form of a Confidentiality Undertaking or such other form of confidentiality undertaking agreed between the Borrower and the relevant Finance Party;
- (d) to any rating agency (including its professional advisers) such Confidential Information as may be required to be disclosed to enable such rating agency to carry out its normal rating activities in relation to the Finance Documents and/or the Borrower if the rating agency to whom the Confidential Information is to be given is informed of its confidential nature and that some or all of such Confidential Information may be price-sensitive information;
- (e) a copy of this Agreement (including the schedules hereto) in any offering memorandum prepared in connection with the Biocorredor Amazónico Bonds;
- (f) and make available in the public domain (including in the Republic) in such manner as that Party sees fit, in its sole discretion, such Confidential Information as that Party shall consider necessary or desirable including, without limitation, the role of that Party under a Finance Document, the purpose of the Facility, the amount of the Commitments, the Maturity Date and the identity of the Borrower;
- (g) to the International Monetary Fund, the World Bank Group (including the International Bank for Reconstruction and Development, the International Development Association, the International Finance Corporation and the Multilateral Investment Guarantee Agency, as relevant) or any other similar multilateral financing institution or international organization such Confidential Information as that Party shall consider necessary or desirable;

- (h) to the Organisation for Economic Co-operation and Development as reporting host (or any replacement thereof) for the purposes of the Voluntary Debt Transparency Principles published by the Institute of International Finance on 10 June 2019 (as the same may be amended from time to time) such Confidential Information contemplated by those principles from time to time; and
- (i) to any Sanctions Authority (or to any regulatory authority or similar body which has been given relevant authority by a Sanctions Authority) such Confidential Information as that Party shall consider necessary or desirable in order to obtain a license in relation to any Sanctions applicable to that Party's rights and obligations under any Finance Document.

Nothing in any Finance Document shall prevent disclosure of any Confidential Information or other matter to the extent that preventing that disclosure would otherwise cause any transaction contemplated by the Finance Documents or any transaction carried out in connection with any transaction contemplated by the Finance Documents to become an arrangement described in Part II A 1 of Annex IV of Directive 2011/16/EU.

31.3 **Inside information**

Each of the Finance Parties acknowledges that some or all of the Confidential Information is or may be price-sensitive information and that the use of such information may be regulated or prohibited by applicable legislation including securities law relating to insider dealing and market abuse and each of the Finance Parties undertakes not to use any Confidential Information for any unlawful purpose.

31.4 **Notification of disclosure**

Each of the Finance Parties agrees (to the extent permitted by law and regulation) to inform the Borrower:

- (a) of the circumstances of any disclosure of Confidential Information made pursuant to paragraph (b)(vi) of Clause 31.2 (*Disclosure of Confidential Information*) except where such disclosure is made to any of the persons referred to in that paragraph during the ordinary course of its supervisory or regulatory function; and
- (b) upon becoming aware that Confidential Information has been disclosed in breach of this Clause 31.

31.5 **Continuing obligations**

The obligations in this Clause 31 are continuing and, in particular, shall survive and remain binding on each Finance Party for a period of twelve (12) months from the earlier of:

- (a) the date on which all amounts payable by the Borrower under or in connection with this Agreement have been paid in full and all Commitments have been cancelled or otherwise cease to be available; and

(b) the date on which such Finance Party otherwise ceases to be a Finance Party.

32. **COUNTERPARTS**

This Agreement may be executed in any number of counterparts, and this has the same effect as if the signatures on the counterparts were on a single copy of this Agreement. Delivery of an executed counterpart of a signature page in this Agreement by any form of electronic communication (such as email) shall be deemed to have the same legal effect as delivery of a manually signed original counterpart of this Agreement.

33. **PATRIOT ACT**

The Facility Agent and each Lender subject to the PATRIOT Act hereby notifies the Borrower that, pursuant to the requirements of the PATRIOT Act, it may be required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Facility Agent and such Lenders to identify the Borrower in accordance with the PATRIOT Act.

34. **LIMITED RECOURSE AND NON-PETITION**

34.1 **Limited recourse**

Notwithstanding the other provisions of this Agreement, a Party's recourse (if any) to the Original Lender under this Agreement (including, *inter alia*, with respect to any costs and expenses incurred by them hereunder) shall be limited to the funds (which funds may be limited to amounts raised through the Biocorredor Amazónico Bonds as set out in the terms of the Biocorredor Amazónico Bonds) available to the Original Lender for such purposes (excluding share capital and earnings representing corporate benefit) and to the extent such funds are insufficient, the claims of any Party (if any) in excess of such funds shall be extinguished. The Facility Agent's recourse (if any) may be further limited by agreement by it outside the terms of this Agreement and any such agreement shall not constitute an amendment or waiver for the purposes of this Clause 34. Each Party hereto (other than the Original Lender) hereby agrees that it shall not have any recourse against any director, shareholder or officer of the Original Lender in respect of this Agreement, it being understood that the obligations of the Original Lender under this Agreement are corporate obligations of the Original Lender only.

34.2 **Non-petition**

Notwithstanding the other provisions of this Agreement, each Party (other than the Original Lender) agrees that it will not, nor will it entice any other third party to do so, take or join in taking any corporate action or other steps or legal proceedings for the winding-up, dissolution, bankruptcy, examinership or reorganization or for the appointment of a receiver, examiner, administrator, administrative receiver, trustee, liquidator or similar officer of the Original Lender or of any or all of the Original Lender's revenues and assets.

34.3 **Security**

Each Party acknowledges and agrees that the Original Lender will create security in favor of the holders or trustee or representative of holders of obligations or securities

comprised in the Biocorredor Amazónico Bonds over the Original Lender's rights, title and interests in relation to this Agreement pursuant to any trust deed, indenture, deed of charge or similar document relating to the Biocorredor Amazónico Bonds.

34.4 Survival

The provisions of this Clause 34 shall survive notwithstanding any termination of this Agreement or any Finance Document.

35. THIRD PARTY BENEFICIARY

This Agreement shall also inure to the benefit of DFC and IADB, each of which is hereby expressly declared to be a third-party beneficiary hereof *provided that* each of DFC's and IADB's rights as beneficiary shall be limited by reference to Clause 34 (*Limited Recourse and Non-Petition*) as if each of DFC and IADB were a party for such purposes.

SECTION 11
GOVERNING LAW AND DISPUTE RESOLUTION

36. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to contracts made and to be performed within the State of New York without giving effect to conflict of laws provisions to the extent that the application of the laws of any other jurisdiction would be required thereby; except for Clause 37.1 (*Arbitration*) which shall be governed by English law, provided, the application of English law to Clause 37.1 (*Arbitration*) shall not be deemed to alter this Clause 36 and the arbitrators appointed pursuant to Clause 37.1 (*Arbitration*) shall apply New York law in interpreting every clause of this Agreement (other than Clause 37.1 (*Arbitration*)).

37. DISPUTE RESOLUTION

37.1 Arbitration

- (a) Any dispute, controversy or claim as to the rights and obligations of a Party under this Agreement, including any dispute as to the existence, validity, interpretation, performance, breach, termination or consequences of the nullity of this Agreement (a "**Dispute**") shall not be referred to a court of any jurisdiction and shall instead be referred to and finally resolved by arbitration under the Rules of Arbitration of the International Chamber of Commerce ("**ICC Rules**") as modified by this Clause 37.1, which ICC Rules are deemed to be incorporated by reference into this Clause 37.1. Any Dispute shall be determined without regard to the terms, performance or non-performance of any other agreement. The provisions in the ICC Rules regarding an emergency arbitrator shall not apply. Capitalized terms used in this Clause 37.1 which are not otherwise defined in this Agreement shall have the meaning given to them in the ICC Rules. In particular:
- (i) Without prejudice to Clause 39 (*Service of Process*), the Parties' addresses for service of any documents in relation to any such arbitration (including any Request for arbitration) are as provided for in Clause 26.2 (*Addresses*).
 - (ii) At the same time as serving the Request for arbitration on the respondent(s), the claimant(s) in any such arbitration shall serve copies of that Request for arbitration on all Parties.
 - (iii) There shall be three (3) arbitrators.
 - (iv) Each arbitrator will be an English or New York qualified lawyer of at least fifteen (15) years' standing with experience as a lawyer in relation to international banking or capital markets disputes. At least one of those arbitrators shall be a lawyer qualified in New York.
 - (v) If there are two Parties to the Dispute, each Party shall be entitled to nominate one arbitrator. If there are multiple claimants and/or multiple

respondents, all claimants and/or all respondents shall attempt to agree upon their respective nomination(s) such that the claimants shall together be entitled to nominate one arbitrator and the respondents shall together be entitled to nominate one arbitrator. If any such Party or multiple Parties fail to nominate an arbitrator within thirty (30) days from and including the date of the relevant Request for arbitration, an arbitrator shall be appointed on their behalf by the International Court of Arbitration of the International Chamber of Commerce ("**ICC Court**") in accordance with the ICC Rules and applying the criteria at paragraph (a)(iv) of this Clause 37.1. In such circumstances, any existing nomination or confirmation of the arbitrator chosen by the Party or Parties on the other side of the proposed arbitration shall be unaffected, and the remaining arbitrator(s) shall be appointed in accordance with the ICC Rules.

- (vi) The third arbitrator and president of the arbitral tribunal shall be appointed by the ICC Court in accordance with the ICC Rules and applying the criteria at paragraph (a)(iv) of this Clause 37.1.
- (b) The seat, or legal place, of arbitration shall be London, England.
- (c) The language to be used in the arbitration shall be English.
- (d) The governing law of this Clause 37.1 shall be English law.
- (e) The Parties agree, pursuant to Article 30(2)(b) of the ICC Rules, that disputes between the Parties arising under this Agreement are suitable for resolution under the Expedited Procedure Rules and that the Expedited Procedure Rules shall apply to any Dispute, irrespective of the amount in dispute, and in furtherance of the foregoing the Parties additionally expressly agree not to (x) contend it is inappropriate to apply, or (y) request that the ICC Court examine the appropriateness of or disapply, such Expedited Procedure Rules in any arbitration conducted pursuant to this Agreement, and hereby waive any right to do so.
- (f) The Parties agree that any Finance Party may disclose any information related to a Dispute, including related to any arbitral award, to DFC.
- (g) The prevailing Party in any Dispute shall be entitled to, and the tribunal shall award, pre-award and post-award interest on any amounts awarded in an arbitration commenced under this Agreement (the "**Arbitral Award Amount**"). Such interest shall accrue, in the case of arbitrations commenced by a Finance Party (in the case of the Facility Agent, acting at the direction of Majority Lenders) from the date on which an acceleration notice pursuant to Clause 19.18 (*Acceleration*) has been delivered to the Borrower and, in the case of arbitrations commenced by the Borrower, from the date of the filing to commence an arbitration, in each case, at a rate per annum equal to nine percent (9%). Interest on the outstanding Arbitral Award Amount shall continue to accrue at a rate per annum equal to nine percent (9%) (the "**Interest Accrual Rate**") until such amounts are paid in dollars in cash in full by the award debtor. If the award creditor or any successor in interest elects to enforce the award in court,

including a court in the United States, the Parties agree that any judgment rendered on the award by the court shall bear post-judgment interest at the rate agreed by the Parties under the formula above for awards rendered by the tribunal in lieu of any other post-judgment interest rate, including the post-judgment interest rate under 28 U.S.C. § 1961 until the award is fully paid in dollars.

- (h) The Parties agree that the Interest Accrual Rate shall also apply for so long as no arbitration has been commenced pursuant to this Clause 37.1 from the date on which an acceleration notice pursuant to Clause 19.18 (*Acceleration*) has been delivered to the Borrower until the date on which the Borrower discharges its obligations under this Agreement in full.
- (i) Any award of the tribunal shall be binding from the day it is made, and the Parties waive any right of application to determine a preliminary point of law or appeal on a point of law under Sections 45 and 69 of the Arbitration Act 1996. Judgement on the award rendered by the tribunal may be entered in any court having jurisdiction thereof.
- (j) Notwithstanding paragraph (g) of this Clause 37.1 in respect of any arbitration commenced against the Facility Agent pursuant to this Clause 37.1, the prevailing Party in any Dispute shall not be entitled to any pre-award or post-award interest on any Arbitral Award Amount payable by the Facility Agent.
- (k) Article 10 of the ICC Rules shall not apply, and the Parties will not otherwise seek to consolidate an arbitration commenced under this arbitration agreement with any other proceedings.
- (l) The Borrower confirms it is party to the New York Convention and agrees that:
 - (i) it is bound by the terms of the New York Convention, including as a treaty obligation and
 - (ii) the New York Convention shall apply to any action to enforce an award issued pursuant to an arbitration conducted in accordance with this Agreement.

38. IMMUNITY

38.1 Scope of immunity

- (a) Without limitation to Clause 37 (*Dispute Resolution*), the execution and delivery of this Agreement by the Borrower constitutes, and the Borrower's performance of and compliance with its obligations will constitute, acts of commercial public credit as provided under the laws of Ecuador. To the extent permitted by law, the Borrower irrevocably and unconditionally agrees that:
 - (i) the Borrower submits to the jurisdiction of any Ecuadorian court and to any legal process in the Ecuadorian courts (other than attachment proceedings prior to recognition or enforcement of an arbitral award), in connection with the enforcement of an arbitral award obtained in accordance with Clause 37.1 (*Arbitration*), except with respect to the Immune Property, which will be entitled to immunity from enforcement in accordance with mandatory provisions of the laws of Ecuador;

- (ii) the Borrower submits to the jurisdiction of any court outside Ecuador and to any legal process, orders or other measures in courts outside Ecuador, whether through service or notice, attachment in aid of execution, execution against property of any sort, actions in rem or the grant of injunctions or specific performance, in connection with the enforcement of an arbitral award obtained in accordance with Clause 37.1 (*Arbitration*), except with respect to the Immune Property, which will be immune to the fullest extent;
 - (iii) the Borrower undertakes not to invoke any defense on the basis of any kind of immunity, for itself and/or its assets which do not constitute Immune Property in respect of any of the foregoing legal actions or proceedings; and
 - (iv) the Borrower submits to the jurisdiction of the English courts in connection with any proceedings invoking the supervisory jurisdiction of those courts in relation to an arbitration conducted pursuant to Clause 37.1 (*Arbitration*).
- (b) The levy of execution on assets the Borrower within the territory of Ecuador will be carried out in accordance with and under the laws of Ecuador.
 - (c) The Borrower irrevocably waives, to the fullest extent permitted by law, any requirement or provision of law that requires the posting of a bond or other security as a condition to the institution, prosecution or completion of any action or proceeding.
 - (d) For the avoidance of doubt, the liabilities of the Borrower under this Agreement are liabilities of Ecuador and the Borrower undertakes not to invoke any defense to recovery based on a claim that only assets of, or under the control of, the Ministry of Economy and Finance of Ecuador, can be utilized to satisfy claims against the Borrower.
 - (e) The provisions of this Clause 38.1 have been negotiated and agreed solely with respect to the transactions described in this Agreement. In no event shall the definition or scope of Immune Property described in this Agreement be relied upon, utilized, admitted as evidence in any proceeding or construed by any third party (including any court, arbitrator or arbitral tribunal) to interpret any analogous provisions of any other agreement or instrument unrelated to the transactions contemplated in this Agreement or relating to any other indebtedness of the Borrower.

39. SERVICE OF PROCESS

- (a) Without prejudice to any other mode of service allowed by law, the Borrower:
 - (i) hereby appoints the Ecuadorian Ambassador to the Court of St James's at the Embassy of Ecuador in London which is situated at 3B, 3 Hans Crescent, London SW1X 0LS, as its agent for the purpose of proceedings before the English courts; and the Ecuadorian Consul at the Consulate of Ecuador in the City of New York, State of New York,

United States of America, which is situated at 800 2nd Ave, Floor 2, New York, NY 10017, United States of America, as its agent for the purpose of proceedings before the New York courts (each individually, an "**Interim Process Agent**"); and

- (ii) will, no later than one hundred eighty (180) days after the Settlement Date, irrevocably appoint each of Law Debenture Corporate Services Limited, the registered office of which is situated at 8th Floor, 100 Bishopsgate, London, United Kingdom, EC2N 4AG, as its agent for the purpose of proceedings before the English courts; and Law Debenture Corporate Services Limited, the registered office of which is situated at 801 2nd Ave Suite 403, New York, NY 10017, United States of America, as its agent for the purpose of proceedings before the New York courts (each individually, a "**Permanent Process Agent**") to replace the Interim Process Agent,

in each case, any process in relation to any proceedings in relation to any arbitration contemplated by Clause 37.1 (*Arbitration*) or in relation to the recognition or enforcement of any arbitral award obtained in accordance with that Clause may be served on the Borrower by service on its agents in the jurisdiction of the relevant proceedings.

- (b) Each Permanent Process Agent will replace the applicable Interim Process Agent on the date that the Facility Agent notifies the Borrower in writing that the Lenders have received the evidence of such appointment specified in paragraph (f) below.
- (c) If any person appointed as an Interim Process Agent or a Permanent Process Agent under this Clause 39 is unable for any reason so to act, the Borrower must immediately (and in any event within thirty (30) days of the event taking place) appoint another agent (a "**Replacement Agent**") on terms acceptable to the Lenders.
- (d) If the Borrower fails to appoint a Permanent Process Agent in accordance with paragraph (a) above or fails to appoint a Replacement Agent in accordance with paragraph (c) above, the Facility Agent may (acting at the direction of the Majority Lenders) appoint another process agent for this purpose, *provided that* the Facility Agent's right to do so will not prejudice the Borrower's continuing obligation to appoint a Permanent Process Agent or Replacement Agent, as applicable, or any rights of the Finance Parties in connection with any Default that arises as a result of such failure.
- (e) The Borrower agrees that failure by an Interim Process Agent or, as applicable, a Permanent Process Agent or Replacement Agent, to notify the Borrower of the process will not invalidate the proceedings concerned.
- (f) The Borrower shall provide the Facility Agent with evidence that each Permanent Process Agent has accepted its appointment as a Permanent Process Agent and an acknowledgement of such acceptance from such Permanent Process Agent. If a Replacement Agent is appointed pursuant to paragraph (c) above, the Borrower shall provide to the Facility Agent evidence that such

Replacement Agent has accepted its appointment as an Interim Process Agent or Permanent Process Agent, as applicable, and an acknowledgement of such acceptance from such Replacement Agent. Upon receipt of any such evidence referred to in this paragraph (f), the Facility Agent shall forward such evidence to the Lenders.

40. **ENTIRE AGREEMENT**

This Agreement constitutes the entire agreement and understanding of the Parties with respect to its subject matter. Each of the Parties acknowledges that in entering into this Agreement it has not relied on any oral or written representation, warranty or other assurance (except as provided for or referred to in this Agreement) and waives all rights and remedies which might otherwise be available to it in respect thereof, except that nothing in this Agreement will limit or exclude any liability of a Party for fraud.

This Agreement has been entered into on the date stated at the beginning of this Agreement.

SCHEDULE 1
CONDITIONS PRECEDENT

Conditions Precedent to Utilization

1. Finance Documents/the Borrower

- (a) The Finance Documents have been duly executed and delivered by all parties thereto and have become fully effective.
- (b) A closing certificate of the Borrower has been delivered to the Facility Agent and the Original Lender, which:
 - (i) confirms that the representations, warranties and covenants of the Borrower set out in this Agreement are true and correct in all material respects, and that there are no existing or ongoing events that would constitute an Event of Default under this Agreement, on and as of the date of the Utilization Request and the Settlement Date;
 - (ii) appends the authorization of the Debt and Finance Committee of Ecuador, authorizing the entry by the Borrower into this Agreement and the Exchange and Settlement Agreement, the Utilization under this Agreement in an amount which is equal to or greater than the amount specified in the Utilization Request, and any other related documents, and the performance by the Borrower of its obligations thereunder;
 - (iii) if and to the extent any such authorizations and consents apply, confirms that all other authorizations and consents necessary under the laws of Ecuador to authorize the entry by the Borrower into the Finance Documents to which it is a party and the performance by the Borrower of its obligations thereunder have been obtained, and appends any such further authorizations and consents;
 - (iv) appends the official communication (*Oficio*) from the Attorney General of the Republic (*Procuraduría General del Estado*) authorizing the Borrower to agree to the foreign law and international arbitration clauses contained in this Agreement, the Exchange and Settlement Agreement and the Disclosure Side Agreement;
 - (v) appends the official communication (*Oficio*) from the Attorney General of the Republic (*Procuraduría General del Estado*) authorizing the Ministry of Environment to agree to the foreign law and international arbitration clause under the Conservation Commitments Agreement;
 - (vi) appends the approval of the Minister of Economy and Finance of Ecuador or the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of Ecuador, as delegated by the Minister of Economy and Finance of Ecuador, authorizing the Borrower to agree to the international arbitration clause contained in this Agreement, the Exchange and Settlement Agreement and the Disclosure Side Agreement;

- (vii) if applicable, appends a ministerial document ratifying the delegation of the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*);
 - (viii) if applicable, appends a certificate or document issued by the Ministry of Economy and Finance of Ecuador, evidencing the delegation to the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*);
 - (ix) if applicable, appends a ministerial document confirming the scope of responsibilities of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of Ecuador;
 - (x) if applicable, appends a ministerial document confirming the scope of responsibilities of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Environment, Water and Ecological Transition; and
 - (xi) if applicable, appends a ministerial document confirming the scope of responsibilities of the Undersecretary of Public Finance (*Subsecretario de Financiamiento Público*) in the Ministry of Economy and Finance.
- (c) If applicable, a certificate signed by the Minister of Economy and Finance of Ecuador authorizing the relevant signatory to execute the Finance Documents (other than, for the avoidance of doubt, the Conservation Commitments Agreement) to which the Borrower is a party on the Borrower's behalf.
 - (d) If applicable, a certificate signed by the Minister of Environment, Water and Ecological Transition of Ecuador authorizing the relevant signatory to execute the Conservation Commitments Agreement on behalf of the Ministry of Environment, Water and Ecological Transition acting for and on behalf of the Republic.

2. **IADB and DFC**

- (a) A secretary's certificate from IADB evidencing that the IADB board has approved the issuance of, and entrance by IADB into, the IADB Guarantee.
- (b) Confirmation that the DFC board has approved the issuance of, and entrance by DFC into, the PRI Policy.
- (c) Evidence that the IADB Guarantee has been duly executed and is in full force and effect, and any conditions to effectiveness have been or will be satisfied, as of the Settlement Date.
- (d) Evidence that the PRI Policy has been duly executed and is in full force and effect, and any conditions to effectiveness have been or will be satisfied, as of the Settlement Date.

3. Legal opinions

The following legal opinions in a form and substance satisfactory to the Facility Agent (acting at the direction of the Original Lender):

- (a) A New York law legal opinion of Clifford Chance US LLP, international counsel to the Finance Parties, in respect of, *inter alia*, the enforceability of this Agreement and the PRI Policy, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (b) A 10b-5 legal opinion of Clifford Chance US LLP, international counsel to the Finance Parties, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (c) A New York law legal opinion of Hogan Lovells US LLP, international counsel to the Borrower, in respect of, *inter alia*, the enforceability of this Agreement, the Disclosure Side Agreement, the Exchange and Settlement Agreement, and the Conservation Commitments Agreement, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (d) A New York law legal opinion of Norton Rose Fulbright US LLP, counsel to IADB, in respect of, *inter alia*, the enforceability of the IADB Guarantee, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (e) An Ecuadorian law legal opinion of Bustamante Fabara, local counsel to the Finance Parties, in respect of this Agreement, the Disclosure Side Agreement, the Exchange and Settlement Agreement, and the Conservation Commitments Agreement, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (f) A 10b-5 legal opinion of Bustamante Fabara, Ecuadorian counsel to the Finance Parties, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (g) A legal opinion of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Economy and Finance of the Republic, in respect of this Agreement, the Disclosure Side Agreement and the Exchange and Settlement Agreement, and substantially in the form distributed to the Original Lender prior to signing this Agreement.
- (h) A legal opinion of the General Legal Coordinator (*Coordinador General Jurídico*) of the Ministry of Environment, Water and Ecological Transition of the Republic, in respect of the Conservation Commitments Agreement, and substantially in the form distributed to the Original Lender prior to signing this Agreement.

4. **Other documents and evidence**

- (a) The Project Implementation Agreement is in agreed form between the parties thereto.
- (b) Evidence that the Relevant Tendered Debt has been tendered.
- (c) The Borrower has provided the Ecuador Disclosure for inclusion, together with this Agreement and the Conservation Commitments Agreement, in the offering document for the Biocorredor Amazónico Bonds.
- (d) The Borrower participating in due diligence as necessary to the satisfaction of the Original Lender and DFC.
- (e) Evidence that this Agreement has been registered with the Public Debt Registry of the Ministry of Economy and Finance of Ecuador.
- (f) Evidence that any Interim Process Agent referred to in Clause 39 (*Service of process*) has accepted its appointment.
- (g) A copy of any other Authorization or other document, opinion or assurance which the Facility Agent (acting at the direction of the Original Lender) considers to be necessary (if it has notified the Borrower accordingly) in connection with the entry into and performance of the transactions contemplated by any Finance Document to which the Borrower is a party or for the validity and enforceability of any such Finance Document.
- (h) Evidence that the Borrower has paid the Upfront Payment.
- (i) Evidence that the CTF has been established.
- (j) A copy of the following documents for the CTF:
 - (i) bylaws;
 - (ii) articles of incorporation; and
 - (iii) operations manual.
- (k) Evidence that the following accounts of the Original Lender have been established:
 - (i) Collection Account
 - (ii) Expense Account
 - (iii) Debt Service Payment Account
 - (iv) Conservation Payment Account
 - (v) Endowment Suspension Account
 - (vi) Guarantee Payment Account

- (vii) Debt Service Holding Account
- (viii) Additional Conservation Payments Account
- (ix) Issuer Account

**SCHEDULE 2
UTILIZATION REQUEST**

From: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador

To: The Bank of New York Mellon as Facility Agent

cc: Amazon Conservation DAC as Original Lender

Dated: []

Dear Sirs

Re: Facility Agreement dated 3 December 2024 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and Amazon Conservation DAC (as Original Lender) (the "Agreement")

1. We refer to the Agreement and the pricing notification dated [] provided pursuant to and in accordance with the Exchange and Settlement Agreement (the "**Pricing Notification**"). This is a Utilization Request. Terms defined in the Agreement and the Exchange and Settlement Agreement have the same meaning in this Utilization Request unless given a different meaning in this Utilization Request.
2. A copy of the Pricing Notification, signed by the Pricing Agent and acknowledged and agreed on behalf of the Original Lender and the Borrower, is attached in the Annex to this Utilization Request.
3. We wish to borrow the Loan on the following terms:

Settlement Date:	The date specified as the Settlement Date in the Pricing Notification.
Currency of Loan:	US Dollars
Amount:	The amount specified as the initial Commitment of the Original Lender in the Pricing Notification.
Interest Payment Dates:	The dates specified as the Interest Payment Dates in the Pricing Notification, other than the First Interest Payment Date as specified in the Pricing Notification.
Rate:	The rate specified as the Rate in the Pricing Notification.
4. We confirm that each condition specified in Clause 4.1 (*Initial conditions precedent*) and Clause 4.2 (*Further conditions precedent*) of the Agreement is satisfied on the date of this Utilization Request.
5. We confirm that the settlement of the Loan shall occur in accordance with the terms of the Exchange and Settlement Agreement.

6. This Utilization Request is irrevocable.

Yours faithfully

.....
authorized signatory for

The Ministry of Economy and Finance
acting for and on behalf of the Republic of Ecuador

ANNEX

[Pricing Notification signed by all parties thereto to be attached]

SCHEDULE 3
FORM OF ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "**Assignment and Assumption**") is dated as of the Effective Date set forth below and is entered into by and between the Assignor identified in item 1 below (the "**Assignor**") and the Assignee identified in item 2 below (the "**Assignee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Facility Agreement identified below (as amended, the "**Facility Agreement**"), receipt of a copy of which is hereby acknowledged by [the][each] Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto (the "**Standard Terms and Conditions**") are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Facility Agreement, as of the Effective Date below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Facility Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any person, whether known or unknown, arising under or in connection with the Facility Agreement, any other documents or instruments delivered pursuant thereto or the Loan governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned by the Assignor to the Assignee pursuant to clauses (i) and (ii) above being referred to herein collectively as the "**Assigned Interest**"). Each such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____

2. Assignee: _____

3. Borrower: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador

4. Facility Agent: The Bank of New York Mellon, as the Facility Agent under the Facility Agreement

5. Facility Agreement: The Facility Agreement dated as of 3 December 2024 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and Amazon Conservation DAC (as Original Lender).

6. Assigned Interest:

Assignor	Assignee	Amount of Commitment in the Loan Assigned
[]	[]	USD[]

Effective Date: _____, 20__ [TO BE INSERTED BY FACILITY AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR]

The terms set forth in this Assignment and Assumption are hereby agreed to:

[NAME OF ASSIGNOR], as Assignor

By: _____

Title:

ASSIGNEE

[NAME OF ASSIGNEE], as Assignee

By: _____

Title:

Acknowledged and Accepted:

THE BANK OF NEW YORK MELLON, as Facility Agent

By: _____

Title:

**STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION**

REPRESENTATIONS AND WARRANTIES.

1.1 Assignor

- (i) The Assignor represents and warrants that:
 - (A) it is the legal and beneficial owner of the Assigned Interest;
 - (B) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim;
 - (C) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and
 - (D) (i) this Assignment and Assumption and related documents comply with the terms of the Facility Agreement, (ii) all covenants and conditions precedent under the Facility Agreement for the effectiveness of this Assignment and Assumption have been complied with and (iii) this Assignment and Assumption is authorized or permitted by the Finance Documents.
- (ii) The Assignor assumes no responsibility with respect to:
 - (A) any statements, warranties or representations made in or in connection with the Facility Agreement or any other Finance Document;
 - (B) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Finance Documents;
 - (C) the financial condition of the Borrower, in respect of any Finance Document; or
 - (D) the performance or observance by the Borrower, of any of its obligations under any Finance Document.

1.2 Assignee

- (i) The Assignee represents and warrants that:
 - (A) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Facility Agreement;

- (B) from and after the Effective Date, it shall be bound by the provisions of the Facility Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder;
 - (C) it is sophisticated with respect to decisions to acquire assets of the type represented by the Assigned Interest and either it, or the person exercising discretion in making its decision to acquire the Assigned Interest, is experienced in acquiring assets of such type;
 - (D) it has received a copy of the Facility Agreement and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest; and
 - (E) it has, independently and without reliance upon the Facility Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest.
- (ii) The Assignee agrees that:
- (A) it will, independently and without reliance on the Facility Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Finance Documents; and
 - (B) it will perform in accordance with their terms all of the obligations which by the terms of the Finance Documents are required to be performed by it as a Lender.

1.3 **Payments**

- (i) From and after the Effective Date, the Facility Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignee whether such amounts have accrued prior to, on or after the Effective Date. The Assignor and the Assignee shall make all appropriate adjustments in payments by the Facility Agent for periods prior to the Effective Date or with respect to the making of this assignment directly between themselves.
- (ii) Notwithstanding the foregoing, the Facility Agent shall make all payments of interest, fees or other amounts paid from and after the Effective Date to the Assignee.

1.4 **General Provisions**

- (i) This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns.

- (ii) This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption.
- (iii) This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of New York.

SCHEDULE 4 CONSERVATION COMMITMENTS ANNEX

Capitalized terms used herein and not defined in this Exhibit A shall have the meanings ascribed to such terms in the Conservation Commitments Agreement.

Clause 1 Conservation Plan (CP)

The purpose of this Clause 1 is to specify the obligations of the Republic with respect to completing a Conservation Plan for the Ecuadorian Amazon, which shall address or contain the following elements:

1. Identify possible new sites for the expansion of Eligible Areas Under In Situ Conservation Mechanisms in the Ecuadorian Amazon to encompass not less than 1.8 million hectares of terrestrial and wetland territory additional to the Existing Baseline of Eligible Areas Under In Situ Conservation Mechanisms recognized by the National Environmental Authority;
2. Identify opportunities to conserve ecosystems that include 18,000 linear kilometers of Representative and Connected Rivers within new and existing Eligible Areas Under In Situ Conservation Mechanisms;
3. Identify non-spatial conservation interventions (e.g., policy guidance, regulations, non-spatial aspects of improved management of existing Eligible Areas Under In Situ Conservation Mechanisms), as recommendations to the National Environmental Authority, to support the conservation of biodiversity in new and existing Eligible Areas Under In Situ Conservation Mechanisms and to support the achievement of the Conservation Commitments;
4. An Implementation Plan;
5. A monitoring, evaluation and learning framework to measure ecological and socioeconomic outcomes resulting from the CP;
6. Requirements to uphold the rights of Communes, Communities, Indigenous Peoples and Nationalities including (i) a clear process to achieve Adherence to Article 57 of the Ecuadorian Constitution; (ii) Adherence to the International Labor Organization Convention 169 and the United Nations Declaration on the Rights of Indigenous Peoples (Article 32); and (iii) Adherence to the REDD+ National Action Plan for Ecuador standards; and
7. Be legally valid under Ecuadorian law and comply with the technical planning guidelines issued by the National Planning Secretariat of Ecuador.

Milestone 1 Initiate the development of the Conservation Plan.

No later than August 1, 2026, the Republic through the National Environmental Authority will hold a formal event to announce the initiation of a planning process to develop a participatory Conservation Plan for the Ecuadorian Amazon and the establishment of: 1) a CP Planning Team, and 2) a CP High Level Working Group.

Milestone 2 Complete and Adopt the Conservation Plan.

No later than August 1, 2030, the Republic will complete and Adopt a Conservation Plan for the Ecuadorian Amazon, through a Ministerial Agreement issued by the National Environmental Authority.

The CP shall provide for the creation and integration of other complementary planning efforts and guidelines, new and existing, including without limitation the creation of guidelines for the development of Management Tools for In Situ Conservation Mechanism Areas (the “Management Tool Guidelines for In Situ Conservation Mechanisms”); a Research Agenda on Amazonian biodiversity; and a forest, freshwater, and biodiversity Monitoring Scheme; and shall build from and align with the results of other, existing conservation plans in the Ecuadorian Amazon that are consistent with the goals and intended outcomes of this Agreement.

The CP will be developed in consideration of current national environmental law, and shall consider and utilize additional resources including (a) regulations and guidelines issued by the National Environmental Authority regarding protected areas and other conservation mechanisms; (b) measures and guidelines of the Convention on Biological Diversity; and (c) considerations and binding provisions of other related multilateral environmental conventions and agreements; as well as, if deemed necessary, additional resources such as guidelines and methodologies developed by international governmental and non-governmental organizations, e.g., “Open Standards for the Practice of Conservation”. Spatial analysis in support of the CP should Adhere to guidance for spatial conservation planning, also known as systematic conservation planning, as outlined in best available peer-reviewed literature.¹

Clause 2 New Eligible Areas Under In Situ Conservation Mechanisms

The purpose of this Clause 2 is to specify the obligations of the Republic with regards to the establishment or recognition of new Eligible Areas Under In Situ Conservation Mechanisms.

The Republic shall establish and recognize new Areas Under In Situ Conservation Mechanisms that collectively add ecological value, fill Ecological Representation gaps, reduce threats to Ecuador’s Existing Baseline of Eligible Areas Under In Situ Conservation Mechanisms in the Amazon, and support the health, well-being, and livelihoods of Communes, Communities, Indigenous Peoples and Nationalities living within Ecuadorian Amazon.

New Eligible Areas Under In Situ Conservation Mechanisms established or recognized before the Conservation Plan has been Adopted (which may include new Eligible Areas Under In Situ Conservation Mechanisms associated with Milestone 3) shall Adhere to existing Ecuadorian national laws and guidelines for identifying and establishing each of the schemes of Eligible Areas Under In Situ Conservation Mechanisms. In addition, selection of Eligible Areas Under In Situ Conservation Mechanisms for establishment or recognition, before the Conservation Plan has been Adopted, 1) must Adhere to (i) applicable national laws and regulations including, without limitation, Article 57 of the Ecuadorian Constitution, (ii) International Labor Organization Convention 169 and the United Nations Declaration on the Rights of Indigenous Peoples (Article 32); and (iii) the REDD+ National Action Plan for Ecuador standards, and 2) should consider: Ecological Representation, Ecological Condition, and Ecological Connectivity for Terrestrial and Freshwater Ecosystems; potential impacts of infrastructure development relative to conservation and socioeconomic goals; and the contributions of nature for Communes, Communities, Indigenous Peoples and Nationalities. The selection of new Eligible Areas Under In Situ Conservation Mechanisms will also support the commitment to conserve ecosystems that include 18,000 km of Representative and Connected Rivers.

¹ Examples of best available peer-reviewed literature for Spatial Conservation Planning include McIntosh *et al.* 2017 (<https://doi.org/10.1146/annurev-environ-102016-060902>), Pressey and Bottrill 2009 ([doi:10.1017/S0030605309990500](https://doi.org/10.1017/S0030605309990500)), and Game *et al.* 2013 (<https://doi.org/10.1111/cobi.12051>).

All Eligible Areas Under In Situ Conservation Mechanisms established or recognized after completion of the Conservation Plan must align with the Conservation Plan and comply with all applicable administrative procedures to be valid under Ecuadorian law.

Milestone 3 Establish or recognize at least 800,000 hectares as new Eligible Areas Under In Situ Conservation Mechanisms.

No later than November 1, 2030, the Republic will establish and recognize at least 800,000 hectares of new Eligible Areas Under In Situ Conservation Mechanisms in the Ecuadorian Amazon, through Ministerial Agreement or relevant administrative act duly published in the Official Registry if applicable, while maintaining the Existing Baseline of Areas Under In Situ Conservation Mechanisms.

Such recognized or established areas may contribute to the commitment to conserve ecosystems that include 18,000 km of Representative and Connected Rivers.

Milestone 4 Increase Eligible Areas Under In Situ Conservation Mechanisms by at least 1 million additional hectares, including no less than 18,000 kilometers of Representative and Connected Rivers within the Existing Baseline and new Eligible In Situ Conservation Mechanism Areas.

No later than November 1, 2035, the Republic will increase the extent of new Eligible Areas Under In Situ Conservation Mechanisms established and recognized in the Ecuadorian Amazon by at least 1 million additional hectares through the relevant legal instrument Ministerial Agreement or administrative act duly published in the Official Registry if applicable, in accordance with the Conservation Plan, in addition to the new Eligible Areas Under In Situ Conservation Mechanisms established in accordance with Milestone 3 plus the Existing Baseline of In Situ Conservation Mechanisms. New Eligible Areas Under In Situ Conservation Mechanisms established and recognized pursuant to Conservation Milestones 3 and 4, in combination with the Existing Baseline of In Situ Conservation Mechanisms, will include ecosystems that conserve no less than 18,000 kilometers of Representative and Connected Rivers.

Clause 3 Management Tools for Eligible Areas Under In Situ Conservation Mechanisms

The purpose of this Clause 3 is to specify the obligations of the Republic with regards to improved management of Eligible Areas Under In Situ Conservation Mechanisms within the Ecuadorian Amazon.

Milestone 5 Update the Management Tool Guidelines for In Situ Conservation Mechanisms.

No later than November 1, 2026, the Republic will update the Management Tool Guidelines for In Situ Conservation Mechanisms in the Ecuadorian Amazon, stipulating Minimum Requirements for Management Tools.

Milestone 6 Adopt Management Tools for the conservation of at least 2.6 million hectares of Eligible Areas Under In Situ Conservation Mechanisms that also address conservation of the Representative and Connected Rivers they contain.

No later than November 1, 2030, the Republic will Adopt Management Tools for at least 2.6 million hectares of the Existing Baseline of Eligible Areas Under In Situ Conservation Mechanisms in the Ecuadorian Amazon that also address conservation of the Representative and Connected Rivers that they contain.

Milestone 7 Adopt Management Tools for the conservation of at least 2 million additional hectares of Eligible Areas Under In Situ Conservation Mechanisms and that address conservation of 18,000 km of Representative and Connected Rivers.

No later than November 1, 2035, the Republic will Adopt Management Tools for at least 2 million hectares of the Existing Baseline of Eligible Areas Under In Situ Conservation Mechanisms in the Ecuadorian Amazon, which are additional to those required under Milestone 6, and that address conservation of 18,000 km of Representative and Connected Rivers.

Clause 4 Biodiversity, Forest Restoration, and Monitoring

The purpose of this Clause 4 is to specify the obligations of the Republic with regards to biodiversity, forest restoration, and monitoring.

Milestone 8 Adopt a Research Agenda on Amazonian Biodiversity.

No later than November 1, 2028, the Republic will develop and Adopt a Research Agenda on Amazonian Biodiversity (the "Research Agenda").

The Research Agenda shall set priorities for, describe, and promote basic and applied ecological research toward the maintenance, use, and enhancement of freshwater and terrestrial biodiversity. Research priorities for biodiversity in the Ecuadorian Amazon will be led by the National Environmental Authority in coordination with the National Biodiversity Institute, in a participatory manner with national research institutes and other public entities, non-governmental organizations, higher education institutes, and other research centers. The Research Agenda 1) will increase and strengthen knowledge of biological wealth at the level of landscapes, species and genes, their distribution patterns, their ecology, and other areas of basic and applied research; 2) will assess plant and wildlife population trends and their responses to the main drivers of biodiversity loss or degradation, such as global warming and climate variability, change in land use, habitat loss from anthropogenic causes, overharvesting, pollution, invasive non-native species, and zoonotic diseases, etc.; and 3) will increase knowledge of biodiversity as the key to human well-being and economic development, through the sustainable use of biological resources, forests and biodiversity, in accordance with the regulations established by applicable environmental laws and international environmental agreements. The Republic will seek to align existing research related to terrestrial and freshwater biodiversity in the Ecuadorian Amazon with the Research Agenda.

Milestone 9 Adopt a Plan to Promote the Utilization, Processing, and Sustainable Use of Biodiversity in the Ecuadorian Amazon.

No later than November 1, 2031, the Republic will develop and Adopt a plan to promote the utilization, processing, and sustainable use of biodiversity specific to the Ecuadorian Amazon ("Sustainable Use Plan").

The Sustainable Use Plan shall be developed in accordance with: (i) the Organic Environmental Code, published in the Official Gazette Supplement No. 983 on April 12th, 2017, as amended, (ii) its Regulation published in the Official Gazette Supplement No. 507, on June 12th, 2019, as amended, and (iii) the Organic Law for the Planning and Integral Development of the Amazonian Special Territorial District published in the Official Gazette Supplement No. 245 on May 21st, 2018, as amended. It shall be modeled after the *Plan Nacional de Fomento al Uso, Procesamiento y Aprovechamiento Sostenible de la Biodiversidad 2022-2030*, shall be incorporated as a chapter specific to the Ecuadorian Amazon within this national plan, and shall Adhere to the requirements and processes required for development of the national plan contained in Chapter III (Title IV) of the Organic Environmental Code on Biocommerce, Ministerial Agreement No. 34 on Bioentrepreneurships issued by the National Environmental Authority on April 18th, 2019, and published in the Official Gazette No. 913, as amended, to the National Biodiversity Strategy 2015-2030, issued by the National Environmental Authority on 2016, the Center for the Promotion and Fostering of Sustainable Biobusiness of Ecuador

(BioEmprende), and to the Framework Agreement for Inter-Agency Cooperation for the promotion of the bioeconomy, signed in 2022.

The Sustainable Use Plan will include provisions and guidelines issued by the National Environmental Authority that are consistent with the conservation management and protection goals set forth in this Agreement of the Forestry Regime of the Organic Environmental Code, the sustainable forest management of timber and non-timber forest products and the implementation of the Sustainable Forest Management Strategy and its Action Plan that is under construction at MAATE during 2024 and early 2025.

The Sustainable Use Plan shall promote initiatives by public and private sectors, academic institutions, and community associations related to the sustainable use, valuation, and conservation of native biodiversity and natural heritage. The Sustainable Use Plan shall include strategies that address capacity-building in production and marketing, creation of fair-trade markets, bio-entrepreneurship development driven by Communes, Communities, Indigenous Peoples and Nationalities, the socialization of public policy issued by the different government entities related to the sustainable use of biodiversity, and plan dissemination and communication.

Milestone 10 Adopt a Monitoring Scheme for forests, freshwater, biodiversity, and protected areas.

No later than November 1, 2031, the Republic will Adopt a forest, freshwater, biodiversity, and protected areas monitoring scheme for the Ecuadorian Amazon (the “Monitoring Scheme”).

The Monitoring Scheme shall be a technical document that creates an efficient framework for monitoring by integrating, strengthening, and expanding upon the array of existing monitoring initiatives in the Ecuadorian Amazon. The Monitoring Scheme shall refer to and incorporate existing monitoring processes led by the National Environmental Authority, such as the National Forest Monitoring System (Sistema Nacional de Monitoreo de Bosques, SNMB), Biodiversity Information System (SIB), Forest Authorization System (SAF), the Protected Areas Information System, and INABIO's research information system, among others.

The Monitoring Scheme will seek to 1) provide commonly-held vision and common design that can be replicated in monitoring initiatives, 2) identify and address information gaps, 3) evaluate ecological status and trends within areas under In Situ Conservation Mechanisms and the greater Ecuadorian Amazon, 4) evaluate ecological responses to threats (including without limitation mining, oil, logging, hydropower, hunting, industrial agriculture, waste and wastewater effluent, etc.), 5) evaluate ecological responses to conservation interventions (including without limitation Ecuador's National Biodiversity Strategy Action Plan (NBSAP), and other biodiversity and conservation-related plans and activities), 6) evaluate implications of the above-mentioned conservation interventions and threats for Communes, Communities, Indigenous Peoples and Nationalities, and 7) inform adaptive management to improve ecological and socioeconomic outcomes by directly connecting stakeholders and conservation implementers with monitoring results.

The Monitoring Scheme shall be collaboratively developed and regularly updated by the National Environmental Authority and social organizations representing Communes, Communities, Indigenous Peoples and Nationalities of the Ecuadorian Amazon. The Monitoring Scheme shall be aligned with the provisions and guidelines issued by the National Environmental Authority and other international frameworks related to biodiversity in protected areas and Other Effective Area-based Conservation Measures, as well as regional monitoring initiatives. The Monitoring Scheme should be implemented by Communes, Communities, Indigenous Peoples and Nationalities according to their management and governance models, and by research institutions, non-governmental organizations, or government entities according to their organizational processes and practices.

Milestone 11 Restoration in accordance with the National Forest Restoration Plan.

No later than November 1, 2034, the Republic will Restore at least 40,000 hectares of land in the Ecuadorian Amazon in accordance with the National Forest Restoration Plan.

Clause 5 Conservation Undertakings

The purpose of this Clause 5 is to memorialize the commitments of the Republic to undertake additional activities that support Communes, Communities, Indigenous Peoples and Nationalities, advance existing national strategies or international commitments for biodiversity conservation, climate change policies and actions, and implementation of the national bioeconomy strategy. While these commitments are not linked to any Conservation Milestones (and, as a result, no failure to meet these commitments may result in an obligation to make any Additional Conservation Payments or in making the Republic subject to any penalties of any kind), the Republic acknowledges its good faith intention to comply with these undertakings.

Undertaking 1. Support Communes, Communities, Indigenous Peoples and Nationalities to strengthen their capacity to manage and conserve their territories of the Ecuadorian Amazon.

The Republic will seek to support Communes, Communities, Indigenous Peoples and Nationalities to strengthen their capacity to manage and conserve their territories of the Ecuadorian Amazon.

The Republic will seek to support the 11 indigenous nationalities and their local communities to strengthen management and conservation of their territories through actions that include (i) supporting the development and implementation of a needs analysis and action plan to strengthen the technical capacities of the 23 CONFENIAE social organizations affiliated, and (ii) providing technical and financial support to develop, revise, update and implement the life plans, management models and governance of the Communes, Communities, Indigenous Peoples and Nationalities, and support implementation of the management plans of life territories.

Undertaking 2. Seek to implement the National Biodiversity Strategy and its Action Plan.

The Republic will seek to implement the National Biodiversity Strategy and its Action Plan (NBSAP) for the conservation of biodiversity in the Ecuadorian Amazon.

Undertaking 3. Seek to implement the Estrategia Nacional de Cambio Climático del Ecuador (ENCC, the “National Climate Change Strategy”) and Other Policies and Tools to address climate change.

The Republic will seek to implement the National Climate Change Strategy and other policies, plans, and tools for climate change mitigation and adaptation in the Ecuadorian Amazon, such as the REDD+ Action Plan, that are consistent with the conservation management and protection goals set forth in this Agreement.

Undertaking 4. Seek to implement the National Bioeconomy Strategy.

The Republic will seek to implement the National Bioeconomy Strategy within the Ecuadorian Amazon, consistent with the conservation management and protection goals set forth in this Agreement.

The Republic will implement the technical and policy basis for a national bioeconomy to promote the empowerment of indigenous peoples and nationalities through commercial scaling opportunities aligned with conservation goals and sustainable forest management. This undertaking will include implementation of the Libro Blanco and the National Bioeconomy Strategy, both as adopted by the Republic, and will further implement actions of the Pact for Bioeconomy, which includes institutions such as the National Environmental Authority; Ministry of Production, Foreign Trade, Investment and Fisheries; Ministry of Agriculture and Livestock; Ministry of Labor; the National Secretariat of Higher

Education, Science, Technology and Innovation; Technical Secretariat of the Special Territorial Circumscription; and other governmental agencies. This implementation will generate a vision and strategy for the Ecuadorian Amazon, taking into account the territorial planning of the decentralized governments and Communes, Communities, Indigenous Peoples and Nationalities, among others.

Clause 6 Conservation Milestones

The Republic shall comply with each of the Conservation Milestones set forth in clauses 1 through 4 above and summarized in Table 1, below, by the relevant date set forth in such Milestone. In case of conflict between the Clauses and Table 1, the Clauses control.

Clause 7 Conservation and Milestone Reports

Milestone Reports

Pursuant to Section 2.3 of the Conservation Commitments Agreement, for each Milestone, the Republic shall submit a Conservation Milestone report.

Annual Conservation Reports

Pursuant to Section 2.4 of the Conservation Commitments Agreement, a high-ranking civil servant of the National Environmental Authority of the Republic shall deliver a report to The Nature Conservancy (TNC) on the one (1) year anniversary of the date of this Agreement and each year thereafter (the “Conservation Report”). The Conservation Report shall include: (i) a confirmation that the Republic remains committed to achieving the conservation outcomes described herein; (ii) a summary of the progress made to date, including (A) a confirmation as to whether or not the expected Conservation Milestones have been achieved to date, and (B) an estimate of the number of new (i.e., additional to the Existing Baseline) hectares under protection, an estimate of the number of kilometers of Representative and Connected Rivers protected to date, and an estimate of the number of hectares of Eligible Areas Under In Situ Conservation Mechanisms that have Adopted Management Tools based on the new Management Tool Guidelines (in the Existing Baseline); and (iii) a summary of any limitations in achieving the Conservation Milestones, including steps being taken to remedy those limitations.

Clause 8 Grace Period

The Republic may request grace periods for any Milestone in accordance with the terms set forth in Section 2.2 of the Conservation Commitments Agreement.

Clause 9 Definitions

The following terms shall have the following definitions for purposes of this Exhibit A.

Adhere/Adherence: means, in the case of a law or regulation, compliance with such law or regulation, and in the case of guidance, consistency with the intent, goals, practices, tools, and approaches described in such guidance.

Adopt: means to take any required steps to make any government plan, strategy, policy or agenda valid and enforceable under Ecuadorian law and initiate implementation thereof.

Communes, Communities, Indigenous Peoples and Nationalities (CCIPNs): means communes, communities, indigenous peoples and nationalities who possess a profound relationship with their natural landscapes, which they depend on for cultural, spiritual, economic, and physical well-being. Original inhabitants and migrants who have a close relationship with the landscape are likewise considered to be CCIPNs.

The term *Indigenous Peoples* in Ecuador refers to historical and millennia-old entities consisting of ancestral communities with similar cultural identities, settled in a specific territory. They have a common language among themselves but with differences in dialects. They are governed by their own institutions, authorities, customary or traditional law, social, economic, cultural, and political organization, and they are part of a nation or nationality. [Ref: Constitution of Ecuador, 2008, Art. 56 and Art. 57; Ministerial Agreement No. SGDPN-2022-001, Art. 6]

The term *Nationalities* in Ecuador refers to historical and millennia-old entities settled in a continuous or discontinuous specific territorial space, with a different language and their own cultural identity. They are governed by their own authorities and their own customary or traditional law. They possess a distinct culture, organization, and social coexistence. They maintain their own economic, political, cultural, and spiritual institutions and have self-defined themselves as nations, nationalities, or indigenous peoples. [Ref: Constitution of Ecuador, 2008, Art. 56 and Art. 57; Ministerial Agreement No. SGDPN-2022-001, Art. 5]

The term *Communes* refers to a fundamental form of territorial organization, consisting of a group of families or familial kinship, ancestrally settled in a specific territory. They are also called Ayllus or centers. It is the space where community governance is exercised through their own authorities. Communes are primarily recognized for their territorial and organizational autonomy, which guarantees their right to collective ownership of land and their ability to govern according to their traditional customs. Communal property is protected from being sold or transferred, thus safeguarding the ancestral territories of these groups. Every population center that does not hold the category of parish, and is referred to as a hamlet, anejo, barrio, or parcialidad, can be considered a commune under this legal framework. [Ref: Constitution of Ecuador, 2008, Art. 60.]

The term *Communities* refers to groups of people that maintain a way of life based on collective practices of reciprocity and solidarity, and are part of an indigenous people, nationality, or native nation. Communities, particularly indigenous, afroecuatorianas, and montubias, have self-determination, cultural preservation, and the ability to manage their lands and natural resources according to their traditions. These communities have the right to develop and maintain their social, cultural, and economic structures, exercise their own systems of justice, and protect their ancestral territories. Moreover, this term may also encompass Local Communities, understood as organized groups of people, both in rural and urban areas, who share social, cultural, or territorial ties and actively participate in the management of resources and local decision-making. This definition is grounded in international legal frameworks, such as the ILO Convention 169 and the United Nations Declaration on the Rights of Indigenous Peoples, which recognize key rights to self-management, cultural preservation, and territorial governance. Thus, both national legislation and international treaties reinforce cultural identity, social cohesion, and territorial autonomy within communities. [Ref: Constitution of Ecuador, 2008, Art. 57; ILO Convention 169, ratified by Ecuador; United Nations Declaration on the Rights of Indigenous Peoples, 2007.]

Connectivity Corridors (Corredores de Conectividad): are Special Areas for Biodiversity Conservation. They will be established between the areas of the National System of Protected Areas, National Forest Heritage, and other Special Areas for Biodiversity Conservation. The approach emphasizes sustainable landscape management to ensure the connectivity and movement of species across different habitats. These corridors can be terrestrial, aquatic, insular, or a combination thereof, depending on the specific characteristics of each territory. The establishment and management of these corridors will be guided by scientific research and local knowledge to enhance ecological integrity and resilience.

Conservation Commitments: refers to this Exhibit A to the Conservation Commitments Agreement.

Conservation Milestone: Means the milestones specified in Clauses 1 through 4 above.

Conservation Milestone Reports: has the meaning set forth in Clause 7.

Conservation Plan (CP): A plan created for a given geography through a public, science-based, rights-based, Participatory Planning process and informed by spatial analysis to identify and site new Eligible Areas Under In Situ Conservation Mechanism, identify and describe non-spatial strategies (e.g., management guidelines, regulations), and delineate steps to support conservation of the geography.

An CP should be developed to ensure that the conservation features of the geography are maintained or improved for the benefit of ecological and human communities and in balance with development objectives. An CP identifies the types of protections that can support these goals at each site and among sites, based on the restricted and permissible activities associated with each protection type.

The CP for the Ecuadorian Amazon shall 1) be bounded by the geographic scope of the Ecuadorian Amazon, and may take into consideration the influence of adjacent areas and associated factors that could affect outcomes within the Ecuadorian Amazon; 2) maximize benefits for conservation as well as conservation's benefits for human well-being; 3) be integrative across Freshwater and Terrestrial Ecosystems; 4) identify actions to ensure benefits to CCIPNs based on an analysis of the CP's contributions to people; 5) be inclusive of climate mitigation and adaptation objectives (climate adaptation for humans and ecosystems); 6) integrate key considerations, including but not limited to Ecological Representation, Ecological Condition, Ecological Connectivity, species persistence and vulnerability, and threats (including without limitation climate change stressors, land use, and water use) at the scale of individual sites and across the Ecuadorian Amazon; 7) prioritize areas of ecological importance that are likely to be under future threat; 8) take into account the development plans and territorial planning of the subnational governments and sectoral development plans, in order to achieve an integral planning in the Amazon region; and 9) seek to link and balance ecological, community, and economic planning, considering the elements of territorial and state planning, by evaluating trade-offs among competing land and water uses, urbanization, industry, energy production and other potentially conflicting factors.

Upon completion, the Conservation Plan shall be made available publicly, while maintaining confidentiality and addressing any applicable data sensitivities associated with Communes, Communities, Indigenous Peoples and Nationalities.

Conservation Report: has the meaning set forth in Clause 7.

CP High Level Working Group: means a working group constituted by the Republic to provide recommendations to the Republic for decisions on CP outputs and products. The terms of reference of the CP High Level Working Group will outline its scope of responsibilities, which shall include providing input on, and review of, CP process outputs, including technical, policy and legislative input, and overseeing the workplan to deliver on the CP goals, objectives, and outputs.

CP Planning Team: means a technical team convened by the Republic to implement the conservation planning process and produce the Conservation Plan. The CP Planning Team shall include, at a minimum: i) an experienced conservation planning facilitator well-versed in Participatory Planning processes; ii) a member with experience in conflict resolution, who may also be the facilitator; iii) spatial analysts with collective expertise in Freshwater and Terrestrial Ecosystems, ecosystem services, socioeconomics, and climate change mitigation and adaptation; iv) subject matter experts with collective expertise in habitats specific to the Ecuadorian Amazon (including terrestrial and freshwater), climate mitigation, climate adaptation, policy development, Communes, Communities, Indigenous Peoples and Nationalities, socioeconomics, environmental mitigation for industry and energy production, and water resource development; and v) active participation by stakeholders and

rightsholders who may affect or be affected by the CP, including without limitation government entities, rightsholders and other stakeholders including indigenous peoples, industry (e.g., mining, oil & gas, energy, or other interests), non-governmental organizations operating within the geographic scope of the Agreement, academia and research institutes).

Ecological Condition: refers to the health and integrity of biological systems at various scales (ecosystems, species, and within-species variation) as influenced by current and future impacts of land use, water use, development activities, climate change, and other human-induced stressors. Eligible Areas Under In Situ Conservation Mechanisms should be sited, designed, and managed at the scale of individual sites and among all sites across the Ecuadorian Amazon to maximize Ecological Condition, minimize the impacts of current threats to biodiversity, and prioritize areas of ecological importance that are likely to be under future threat.

Ecological Connectivity: refers to the unimpeded movement of species and the flow of natural processes that sustain biodiversity. Aspects of ecological connectivity include structure, which determines the potential for movement (e.g., connectivity among habitat types or level of fragmentation of habitat patches, which influence migration and access to habitats throughout species' life cycles), and function, which determines persistence of ecological flows and processes (e.g., flow of energy and materials such as sediments, nutrients, and water). In Freshwater Ecosystems, types of connectivity include longitudinal (e.g., upstream-downstream), lateral (e.g., connectivity of a river with its floodplain), temporal (e.g., seasonally), and vertical (e.g., surface water-groundwater). Eligible Areas Under In Situ Conservation Mechanisms should be sited, designed, and managed at the scale of individual sites and among all sites across the Ecuadorian Amazon to maintain or restore Ecological Connectivity, both within and among Eligible Areas Under In Situ Conservation Mechanisms.

Ecological Representation: refers to the concept that the full variety of biodiversity of different biological realms (freshwater, marine, and terrestrial) and biological scales (ecosystems, species, and within-species variation) within a geography should be adequately represented across a collection of Eligible Areas Under In Situ Conservation Mechanisms. Adequate representation requires that sufficient habitats are protected via Eligible Areas Under In Situ Conservation Mechanisms, at sufficient scale and in appropriate places, to ensure the long-term viability of biodiversity at the scale of the Ecuadorian Amazon.

Ecuadorian Amazon: refers to all lands and fresh waters within the boundaries of the Republic that drain to the Amazon Basin.

Eligible Areas Under In Situ Conservation Mechanisms: refers to In Situ Conservation Mechanisms that are clearly defined geographically; recognized, dedicated, and managed through legal or other effective means; and include conserving nature as the main goal or outcome.

Existing Baseline: refers to the geographic extent (hectares and specific locations) of Eligible Areas Under In Situ Conservation Mechanisms in the Ecuadorian Amazon as of July 2024, which is equal to 4,642,608.48 hectares of non-overlapping areas. The Existing Baseline includes 5 conservation mechanisms: Sistema Nacional de Áreas Protegidas, Bosque y Vegetación Protectora, Patrimonio Forestal Nacional, Corredores de Conectividad, and Áreas de Protección Hídrica.

Freshwater Ecosystems: means all permanent and temporary freshwater habitats and systems within the Ecuadorian Amazon, including without limitation lakes, ponds, springs, groundwaters, wetlands, rivers, and streams, and associated vegetation, proximate atmosphere, substrate, plants, animals, and microbes, which are considered ecosystems of importance for the conservation and management of freshwater biodiversity.

Implementation Plan: refers to a chapter within the Conservation Plan that sets the course for future actions to achieve the Conservation Commitments, including but not limited to timeline and sequencing of actions; key partners and roles; necessary information for administration, operations, and budgets;

monitoring of ecological and social outcomes; governance arrangements; stakeholder engagement and communications; building capacity and awareness; policy guidance and regulations; education; and an implementation monitoring plan. The Implementation Plan will specify the review period (within a range of 5 to 10 years) and the overall process for monitoring, reviewing, and adapting the Conservation Plan. The Implementation Plan will also provide for delegation of authority to the relevant entities or positions for implementation and should clarify tasks and procedures relating to implementation. The Implementation Plan should allow for a transparent process for adaptation over time in response to new information.

In Situ Conservation Mechanisms: means terrestrial, insular, marine and freshwater biodiversity conserved in situ, through the mechanisms and means regulated by the National Environmental Authority. The sustainable use of its components will be sought in such a way that it does not cause its long-term decline, in order to maintain its potential to meet the needs of present and future generations. The mechanisms for the in situ conservation of biodiversity according to Article 36 of the Organic Environmental Code are as follows: 1. The National System of Protected Areas; 2. Special Areas for Biodiversity Conservation; 3. Management of Natural Landscapes; and 4. Others as determined by the National Environmental Authority, including Other Effective area-based Conservation Measures (OECMs), Protective Forests and Vegetation, Socio Bosque areas, and Connectivity Corridors.

Management Tools: A management plan document and other associated tools for the management of In Situ Conservation Mechanism Areas, which tools shall include (a) operational management plans; (b) management effectiveness evaluations; (c) financial sustainability strategies and technical plans; and may include other tools determined by the National Environmental Authority that (x) Adhere to the Minimum Requirements for Management Tools, (y) are approved through Ministerial Agreement or appropriate administrative act issued by the National Environmental Authority, and (z) are valid for a term of ten (10) years or the applicable term under Ecuadorean regulations and others of the National Environmental Authority.

Management Tool Guidelines for In Situ Conservation Mechanisms: has the meaning set forth in Milestone 2.

Minimum Requirements for Management Tools: Minimum requirements applicable to Management Tools for all In Situ Conservation Mechanisms that are established or recognized in the Ecuadorean Amazon which shall adhere to, without limitation: (a) regulations and guidelines issued by the National Environmental Authority in reference to protected areas and other In Situ Conservation Mechanisms; (b) measures and guidelines from the Convention on Biological Diversity; and (c) considerations and binding provisions from other related multilateral environmental conventions and agreements. These minimum requirements shall include: (a) required application to all Areas Under In Situ Conservation Mechanisms in the Ecuadorean Amazon; (b) lists of restricted and allowable activities associated within each type of In Situ Conservation Mechanism; (c) that each Management Tool addresses Freshwater and Terrestrial Ecosystems and their key ecological attributes within each Area Under In Situ Conservation Mechanisms; (d) management effectiveness assessments, plan reviews, and updates of management tools based on the management effectiveness assessments for each area Under In Situ Conservation Mechanisms; (e) inclusion of all Management Tools in a publicly available online platform; (f) requirements for monitoring, evaluation and learning systems in Areas Under In Situ Conservation Mechanisms that align with standards for Protected Area Management Effectiveness (PAME) as detailed in “Evaluating Effectiveness: A Framework for Assessing Management Effectiveness of Protected Areas” (2nd Edition, 2006) and using Ecuador’s methodology for the Evaluation of the Effectiveness of Management of the State Natural Area Heritage EEM-PANE (Ref. Ministerial Agreement No. 012 - Official Gazette 322 - Date of Publication 26 May 2015), and that shall be reported into the PAME database; (g) a registry of Areas Under In Situ Conservation Mechanisms; (h) management programs that reflect conservation objectives (administration and planning, communication, education and environmental participation, control and surveillance,

biodiversity management, public use and tourism, and others determinate by the National Environmental Authority); (i) a plan for financial sustainability; (j) Among others In Situ Conservation Mechanism programs that include aspects such as: participatory processes, gender, equity, diversity and inclusion, conflicts resolution, zoning and delimitation, administration and governance of Area Under In Situ Conservation Mechanisms, and others minimum requirements established by the Conservation Plan.

Ministerial Agreement: means an administrative act by the Republic issued by the relevant government body that is legally enforceable and published in the Official Registry.

Monitoring Scheme: has the meaning set forth in Milestone 10.

National Development Plan: The Constitution of the Republic published in the Official Registry No. 449 on October 20th, 2008, as amended, establishes in Art. 280 that "the National Development Plan is the instrument to which public policies, programs and projects shall be subject (....) Its observance will be mandatory for the public sector and indicative for the other sectors. The Organic Code of Planning and Public Finances (COPLAFIP), published in the Official Registry No. 306 on October 22nd, 2010 and its amendments, if applicable, organizes, regulates and links the National Decentralized System of Participatory Planning (SNDPP) with the National System of Public Finances (SINFIP). The SNDPP constitutes the set of processes, entities and instruments that allow the interaction of the different social and institutional actors to organize and coordinate development planning and land use planning at all levels of government. The members of SINFIP are the Central Government and the Decentralized Autonomous Governments, among others, (COPLAFIP, Art.1, 18 and 21). In this context, according to COPLAFIP the fundamental elements of the SNDPP are: a) The National Development Plan; b) The National Territorial Strategy; c) The National Information System; d) The National Statistical and Geographic System; e) The development and territorial planning plans of the Decentralized Autonomous Governments; f) Sectoral and institutional planning; and, g) multi-annual investment.

National Environmental Authority: means the Ministry of Environment, Water and Ecological Transition or any successor ministry of the Republic. [*Ref: Presidential Decree No. 59 - 2021, Article I.*]

National Forest Heritage (Patrimonio Forestal Nacional): consists of: 1) natural forests and lands suitable for forestry, including those lands that remain under the domain of the State or that by any title have entered the public domain; 2) the forms of non-tree vegetation associated or not with the forest, such as mangroves, páramos, moretales and others; 3) Protective forests and vegetation; 4) Intervened and secondary forests; and, 5) Lands for ecological restoration or protection. [*Ref: Organic Environmental Code, Article 89.*]

National Forest Restoration Plan: means the National Forest Restoration Plan 2019-2030 (PNRF), and any subsequent updates thereto, which outlines the general guidelines for forest restoration processes at the national level, contributing to the reduction of the net deforestation rate and to climate change mitigation policies.

National System of Protected Areas (SNAP, Sistema Nacional de Áreas Protegidas): means a national system of protected areas intended to ensure the conservation of biodiversity and the maintenance of ecological functions. The system is composed of State, decentralized autonomous, community, and private subsystems, with its leadership and regulation exercised by the State. Its declaration, categorization, recategorization, regulation, and administration must guarantee the conservation, management, and sustainable use of biodiversity, as well as the functional connectivity of terrestrial, insular, marine, marine-coastal ecosystems, and the rights of nature. The State allocates the necessary economic resources for the financial sustainability of the system and promotes the participation of the communities, peoples, and nationalities that have historically inhabited the protected areas in their administration and management. [*Ref: Constitution of the Republic of Ecuador. Art. 405 and Organic Environmental Code. Art. 37*]

Official Registry: The Official Registry is the body under the authority of the Constitutional Court responsible for the publication and dissemination of the laws, decrees, regulations and other legal acts, rules and regulations, as required by applicable law, for their validity and effectiveness throughout the Republic.

Other Effective area-based Conservation Measures (OECM): refers to a geographically defined area other than a protected area, which is governed and managed in ways that achieve positive and sustained long-term outcomes for the in-situ conservation of biodiversity, with associated ecosystem functions and services and where applicable, cultural, spiritual, socio-economic, and other locally relevant values (Convention on Biological Diversity). Guidance from the World Congress on Protected Areas (WCPA) OECM Specialist Group in December 2022 indicates that OECMs should be equivalent in delivering biodiversity outcomes to an effective protected area, and hence reported under Global Biodiversity Framework Target 3. The emphasis on OECMs and effective conservation is for protecting biodiversity for a whole ecosystem, not individual species. (*Based on Ministerial Agreement No. MAATE-2023-130.*)

Participatory Planning: describes the practice of stakeholder engagement in the Conservation Plan planning process to ensure integration of diverse perspectives and the long-term durability and collective ownership of conservation actions and outcomes associated with the resulting CP. Stakeholders include people, organizations, or entities (including without limitation governing institutions, resource users, Communes, Communities, Indigenous Peoples and Nationalities, academic institutions, experts) who will affect, or be affected by, conservation actions and may contribute to the planning process. Effective Participatory Planning emphasizes collaboration, iteration, and dynamic adaptation to develop science-based, equitable, and culturally sensitive conservation plans that identify priority Eligible Areas Under In Situ Conservation Mechanisms and develop strategies to meet ecological, climate, community, or other objectives while considering stakeholder concerns.

Protected Area Management Effectiveness: refers to the assessment of how well protected areas are being managed, primarily the extent to which management is protecting values and achieving goals and objectives, as tracked in the Global Database on Protected Area Management Effectiveness.

Protective Forests: Protective forests and vegetation are defined as natural or cultivated plant formations, including trees, shrubs, or herbs, whether in public or private domains, declared as such due to their presence in areas with rugged topography, headwaters of hydrographic basins, or zones that, due to their climatic, soil, and hydrological conditions, must be conserved. This also includes forests of ritual, ceremonial, cultural, or historical significance. [*Ref: Environmental organic Code. Definitions*]

Representative and Connected Rivers: ‘Representative’ refers to a subset of rivers that collectively comprise a set of Ecuadorian Amazon River types (including those in the upper, middle, and lower Amazon basin), determined by biophysical and hydrological variables (e.g., small/high-elevation, large/low-elevation), as established through spatial analysis during development of the Conservation Plan. ‘Connected’ refers to hydrologic flows and aquatic organism passage that are uninterrupted by infrastructure (e.g., dams) or abstractions (i.e., water withdrawals) and that have unimpeded access during periods of high flow to surrounding floodplains (examples of impedances include levees or floodplain alterations), and are maintained as such from headwaters to mainstem. In combination, Representative and Connected Rivers ensure long-term maintenance of uninterrupted flow and aquatic organism passage, from headwaters to mainstem, for a subset of river systems that include the range of river types in the Ecuadorian Amazon.

Research Agenda: has the meaning set forth in Milestone 8.

Restore: means to conduct a set of activities aimed at the recovery and reinstatement of conditions that foster the evolution of natural processes and the maintenance of environmental services. [*Ref: Environmental organic Code. Definitions*]

Special Areas for Biodiversity Conservation: Special areas for biodiversity conservation may be incorporated complementary to the National System of Protected Areas in order to ensure ecosystem integrity, landscape functionality, sustainability of territorial development dynamics, sustainable use of natural resources, or recovery of degraded or degrading areas, according to criteria determined by the National Environmental Authority. The creation of these special areas may be driven by public, private, or community initiative. When a Special Area for Biodiversity Conservation has been established prior to a protected area, the rules for protected areas will prevail. The Special Areas for Biodiversity Conservation are: a) Areas or sites recognized by international instruments ratified by the State; b) Environmental buffer zones; c) Connectivity Corridors; and d) Ecological easements. [*Ref: Environmental organic code. Art. 55 and 56*]

Sustainable Use Plan: has the meaning set forth in Milestone 9.

Terrestrial Ecosystems: means all dry land, its vegetation cover, proximate atmosphere, and substrate (soils, rocks) to the rooting depth of plants, and associated animals and microbes, within the Ecuadorian Amazon.

Water Protection Areas (Áreas de Protección Hídrica): Areas designated as territories where water sources, declared to be of public interest for their maintenance, conservation, and protection, exist. These areas supply water for human consumption or ensure food sovereignty and will be part of the National System of Protected Areas. [Ref: Organic law of water resources, uses, and utilization of water: article 78]

Table 1

Milestone Table for the text above, in chronological order. In case of disagreement or inconsistency between this table and the text above, the text in the Clauses above will control.

Milestone Number	Milestone Summary Description	Milestone Completion
1	Initiate the development of the Conservation Plan.	August 1 st 2026
5	Update the Management Tool Guidelines for In Situ Conservation Mechanisms.	November 1 st 2026
8	Adopt a Research Agenda on Amazonian Biodiversity.	November 1 st 2028
2	Complete and Adopt the Conservation Plan.	August 1 st 2030

6	Adopt Management Tools for the conservation of at least 2.6 million hectares of Eligible Areas Under In Situ Conservation Mechanisms that also address conservation of the Representative and Connected Rivers they contain.	November 1 st 2030
3	Establish or recognize at least 800,000 hectares as new Eligible Areas Under In Situ Conservation Mechanisms.	November 1 st 2030
9	Adopt a Plan to Promote the Utilization, Processing, and Sustainable Use of Biodiversity in the Ecuadorian Amazon.	November 1 st 2031
10	Adopt a Monitoring Scheme for forests, freshwater, biodiversity, and protected areas.	November 1 st 2031
11	Restoration in accordance with the National Forest Restoration Plan.	November 1 st 2034
7	Adopt Management Tools for the conservation of at least 2 million additional hectares of Eligible Areas Under In Situ Conservation Mechanisms and that address conservation of 18,000 km of Representative and Connected Rivers.	November 1 st 2035
4	Increase Eligible Areas Under In Situ Conservation Mechanisms by at least 1 million additional hectares, including no less than 18,000 kilometers of Representative and Connected Rivers within the Existing Baseline and new Eligible In Situ Conservation Mechanism Areas.	November 1 st 2035

**SCHEDULE 5
FORM OF ACCELERATION NOTICE**

To: The Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador as Borrower

From: The Bank of New York Mellon as Facility Agent

Cc: [the Lenders]

Inter-American Development Bank

U.S. International Development Finance Corporation

Dated: []

Re: Facility Agreement dated 3 December 2024 by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (as Borrower), The Bank of New York Mellon (as Facility Agent), and Amazon Conservation DAC (as Original Lender) (the "Agreement")

1. We refer to the Agreement. This is a notice of acceleration delivered pursuant to Clause 19.18 (*Acceleration*) of the Agreement. Terms used but not defined in this notice shall have the meaning given to them in the Agreement.
2. We hereby notify you that, in connection with the occurrence and continuation of an Event of Default under Clause [], with immediate effect, we declare that [all/part] of the Loan, together with accrued interest, and all other amounts accrued or outstanding under the Finance Documents in respect of the Loan be immediately due and payable, whereupon they shall [become immediately due and payable/ be payable on demand by the Facility Agent].

Yours faithfully

.....
authorized signatory for
The Bank of New York Mellon

SCHEDULE 6
QUITO PUBLIC HOLIDAYS

Only Ecuador national and Quito mandatory holidays for public servants pursuant to the Fourth General Provision of the Ley Orgánica de Servicio Público (LOSEP) as amended by the amendment law published on Official Register Supplement of December 20, 2016, or as established by Presidential Decree of the President of Ecuador in each calendar year to be observed in Quito, will be considered "**Quito Public Holidays**".

The following is a list of Quito Public Holidays in 2025:

Quito Public Holiday	Date
New Year's Day (1)	January 1
Carnival Monday and Tuesday (1) (2)	March 3 March 4
Holy Friday (2)	April 18
Labor Day	May 1 observed May 2
Battle of Pichincha Day	May 24 observed May 23
Independence Day	August 10 observed August 11
Guayaquil Independence Day	October 9 observed October 10
Day of the Departed (3)	November 2 observed November 4
Cuenca Independence Day (3)	November 3
Quito Establishment Day	December 6 observed December 5
Christmas Day (1)	December 25

For each subsequent calendar year, each day listed as Quito Public Holiday in the table above will fall on the same date listed in the table above opposite that Quito Public Holiday except:

- (a) for a Quito Public Holiday that falls on Saturday, the holiday will be observed the previous Friday, and if it falls on Sunday it will be observed the following Monday;
- (b) for a Quito Public Holiday other than those marked (1) that falls on a Tuesday, it will be observed the previous Monday, and if it falls on Wednesday or Thursday, it will be moved to the following Friday, except when Quito Public Holidays are continuous as those marked (3), in which case special rules apply to ensure they remain continuous;
- (c) for a Quito Public Holiday marked (2):
 - (i) Carnival Monday and Tuesday and Holy (Good) Friday are determined by lunar calendar – Holy (Good) Friday falls two days before Easter, which is the first Sunday after the full moon on or after the spring equinox in the Northern Hemisphere and accordingly dates vary;

provided that no more than two consecutive weekdays will be treated as days which are not Quito Business Days.

SCHEDULE 7
ECUADOR DISCLOSURE

THE REPUBLIC OF ECUADOR DISCLOSURE

CONVENTIONS

Unless otherwise specified or unless the context requires so, “dollars”, “U.S. dollars” and “U.S.\$” refer to United States dollars.

All references herein to “Ecuador”, the “Republic” or the “State” are to the Republic of Ecuador.

All references herein to the “Government” are to the central Government of Ecuador (including national Governmental agencies and subdivisions and excluding financial and non-financial public sector institutions, State-owned banks and the Central Bank of Ecuador (the “Central Bank”).

The fiscal year of the Government ends on December 31. Unless otherwise indicated, all annual information is based upon a January 1 to December 31 calendar year, and all figures for 2023 and 2024 are preliminary, and figures from previous years may also be revised in the future. Certain monetary amounts included in this Annex have been subject to rounding adjustments; accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Unless otherwise indicated: (1) all annual rates of growth are average annual rates using current or nominal numbers; (2) all rates of growth or percentage changes in financial data are based upon such data expressed in constant prices (i.e., prices as adjusted for inflation); and (3) all financial data is presented in current nominal prices.

The terms set forth below have the following meanings for the purposes of this Annex:

- Foreign direct investment (“FDI”) flows are based on the sum of positive and negative transactions. The positive flows consist of capitalization, reinvested earnings and loans from a foreign office to a local branch. The negative flows consist of decapitalization, divestment of profits, losses for the period and loans from a local branch to a foreign office.
- Unless otherwise specified, imports and exports are calculated based upon free on board, or “FOB”, values and includes recorded trade by the National Customs Service of Ecuador.
- “Gross Domestic Product” or “GDP” means the total value of final products and services produced in the Republic during the relevant period, using nominal prices. “Real GDP” instead measures GDP based on constant prices using 2018 as the base year. In 2023, the Republic conducted a periodic rebasing of its real GDP calculations updating the base year of those calculations from 2007 to 2018.
- “GDP Deflator” is a measure calculated by dividing nominal GDP by real GDP.
- “Rate of inflation” or “inflation rate” is measured by the percentage change between two periods in the consumer price index, or “CPI”. The CPI is an index that comprises a basket of goods and services that reflects the pattern of consumption in Quito and major urban areas of Ecuador including: Guayaquil, Cuenca, Manta, Ambato and Machala. CPI is calculated on a monthly basis by the *Instituto Nacional de Estadísticas de Censos* (the National Institute of Statistics and Census, “INEC”), based on surveys conducted by the INEC.

The Republic’s official financial aid and economic statistics are subject to a review process by the Central Bank. Accordingly, certain financial and economic information in this Annex may be subsequently adjusted or revised. The Government believes that this practice is substantially similar to the practices of many industrialized nations. The Government does not expect revisions to preliminary statistics to be material, but cannot assure you that material changes will not be made to preliminary data. The INEC of the Republic is the state agency responsible for generating, systematizing and distributing certain statistical and cartographic information about the Republic.

Unless otherwise indicated in this Annex, the fiscal information and data provided in this Annex has been prepared and published in accordance with the International Monetary Fund’s (“IMF”) Government Finance Statistics Manual 2014 (“GFSM 2014”) standards.

FORWARD-LOOKING STATEMENTS

This Annex contains certain forward-looking statements (as such term is defined in the United States Securities Act of 1933, as amended) concerning the Republic. These forward-looking statements are based upon beliefs of certain Government officials and others as well as a number of assumptions and estimates that are inherently subject to significant uncertainties, many of which are beyond the control of the Republic. Future events may differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include information contained in the sections “*Summary*”, “*The Republic of Ecuador*”, “*The Ecuadorian Economy*”, “*Balance of Payments and Foreign Trade*”, “*Monetary System*”, “*Public Sector Finances*” and “*Public Debt*” and the following external and internal factors:

External factors:

- the impact of the Russia/Ukraine war on trade;
- the impact of other geopolitical tensions, including the Israel/Gaza war and ongoing conflicts in the Middle East;
- the impact of inflation;
- the impact of changes in the international price of commodities and, in particular, petroleum and mineral prices, which could affect Ecuador’s economy, fiscal accounts and international reserves;
- damage to and volatility in the international capital markets for emerging markets issuers caused by economic conditions in other emerging markets or changes in policy of Ecuador’s trading partners and the international capital markets generally, which could affect Ecuador’s ability to engage in planned borrowing;
- changes in import tariffs and exchange rates of other countries, which could harm Ecuador’s exports and, as a consequence, have a negative impact on the growth of Ecuador’s economy;
- recession or low growth in the economies of Ecuador’s trading partners, particularly the United States and the European Union, which could lead to fewer exports and affect Ecuador’s growth;
- a deterioration in relations between Ecuador and other countries in the region or other disruptions to Ecuador’s international relations;
- changes in the credit rating of the Republic;
- the decisions of international financial institutions regarding the terms of their financial assistance to Ecuador;
- higher international interest rates, which could increase Ecuador’s debt service requirements and require a shift in budgetary expenditures toward additional debt service;
- terrorist attacks in the United States or elsewhere, acts of war, epidemics or pandemics, or any general slowdown in the global economy; and
- cybersecurity and data breaches could adversely impact Ecuador’s economy, government operations and public trust.

Internal factors:

- social and political unrest in Ecuador, including increased violence and organized crime;
- Ecuador’s ability to continue to attract foreign investment;
- Continued public support for Ecuador’s current economic policies and/or changes in economic or tax policies in Ecuador;

- Ecuador’s level of domestic debt;
- Ecuador’s ability to maintain levels of oil production and transportation;
- Extreme weather events such as ongoing drought conditions and wildfires in Ecuador and related negative effects on the energy grid;
- Ecuador’s inability to reduce greenhouse gas (“GHG”) emissions which could curtail the profitability of Ecuador’s hydrocarbon and industrial sectors;
- general economic and business conditions in Ecuador; and
- other factors identified or discussed under “*Risk Factors.*”

In addition, the words “anticipates”, “believes”, “contemplates”, “estimates”, “expects”, “plans”, “intends”, “projections” and similar expressions, as they relate to the Republic, are intended to identify forward-looking statements.

Undue reliance should not be placed on forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties and assumptions. Future results may differ materially from those expressed in forward-looking statements. Many of the factors that will determine these results and values are beyond the Republic’s ability to control or predict. Because of the risks and uncertainties involved, an investment decision based on estimates and forward-looking statements should not be made. All forward-looking statements and risk factors included in this Annex are made as of the date of this Annex and are based on information available to the Republic as of such date, and the Republic assumes no obligation to update any forward-looking statement or risk factor.

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SUMMARY

The following summary does not purport to be complete and is qualified in its entirety by, and is subject to, the detailed information appearing elsewhere in this Annex.

The Republic of Ecuador

Ecuador is one of the smallest countries in South America, covering an area of approximately 98,985 square miles (256,370 km²). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline on the Pacific Ocean to the west. Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galápagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

Recent Developments

Government

Former President Guillermo Lasso faced strong political opposition from early on in his term, including calls to resign and attempted use by the National Assembly of Ecuador (the “**National Assembly**”) of mechanisms to either impeach and remove him from office or to call for early elections.

A constitutional referendum took place in February 2023, at the same time as the local elections. Former President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) on November 29, 2022, called for a binding referendum to effect amendments to the 2008 Constitution. Eight proposals were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These proposals included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the *Consejo de Participación Ciudadana y Control Social* (the “**Council for Citizen Participation and Social Control**”)) and questions regarding the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place in February 2023, and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

In early 2023, opposition legislators in the National Assembly initiated impeachment proceedings against former President Lasso based on accusations of embezzlement. The case centered on a 2020 contract between a state-owned oil transport company and an international shipping firm. While the contract was signed before former President Lasso’s presidency, the National Assembly’s inquiry alleged that former President Lasso allowed the contract to continue, despite knowledge of financial irregularities, leading to significant economic losses for the state. On March 29, 2023, Ecuador’s Constitutional Court authorized the impeachment process to proceed, focusing solely on the embezzlement charge and dismissing earlier allegations of bribery and misuse of public funds. Former President Lasso consistently denied the accusations, claiming they were politically motivated and lacked sufficient evidence. On May 17, 2023, with the National Assembly moving closer to an impeachment vote, former President Lasso invoked Article 148 of the Constitution to dissolve the National Assembly and call for early elections. Article 148 of the Constitution, also known as the “*muerte cruzada*” (mutual death) provision, allows the President to dissolve the National Assembly before the end of the legislative term if the National Assembly repeatedly obstructs the Executive’s legislative agenda, if it assumes functions beyond its constitutional authority, or if there is a severe political crisis or social unrest. Once invoked, the President must call for new legislative and presidential elections, which must be held within 90 days. During this interim period, the President can govern by decree but only on issues deemed urgent for the economy. This mechanism ensures that both the presidency and the National Assembly are subjected to new elections, hence the term “mutual death.”

In the 2023 election, Daniel Noboa emerged victorious in a second-round vote held on October 15, 2023. Noboa won against Luisa González, a candidate from the Citizen Revolution Movement. Notably during those elections, presidential candidate Fernando Villavicencio, an investigative journalist and former lawmaker known for exposing corruption and organized crime, was assassinated on August 9, 2023. His assassination occurred during a campaign

rally in Quito, highlighting the deepening security crisis tied to gang violence and narco-politics in Ecuador. Noboa's presidency, which began on November 25, 2023, is expected to continue until the next election, scheduled for February 9, 2025, as he finishes the remainder of former President Lasso's term. A potential second round is scheduled for April 13, 2025, in the event no candidate secures a majority in the first round. On August 9, 2024, President Noboa emerged as his political movement's candidate for Ecuador's February 2025 presidential election following primary voting. President Noboa's main contender according to polls in Ecuador is Luisa Gonzalez, an Ecuadorian lawyer and politician from the Citizen Revolution Movement who served as a member of the National Assembly from 2021 to 2023 and held various positions in former President Correa's government from 2007 to 2017. She lost the 2023 presidential election to Daniel Noboa. Ecuador's electoral system for presidential elections is designed to ensure that the elected president has significant voter support. In the first round of voting, a candidate can secure a victory by achieving more than 50% of the valid vote. Alternatively, a candidate can also win if they receive at least 40% of the valid vote and maintain a margin of at least 10% over the second-most-voted candidate. If no candidate meets either of these thresholds, the electoral process moves to a second round. In this runoff, the two candidates with the highest number of votes from the first round compete, and the one with the majority of votes in the second round is declared the winner.

Since assuming office in November 2023, President Noboa has implemented several key measures to address Ecuador's surge in violence. In January 2024, President Noboa declared that Ecuador was in an "internal armed conflict" against 22 organized crime groups involved in drug trafficking and illegal mining. As a response, he extended a state of emergency to six provinces through Presidential Decree 377, in January 2024. President Noboa also militarized prisons, aiming to restore order in facilities that had been largely controlled by criminal gangs. In May 2024, President Noboa declared a new security state of emergency in Ecuador granting the Government expanded powers to address crime. See "*The Republic of Ecuador—Surge in Violence and Organized Crime.*" The Noboa administration introduced the Organic Law for Economic Efficiency and Job Creation (*Ley Orgánica de Eficiencia Económica y Generación de Empleo*) in 2023, a comprehensive reform package that touches various aspects of the country's fiscal and economic landscape, and which was passed by the National Assembly in December 2023. The law aims to increase state revenue by approximately U.S.\$832 million. See "*The Ecuadorian Economy—Economic and Social Policies—Organic Law for Economic Efficiency and Job Creation.*" In December 2023, the Government announced an increase in its monthly minimum wage to U.S.\$460 for 2024. This represents a 4.5% increase from the monthly minimum wage of U.S.\$450 for the previous year. On March 15, 2024, President Noboa issued Decree 198, increasing the general VAT rate from 13% to 15%, effective from April 1, 2024. This increase was introduced as part of a fiscal consolidation effort to improve government revenues and reduce the budget deficit. The increase was enacted in accordance with the Organic Law to Address Internal Armed Conflict and the Social and Economic Crisis, which entered into force on March 12, 2024. This law permanently set the VAT rate at 13% but granted the President the authority to temporarily increase it to 15%.

On April 21, 2024, President Noboa called for a constitutional referendum and public consultation. Nine out of 11 proposals were approved by voters, with a reported turnout of 72%. The approved proposals primarily focused on enhancing security measures and institutional reforms. A key measure allows the country's military to support police operations in combating organized crime without declaring a state of emergency, effectively making permanent some of the emergency measures implemented in January 2024. Other approved measures include enabling extradition processes for Ecuadorians involved in transnational crimes, creating specialized constitutional courts and increasing penalties for serious offenses such as terrorism, drug trafficking, organized crime, murder, human trafficking and money laundering. The referendum also approved measures to ensure that sentences for certain crimes must be served through imprisonment, without the possibility of work-release or day-release programs or sentence reductions based on good behavior. These security-focused proposals received strong support. The approval of these measures was seen as a significant victory for President Noboa, providing him with a mandate to implement his security agenda in response to Ecuador's escalating violence and organized crime challenges.

Strategic sectors of the economy

Ecuador has two major oil pipelines, the SOTE and the OCP. Most of Ecuador's crude oil production is transported through the SOTE, which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast and has a capacity of approximately 360,000 bpd. Crude oil production has increased in the last ten years with the opening of the OCP, which removed a chokepoint on heavy crude oil transportation in Ecuador. In 2021, the SOTE transported 109.4 million barrels, averaging 299.8 thousand bpd. In 2022, the SOTE transported 116.5 million barrels, averaging

319.0 thousand bpd, and the OCP transported 55.0 million barrels, averaging 150.6 thousand bpd. In 2023, the SOTE transported 109.2 million barrels, averaging 304 thousand bpd, and the OCP transported 57.8 million barrels, averaging 162 thousand bpd. In June 30, 2024, the SOTE transported 51,7 million barrels, averaging 293.5 thousand bpd, and the OCP transported 33.6 million barrels, averaging 162,7 thousand bpd.

On June 17, 2024, OCP was forced to suspend pipeline operations due to erosion concerns following heavy rainfall and the rising Coca River. This disruption lasted for 16 days, with operations resuming on July 3, 2024. This disruption resulted in significant economic losses for Ecuador, with estimates suggesting a loss of approximately U.S.\$6.5 million per day, or a total loss of approximately U.S.\$104 million (approximately 0.1% of the country's GDP for 2023). The OCP and SOTE intend to build alternative branches of their pipelines to prevent soil erosion affecting their operations in the future.

In June 2001, Ecuador awarded the construction and operation contract for its second pipeline, the OCP heavy crude oil pipeline, to Oleoducto de Crudos Pesados Ecuador S.A., a consortium of domestic and foreign oil companies, which at the time had seven members: Occidental Petroleum Corporation, Alberta Energy Corp., Kerr McGee Corporation, Agip S.p.A. – Eni S.p.A., Pérez Companc S.A., Repsol YPF S.A., as well as the construction firm Techint Engineering & Construction (at the time owner of Tecpetrol operating the Bermejo block in the Amazon region and which is crossed by OCP). In August 2024, Pampa Energía S.A. became the owner of 100% of the shares of Oleoducto de Crudos Pesados Ecuador S.A. The OCP was constructed at a cost of U.S.\$1.4 billion, all of which was paid by the consortium. Construction was completed in September 2003, and operations began the same month. The contract for the operation of the OCP had a duration of twenty years and was due to expire in January 2024, at which time the OCP would become state property. The contract did not expire upon reaching its expiration date due to several extensions. In January 2024, the Government extended the contract's transfer date and duration for the construction and operation of the OCP pipeline until July 31, 2024. Subsequently, on July 29, 2024, the Government further extended the end date 19 days through August 19, 2024. On August 6, 2024, the consortium submitted a proposal for extension of the OCP pipeline operation contract, which included a 10-year extension from the original contract termination date, a commitment to invest approximately U.S.\$120 million in constructing a new pipeline variant, an additional estimated U.S.\$100 million for maintenance tasks over the 10-year period, a preliminary 10-year work program including evaluations of maritime monobuoys and storage tanks, control system updates, SCADA systems and major maintenance of rotating equipment. On August 26, 2024, the Ministry of Energy and Mines and the consortium signed a public deed extending the contract until the earlier of November 30, 2024, or the execution of its definitive extension, giving the Government time to analyze the proposal and obtain a risk assessment from the Ministry of Economy and Finance. However, on October 28, 2024, the Government announced its decision not to extend the OCP contract citing that both the contract and Ecuadorian law precluded the extension and require, instead, that ownership and operations of the pipeline must be transferred to Ecuador. The Government announced that the transfer will take place on November 30, 2024.

Petroecuador is the public company in charge of crude oil production for the State, and now manages a total of 26 blocks, with a total production of 392,046 barrels per day (“bpd”) for the period from January to September 2024, compared to 391,724 bpd for 2023, in each case including both crude oil and gas equivalents and accounting for approximately 80% of Ecuador's total production.

In early January 2024, Javier Aguilar, a former oil trader for Vitol, the world's largest independent energy trader, specializing in trading oil, gas, and other energy products, faced trial in the United States on charges related to paying bribes to officials in Mexico and Ecuador. Aguilar was accused of paying over U.S.\$1 million in bribes to secure contracts for Vitol, particularly with Petroecuador and a subsidiary of the Mexican state oil company PEMEX. The trial took place in the Eastern District of New York and concluded with Aguilar being convicted of multiple charges, including violations of the Foreign Corrupt Practices Act (“FCPA”) and money laundering. Prosecutors alleged that from 2015 to 2020, Aguilar used various fraudulent methods—such as shell companies, fake contracts and sham invoices—to pay the bribes, aiming to gain lucrative contracts for Vitol. For example, Aguilar and his co-conspirators secured a U.S.\$300 million contract with Petroecuador by bribing senior officials and, following changes to the Government in 2017, continued to bribe newly appointed officials to ensure ongoing business. The scheme used entities incorporated in Curaçao, Panama, and the Cayman Islands, and involved payments disguised using code words such as “shoes” and “coffee” to conceal their true nature. Aguilar's trial lasted eight weeks and involved testimony from several co-conspirators and officials who had accepted the bribes. Following his conviction, in August 2024 Aguilar pleaded guilty to additional charges, consolidating the cases and agreeing to forfeit U.S.\$7.1 million as part

of his plea agreement. This case is part of a broader investigation into corruption in the global oil trading industry. Vitol had previously admitted to similar bribery practices in Ecuador, Mexico and Brazil, resulting in a U.S.\$160 million settlement with the United States Department of Justice in 2020.

In January 2019, Petroamazonas endorsed the World Bank's "Zero Routine Flaring by 2030" initiative whereby it committed to incorporate sustainable utilization or conservation of its oil fields associated gas without routine flaring, and to implement economically viable solutions to eliminate this practice as soon as possible, and by no later than 2030. Despite these efforts, the flaring practice continues in Ecuador. In June 2024, indigenous and environmental groups in Ecuador staged protests against Petroecuador's gas flaring practices. The demonstrators argued that these activities contribute to environmental degradation and pose health risks to local communities.

In 2023, Block 43, which includes the ITT fields recorded oil production of approximately 54,466 bpd compared to 50,613 bpd in 2022. This figure reflects adjustments in production levels, including a decline in Tambococho and Tiputini output, but a significant increase in the Ishpingu output. Despite fluctuations, the overall production remained strong, making it a significant contributor to Ecuador's oil output. For the eight months ended on August 31, 2024, Block 43's production was recorded at about 49,806 bpd, compared to 53,576 bpd during the same period in 2023. The Ishpingo field maintained its high production levels with a significant increase from 2023, but Tambococho's and Tiputini's output decreased in 2024.

In March 2024, operations at the OCP pipeline were halted following a leak detected in the system in the Napo province. This pipeline is crucial for transporting crude oil from the Amazon region to the Pacific coast and is a significant source of revenue for the country. The leak raised environmental concerns and highlighted vulnerabilities within Ecuador's oil infrastructure. Authorities initiated investigations and repair work to address the situation and prevent further economic impact.

In March 2024, Petroecuador began a relocating project for two LPG storage tanks. Initially built in Cuenca, these storage tanks will be moved to Chorrillos. The structures, which are part of the Pascual – Cuenca pipeline in Azuay, stopped working in 2018 when the soil of the field where they were constructed began sinking. The project is expected to cost U.S.\$20.6 million and to be executed within 510 days. Once the relocation is completed, both tanks will collectively store up to 6,400 metric tons of LPG.

In August 2024, Ecuador began shutting down oil drilling operations in the Yasuní National Park, a biodiversity hotspot in the Amazon rainforest. This action followed a landmark referendum held in August 2023, where nearly 60% voted to halt oil extraction in the biodiverse Amazon region, which includes Yasuní National Park's ITT block. Petroecuador initiated the dismantling of infrastructure, starting with the closure of the Ishpingo B-56 well. However, on August 21, 2024, the Government requested a five-year extension from the constitutional court to complete the shutdown, citing the complex nature of the task and its economic implications. In August 2024, the Committee reviewed a report detailing the environmental and economic impacts of early closure, estimating that a phased production reduction over five years (2024–2029) would result in a revenue loss of approximately U.S.\$2.46 billion, with an additional U.S.\$1.345 billion required through 2034 for well closures and facility dismantling. Since the referendum, Ecuador has not entered into new contracts for further oil extraction in the ITT block.

As of June 30, 2024, crude oil exports totaled U.S.\$4,788 million, an increase of 15.0% compared to U.S.\$4,158 million in the same period in 2023. This increase was primarily due to an increase in the average international price of petroleum per barrel from U.S.\$62.92 in June 2023 to U.S.\$71.7 in June 2024 and an increase in exported volume from 48.1 million barrels in June 2023 to 56.3 million barrels in June 2024.

In 2023, the domestic consumption of petroleum derivatives was 104.1 million barrels, a 5.14% increase compared to 99 million barrels during 2022. For the first eight months of 2024, the domestic consumption of petroleum derivatives was 69.2 million barrels, a 1.5% increase compared to 68.2 million barrels during the same period of 2023. In the first eight months of 2024, Ecuadorian refineries only produced sufficient oil derivatives to meet approximately 70% of domestic demand.

Esmeraldas' production of oil derivatives increased from 99,336 average bpd in 2021 to 106,191 average bpd in 2022 and 105,523 average bpd in 2023. In 2021, 2022 and 2023, oil derivatives production at the Esmeraldas refinery totaled 35.2, 38.8 and 38.5 barrels, respectively. In the first six months of 2024, oil derivatives production at the Esmeraldas refinery totaled 23.2 barrels.

Ecuador's Power Sector Crisis

In 2024, Ecuador has faced a severe energy crisis, driven primarily by an unprecedented drought that drastically reduced water levels in key reservoirs, particularly in the Paute and Mazar basins. These reservoirs feed hydroelectric plants, which supply a significant portion of the country's electricity. The crisis resulted in widespread blackouts, with power outages lasting up to 14 hours a day, and had a significant financial impact, with estimated losses in the business sector of approximately U.S.\$12 million for every hour without electricity, according to the Ecuadorian Business Committee (*Comité Empresarial Ecuatoriano*). The Government immediately sought external help, negotiating electricity imports from Colombia. However, Colombia, facing similar drought conditions, temporarily suspended these exports, leaving Ecuador to manage its energy shortfall through emergency rationing and investment in new energy sources. On November 17, 2024, Ecuador resumed importing energy from Colombia, as further described below.

In December 2023, President Noboa introduced the bill for the Organic Law of Energy Competitiveness (*Ley Orgánica de Competitividad Energética*) to the National Assembly. The bill was enacted into law on January 11, 2024, and is considered a crucial step in promoting sustainable energy practices in Ecuador. The law aims to address Ecuador's energy deficit and mitigate energy shortages by encouraging private sector participation and incentivizing the adoption of various renewable energy technologies, thereby diversifying the energy mix and reducing reliance on hydropower. See "*The Republic of Ecuador—Ecuador's Power Sector Crisis*."

The lack of prior investment in Ecuador's electrical infrastructure and increased energy demand have compounded the energy crisis. Demand grew by 10.5% in 2023, and by an additional 5.5% through August 2024, intensifying the strain on the power system. Aging thermal generation plants and low reliability due to outdated technology have further reduced capacity, necessitating regular scheduled blackouts to maintain balance.

The Government declared multiple states of emergency throughout 2024 to address the energy crisis, deploying the military to protect critical infrastructure and fast-tracking efforts to boost domestic energy production by up to 1,430 megawatts in the coming years. On June 19, 2024, Ecuador experienced a nationwide power outage that plunged the country into darkness. The blackout affected all 24 provinces of the country, causing significant disruptions to daily life and economic activities. The Ministry of Energy and Mines reported that the outage was due to a failure in the National Interconnected System. This incident highlighted the vulnerabilities in Ecuador's power infrastructure and raised questions about the country's energy security. As a result of the crisis, Ecuador's state-owned electric utility company, *Corporación Eléctrica del Ecuador* ("**CELEC**"), declared a state of emergency and signed four contracts for emergency power generation, adding 341 MW at a cost of approximately U.S.\$350 million. Additionally, in August 2024, CELEC awarded contracts to Progen Industries LLC for the installation of generators capable of producing up to 150 MW at the Quevedo and Salitral plants, at a total projected cost of U.S.\$149.1 million.

To quickly boost electricity supply, a 100 MW floating power plant began commercial operations on September 16, 2024. This temporary solution aims to provide immediate relief during peak demand periods, ensuring stability in the power supply when hydroelectric resources are limited.

As of September 22, 2024, the country had experienced 71 days without significant rainfall, severely impacting its hydroelectric power plants that supply about 70% of the country's electricity. This prolonged drought led to record-low water levels in the Mazar basin, with the rate of water flowing into or within the basin, measured as a percentage of typical or expected flow rates hitting historic lows: 0.5% in July, 0.04% in August and 0.06% in September. The drought also resulted in multiple wildfires, particularly around Quito where approximately 2,000 firefighters, rescue workers and military personnel battled blazes. In response to the crisis, the Government declared a red alert in 19 provinces on September 22, 2024, including Quito, and imposed planned power outages across 12 of Ecuador's 24 provinces. The blackouts, initially scheduled for eight hours nightly from Monday to Thursday, were extended to include a nine-hour suspension on Sunday from 8:00 a.m. to 5:00 p.m. local time. Additionally, in September 2024, water rationing was implemented in 60 neighborhoods in Quito. The Government also deployed military personnel to key hydroelectric facilities, such as the Mazar plant, to support operations and ensure protection. On September 24, 2024, three of Ecuador's major hydroelectric dams became offline due to low water levels, which further exacerbated the country's ongoing energy crisis. The affected dams, which normally provide about 30% of Ecuador's electricity, are expected to remain non-operational until water levels recover.

On October 23, 2024, the Ministry of Labor introduced a temporary labor regime in response to the national energy crisis allowing private sector employers and employees to voluntarily adjust the workweek to four days, with 10-hour workdays, either from Monday to Thursday or Thursday to Sunday, maintaining the standard 40-hour workweek. The agreement aims to reduce energy consumption during peak hours and alleviate the strain on the national power grid caused by prolonged drought conditions affecting hydroelectric generation.

On October 27, 2024, the National Assembly unanimously approved a bill proposed by President Noboa that increases the cap on private investment in electricity generation projects from 10 megawatts to 100 megawatts, aiming to attract more private capital into the sector. The bill also authorizes private companies to import natural gas for industrial use and electricity generation, provided they meet technical and quality standards set by regulatory authorities. This initiative is part of the Government's broader strategy to diversify energy sources and reduce reliance on hydropower.

On November 6, 2024, President Noboa issued Executive Decree No. 444, implementing financial relief measures to mitigate the economic impact of the ongoing energy crisis. The decree allows public, private and cooperative financial institutions to offer extraordinary deferral programs for up to 90 days, enabling clients to postpone payments without incurring additional interest, fees or penalties. Additionally, the decree permits the restructuring and refinancing of loans to accommodate current economic conditions. Internet service providers are also mandated to implement compensation measures and provide payment facilities to users affected by service interruptions due to power outages.

On November 17, 2024, Ecuador resumed importing energy from Colombia, initially averaging 420 megawatts per day, with plans to increase the supply to 440 megawatts. The energy exchange is facilitated by the electrical interconnection between the two countries, which enables dynamic exchange based on availability and demand. This measure, coupled with slightly improved hydrological conditions, has allowed the Government to reduce the mandated daily power outages from 12 to 8 hours.

Surge in violence and organized crime

Violence and organized crime in Ecuador has increased dramatically in recent years, transforming the once peaceful nation into one of Latin America's most violent countries. This shift has profoundly impacted daily life, the economy, and governance in Ecuador.

According to the Ecuadorian Organized Crime Observatory (*Observatorio Ecuatoriano de Crimen Organizado* or the "OECCO"), intentional homicides in Ecuador increased by 574.3% between 2019 and 2023, making it the most violent country in Latin America and one of the most violent in the world. In 2023, there were 8,004 violent deaths, resulting in a homicide rate of 47.3 per 100,000 inhabitants. From January to October 2023, 770 youths up to 19 years old were victims of homicide, and the country recorded 17,882 intentional homicides since 2019, positioning it statistically comparable to conflict zones like Afghanistan (23.8 casualties per day) and Yemen (15.8 casualties per day). During 2023, the region comprising Los Ríos, Guayas, Santa Elena and Bolívar showed a 120% rise in homicide rates, driven by drug routes and conflicts. Guayaquil, Durán and Samborondón account for 35.1% of homicides, with a rate of 89.1 per 100,000 inhabitants. In the first semester of 2024, Ecuador reported a total of 3,036 homicides, marking a reduction of 16.2% compared to the same period in 2023. Despite this decrease, the rate remains high, with 17.9 homicides per 100,000 inhabitants. The group most affected by homicides has shifted to those aged 20-24 years, overtaking the historical trend of 25-29 years. During the first semester of 2024, homicides among adolescents aged 15-19 increased by 17% from the first semester of 2023. Geographically, 80% of homicides were concentrated in three main planning zones, with Zone 8 (including Durán, Guayaquil and Samborondón) accounting for 35% of the total. The province of Los Ríos was the most violent, with a rate of 48.0 homicides per 100,000 inhabitants, and the *cantón* of Camilo Ponce Enríquez had the highest rate at 171.0 homicides per 100,000. The expansion of illegal mining activities contributed significantly to increased violence in areas like Camilo Ponce Enríquez and Las Naves. The use of firearms was prevalent, accounting for 2,595 of the 3,036 homicides recorded during the first semester of 2024, suggesting a strong link to gang activities and violent crime, with violence intensifying in regions where criminal organizations vie for control over illegal activities like drug trafficking and illegal mining.

The increase in violence reportedly began in 2016-2017, triggered by a confluence of factors. The 2016 peace agreement between Colombia and the *Fuerzas Armadas Revolucionarias de Colombia* ("FARC") rebels may have inadvertently pushed criminal elements into Ecuador. A devastating earthquake that same year scattered existing criminal groups across the country as they fled the influx of military and aid workers to affected areas. Additionally, economic downturns due to falling oil prices and later the COVID-19 pandemic provided criminal organizations with

a steady stream of recruits from unemployed youth. The situation escalated rapidly starting in 2020, marked by a series of brutal prison massacres as rival gangs battled for control. By 2023, Ecuador's homicide rate had skyrocketed to 47.3 per 100,000 inhabitants, a dramatic increase from just 6.7 per 100,000 in 2019. The violence expanded beyond prisons, with assassinations of political figures, including presidential candidate Fernando Villavicencio, car bombings and gruesome public displays of gang brutality.

Ecuador has become a major hub for drug trafficking, particularly cocaine. Its strategic location, high-quality road network, dollarized economy and lax visa requirements have made it attractive to both domestic and international criminal groups. The ports of Guayaquil, Manta, and Esmeraldas have emerged as primary export points for narcotics destined for Europe and the United States. The criminal ecosystem in Ecuador is complex, involving local gangs, transnational organizations from Colombia, Mexico, and even Albania, and a web of corrupt officials within state institutions. These groups engage in drug trafficking, extortion, arms trafficking and other illicit activities. The fragmentation of once-powerful gangs, particularly following the 2020 assassination of Los Choneros leader Jorge Luis Zambrano, has led to violent turf wars and further destabilization.

The surge in organized crime has profoundly affected Ecuadorian society. In major cities like Quito, businesses have altered their operations, closing early and limiting nighttime activities. Extortion networks have spread throughout the country, affecting businesses large and small. On December 14, 2023, Ecuador's police detained Wilman Terán, the president of the Judiciary Council, along with 28 others in a major operation targeting drug trafficking networks. This operation, dubbed '*Metástasis*,' involved over 75 raids and uncovered links between judicial officials, police officers and criminal organizations. Prosecutor Diana Salazar described the case as exposing 'a structure of corruption' within Ecuador's justice system. The detentions included judges, lawyers and police officers.

On March 24, 2024, Ecuador's youngest mayor, 27 year-old Brigitte Garcia, and her staffer Jairo Loor Meza, were found shot to death in San Vicente. On October 25, 2024, Ecuadorian prosecutor Marcelo Vasconez was shot dead along with his police escort in Manta, a coastal city known for its rising crime rates. Vasconez was part of the attorney general's transnational organized crime unit and was actively involved in combating drug trafficking and organized crime. As of that date, at least nine prosecutors have been killed since 2019 amid the surge in crime linked to drug gangs.

Since assuming office on November 23, 2023, President Noboa has implemented several key measures to address Ecuador's surge in violence. The crisis began with the escape of José Adolfo Macías Villamar, alias "*Fito*," a notorious gang leader, from the Guayaquil regional prison, followed by the escape from prison soon thereafter of another notorious gang leader, Fabricio Colón Pico Suárez, alias "*Capitán Pico*." A series of subsequent incidents, including masked gunmen storming the state-owned TV station TC Television during a live broadcast, riots and mass prison escapes, and attacks on public institutions and the army, further increased tensions. In April 2024, Ecuadorian authorities announced the recapture of Fabricio Colón Pico. As of the date of this Annex, José Adolfo Macías Villamar, alias "*Fito*," remains at large.

As a result, in January 2024, President Noboa declared a state of emergency in Ecuador based on significant internal commotion. In January 2024, President Noboa declared that Ecuador was in an "internal armed conflict" against 22 organized crime groups involved in drug trafficking and illegal mining and authorized the use of lethal force against the crime groups designated as "terrorist groups" and ordered the mobilization of armed forces and police throughout the country. The decree also limited citizens' rights to assemble and move freely, allowed authorities to enter homes without warrants, and militarized prisons, aiming to restore order in facilities that had been largely controlled by criminal gangs.

In May 2024, the Government declared a new security state of emergency granting the Government expanded powers to address crime. The situation raised concerns about potential human rights abuses and the need for accountability in security operations and the Government has since launched an investigation into eight reported extrajudicial killings that allegedly occurred during the state of emergency declared at the start of the year.

Recent geopolitical conflicts and economic impact

In February 2022, Russia launched a full-scale military attack on Ukraine. The subsequent war, which is still ongoing, significantly amplified existing geopolitical tensions among Russia, Ukraine, the North Atlantic Treaty Organization, the United States, the European Union and its member states, the United Kingdom and various other countries, and

led to significant volatility and disruption in global trade and financial markets. Moreover, Russia's annexation in September 2022 of four regions of Ukraine (Donetsk, Luhansk, Zaporizhzhia and Kherson) further escalated these tensions. The war has generated concern regarding non-oil exports, including banana exports to Russia. However, during the first semester of 2022, Ecuador's total trade balance was only reduced by U.S.\$30 million, despite the economic effects due to the war.

In 2023 and 2024, Ecuador's trade with Russia faced new challenges. In January 2024, Ecuador negotiated a military exchange with the United States, agreeing to transfer Soviet-era weapons to the United States in exchange for modern military equipment worth U.S.\$200 million. This deal was primarily aimed at bolstering Ecuador's capabilities to combat organized crime. However, the agreement drew sharp criticism from Russia, which suspected that the weapons might ultimately be transferred to Ukraine for use against Russian forces. In retaliation, Russia imposed a partial ban on Ecuadorian banana imports in February 2024. This action had significant economic implications for Ecuador, as Russia accounted for approximately 20% of Ecuador's banana exports in 2023, with total trade in this fruit reaching U.S.\$3,770.1 million that year. The Russian veto extended beyond bananas, with threats to restrict imports of Ecuadorian carnations as well. On February 23, 2024, the Government called off the planned arms exchange with the United States after learning that some of the weapons were intended to be sent to Ukraine. The Government stated that this decision was made to maintain its stance of neutrality in the ongoing conflict between Russia and Ukraine.

Furthermore, one of the main economic effects of the war was a shortage of fertilizers and grains, which led to an increase in international prices caused by the decrease in Russian and Ukrainian production from the international market. For Ecuador, this resulted in higher production costs for farmers. The government responded by seeking alternative suppliers and implementing programs to support domestic fertilizer production. In 2023, Ecuador signed agreements with Morocco and Bolivia to secure fertilizer supplies, helping to stabilize prices for agricultural inputs. In the energy sector, the steady rise in oil and gas prices also affected the costs of fertilizers. In this context, Ecuador had to look for other agricultural supplies from different countries, such as the United States, China, Italy and Chile. The effect of the war on domestic prices has been largely contained by government subsidies on fuel and urea, as well as the appreciation of the U.S. dollar. However, this approach became unsustainable over time and in June 2024, the government announced a reduction in fuel subsidies, leading to an 11% increase in gasoline prices, which has sparked protests. This decision was part of a broader fiscal reform aimed at reducing Government spending and securing the U.S.\$4 billion 2024 EFF with the IMF. The Government argues that the subsidy reduction is necessary to redirect funds to social programs and infrastructure development, but it has faced significant public opposition. See *"Public Debt —IMF's Extended Fund Facility and Rapid Financing Instrument."*

Regarding oil exports, the increase in prices in international markets as a result of the war allowed greater inflows into the General State Budget from oil revenues compared to the initial budget in 2022. In 2023, oil revenues decreased with Ecuador's oil export earnings reaching U.S.\$9.0 billion, a 19.1% decrease from 2022. As of September 2024, oil prices have stabilized at around U.S.\$65.6 per barrel for Ecuador's Oriente crude, down from the peak of over U.S.\$107 per barrel in June 2022, while still providing a steady income stream for the country.

On October 7, 2023, Hamas launched a large-scale surprise attack on Israel from the Gaza Strip. The subsequent war, which is ongoing, significantly amplified existing tensions between Israel, Palestine and various regional and global actors, including the United States, Iran, Egypt and other Middle Eastern countries. The conflict led to increased levels of violence, humanitarian crises and disruptions in regional stability. As of the date of this Annex, despite international mediation efforts, including attempts at ceasefires and hostage exchanges, the conflict continues with no clear resolution in sight. The war has had far-reaching consequences, including a severe humanitarian crisis in Gaza, increased global economic uncertainty and a reshaping of geopolitical alliances in the Middle East and beyond. While Ecuador has not been directly impacted, there have been indirect effects. The conflict has contributed to global economic uncertainty and volatility in oil prices, which can affect Ecuador's oil export revenues. President Noboa's government was among the handful of Latin American countries that immediately supported Israel following the October 7th attack by Hamas. Ecuador's support for Israel and alignment with United States foreign policy has helped Ecuador maintain positive relations with Western allies, traditionally allied with Israel, in times where Ecuador has sought international support for its economic reforms.

On April 5, 2024, Ecuador's security forces stormed the Mexican embassy in Quito in an unprecedented diplomatic incident. The operation was aimed at arresting Jorge Glas, Ecuador's former Vice President under former Presidents Rafael Correa and Lenín Moreno, who had sought asylum in the embassy. Glas, convicted of receiving U.S.\$18 million in bribes from the Brazilian firm Odebrecht, had been granted asylum by Mexican authorities earlier that day.

Special forces, equipped with a battering ram, surrounded the embassy located in Quito’s financial district. The raid was widely condemned internationally as a clear violation of the Vienna Convention, which provides for the inviolability and diplomatic immunity of diplomatic missions. The incident led to a severe diplomatic crisis, with Mexico immediately severing diplomatic ties with Ecuador. Other Latin American countries, including Venezuela and Nicaragua, also cut ties with Ecuador, while many others, such as Brazil, Argentina, Chile and Colombia, sharply rebuked Ecuador for the action. The United States also condemned the violation of diplomatic norms, and the United Nations Secretary-General expressed alarm over the raid. On April 30, 2024, Mexico presented its case to the International Court of Justice (“ICJ”), arguing that Ecuador’s actions in storming the embassy to arrest former Vice President Glas were illegal and violated international law. The following day, on May 1, Ecuador mounted its defense, accusing Mexico of “blatant interference” in its internal affairs and contended that Mexico had abused its diplomatic privileges by harboring former Vice President Glas, who was wanted on corruption charges. Ecuador argued that granting asylum to former Vice President Glas was unjustified and that Ecuador had the right to enforce its laws. The case has drawn international attention as it could potentially have significant implications for international diplomatic norms and practices. As of the date of this Annex, the ICJ continues to deliberate.

The Ecuadorian Economy

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2023 was U.S.\$116,618 million, compared to U.S.\$113,934 million in 2022, representing a 2.4% increase in real terms. This increase was mainly due to the increase in household consumption. Nominal GDP for 2023 reached U.S.\$118,845 million, representing a 1.9% increase from U.S.\$116,586 million in 2022. Real GDP for 2021 was U.S.\$107,297 million, compared to U.S.\$97,704 million in 2020, representing a 9.8% increase in real terms. This increase was mainly due to increases in household consumption and investment.

Real GDP for the first six months of 2024 was U.S.\$58,535 million, compared to U.S.\$58,833 million for the first six months of 2023, representing a 0.5% decrease in real terms. This decrease was mainly due to the contraction of domestic demand. Nominal GDP for the first six months of 2024 reached U.S.\$60,482 million representing an increase of 1.7% from U.S.\$58,835 million for the same period in 2023. This increase was mainly due to the increase in prices of exported goods, especially traditional products such as cocoa, coffee and bananas.

According to the INEC, the annual inflation rate in Ecuador increased steadily from 0.93% for 2020 to 1.94% for 2021 and 3.74% for 2022. This increase was primarily due to disruptions in international markets and related problems in international transport supply chains that affected the price of raw materials, as well as policy measures on fuel prices. The inflation rate decreased to 1.35% in 2023. This decrease was primarily due to the stabilization of raw material prices at the international level, normalization of production chains and moderate domestic demand. Annual inflation for the six months ended June 30, 2024 was 1.28%.

In 2023, trade was the largest sector of the economy measured by percentage of GDP (16.1%), followed by manufacturing (11.9%), petroleum and mining (8.6%) and Government services (7.4%). In the first six months of 2024, trade was the largest sector of the economy measured by percentage of GDP (15.6%), followed by manufacturing (11.4%), petroleum and mining (8.8%), technical professional activities (7.4%), agriculture, livestock and forestry (7.3%), and Government services (7.2%).

In 2023, crude oil exports totaled U.S.\$7,824 million, a decrease of 22.02% compared to U.S.\$10,034 million in 2022. This decrease was due a decrease in the average international price of petroleum per barrel from U.S.\$85.84 in 2022 to U.S.\$68.01 in 2023 and a decrease in export volume from 116.9 million barrels in 2022 to 115 million barrels in 2023.

As of June 30, 2024, crude oil exports totaled U.S.\$4,788 million, an increase of 15.0% compared to U.S.\$4,158 million in the same period in 2023. This increase was primarily due to an increase in the average international price of petroleum per barrel from U.S.\$62.92 in June 2023 to U.S.\$71.7 in June 2024 and an increase in exported volume from 48.1 million barrels in June 2023 to 56.3 million barrels in June 2024.

From August 2021 to August 2024, the rate of unemployment decreased from 4.9% as of August 31, 2021 to 4.0% as of August 31, 2024. From August 31, 2023 to August 3, 2024, the rate of individuals who were unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment remained at the same level.

The labor force participation rate of the Ecuadorian economy decreased by an aggregate of 0.1% from August 31, 2023 to August 31, 2024, unemployment increased by 0.5% and underemployment increased by 0.18% for that same period. In 2023, the labor force participation rate decreased to 64.7% from 65.9 % in 2022, the underemployment rate increased to 21.2% from 19.4% in 2022 and the unemployment rate increased to 3.4% from 3.2% in 2022.

Balance of Payments and Foreign Trade

Given Ecuador's dollarized economy, the balance of payments is important in determining money supply and the sustainability of the monetary system. A positive balance of payments strengthens the assets of the Central Bank and increases money supply while a negative balance of payments weakens the assets of the Central Bank and decreases support for the money supply.

In 2023, the balance of payments was positive. The current account registered a surplus of U.S.\$2,229 million, an increase of U.S.\$135.8 million compared to the U.S.\$2,093.1 million surplus in 2022. This increase in the surplus was primarily due to the positive goods account (U.S.\$2,207 million), the secondary income account (U.S.\$4,767 million) and the reduction of the services account deficit. The capital account increased. The financial account also showed a surplus (0.3% of GDP) associated with the decrease in net liabilities and reserve assets. The surplus result in the current account is mainly due to the goods account and the secondary income.

For the six months ended June 30, 2024, the current account registered a surplus of U.S.\$3,876.3 million, or 3.4% of GDP. This surplus was primarily due to the increase in export of goods (U.S.\$ 1,784 million) and the decrease in imports of goods (U.S.\$821 million).

For the six months ended June 30, 2024, the primary income account recorded a deficit of U.S.\$1,472.5 million primarily due to higher debt interest payments. The secondary income account recorded a surplus of U.S.\$2,637.7 million primarily due to the greater flow of remittances received from Ecuadorians based in Europe and the United States.

In 2023, the balance of the capital and financial accounts registered a surplus of U.S.\$2,311 million compared to the U.S.\$2,179 million surplus in 2022. This decrease in the surplus was primarily due to the decrease in net liabilities incurred and reserve assets. Other investment assets decreased from U.S.\$4,276 million in 2022 to U.S.\$2,503 million in 2023 and liabilities related to the portfolio investments decreased from U.S.\$3,256.2 million in 2022 to U.S.\$-386.4 million in 2023. In addition, reserve assets decreased from U.S.\$568.2 million in 2022 to U.S.\$-4,285 million in 2023.

For the six months ended June 30, 2024, the capital and financial accounts resulted in a surplus of U.S.\$3,916 million, compared to the U.S.\$1,236 million surplus for the same period in 2023. This increase in the surplus was primarily due to the increase in portfolio investment from the net acquisition of financial assets and from the decrease in other investment from net incurred liabilities.

In 2023, FDI totaled U.S.\$380.0 million, a decrease compared to the FDI of U.S.\$880.3 million in 2022. This decrease was primarily due to a transaction (recorded in the second quarter of 2022) that did not involve an effective flow of foreign currency but rather a transfer of fiduciary rights. In 2022, FDI totaled U.S.\$880.3 million, an increase compared to the foreign direct investment of U.S.\$648.6 million in 2021.

For the six months ended June 30, 2024, FDI totaled U.S.\$120.1 million, a decrease compared to the FDI of U.S.\$136.7 million for the same period in 2023. This decrease was primarily due to a reduction in reinvested earnings and an increase in liabilities with direct investors.

As of December 31, 2023, Ecuador's International Reserves totaled U.S.\$4,454.4 million, a decrease from U.S.\$8,458.7 million as of December 31, 2022. The decrease was primarily due to a higher external debt service, an increase in the import of derivatives and in transfers abroad from public and private sectors, and a decrease in public debt disbursements.

As of September 30, 2024, Ecuador's International Reserves totaled U.S.\$8,577.5 million, an increase U.S.\$6,312.2 million as of September 30, 2023. This increase was primarily due to international financing from multilaterals and transfers from abroad to the private sector.

In 2023, according to the Central Bank's balance of payments statistical bulletin, exports amounted to U.S.\$31,126.5 million, a decrease of 5% compared to U.S.\$32,658.3 million in 2022. This decrease was primarily due to a decrease in oil, tuna and other fish exports.

During the six months ended June 30, 2024, according to the Central Bank's balance of payments statistical bulletin, exports amounted to U.S.\$16,952.1 million, an increase of 10.6% compared to U.S.\$15,159.0 million during the same period of 2023. This increase was primarily due to the recovery in oil, fish and tuna exports and the increase in cocoa exports associated with an upward trend in international prices of cocoa beans.

In 2023, according to the Central Bank's balance of payment statistical bulletin, imports totaled U.S.\$29,131.6 million, a 4% decrease compared to U.S.\$30,333.8 million in 2022. This decrease was primarily due to lower international prices and a general economic slowdown.

During the six months ended June 30 2024, according to the Central Bank's balance of payments statistical bulletin, imports amounted U.S.\$13,213.4 million, a decrease of 5.8% compared to U.S.\$14,029.5 million during the same period of 2023. This decrease was primarily due to the lower international prices and the economic slowdown.

Public Sector Finances

In 2023, Central Government revenues totaled U.S.\$21,134.6 million, while total expenditures were U.S.\$27,048.9 million. This resulted in an overall fiscal deficit of U.S.\$5,914.4 million in 2023, an increase compared to the U.S.\$1,546.4 million deficit in 2022. This increase in the deficit was primarily due to lower revenues because of the change in the CFDD operations report and greater external interest payments related to higher international interest rates.

For the six months ended June 30, 2024, Central Government revenues totaled U.S.\$12,401.3 million, while total expenditures were U.S.\$12,137.0 million. This resulted in an overall fiscal surplus of U.S.\$264.0 million compared to the U.S.\$1,138.4 million deficit for the six months ended June 30, 2023. This decrease in the deficit was primarily due to tax policy measures implemented to increase permanent revenues.

In 2023, the non-financial public sector registered a deficit of U.S.\$4,276.9 million compared to a deficit of U.S.\$22.6 million in 2022. This increase in the deficit was primarily due to a decrease in income of approximately U.S.\$1,500 million and an increase in expenses in approximately U.S.\$2,600 million. In 2023, total revenues for the non-financial public sector totaled U.S.\$43,606.6 million, an increase from U.S.\$45,199.3 million in 2022. This increase was primarily due to decrease in oil volume production and export prices as well as a slowdown in economic activity. In 2023, total expenditures for the non-financial public sector totaled U.S.\$47,883.5 million, an increase from U.S.\$45,222.0 million in 2022. This increase was primarily due to an increase of approximately U.S.\$956 million in social security benefits, higher interest expense due to the adjustment of interest rates in the international market due to inflationary levels, and an increase in salaries and wages due to the establishment of the *Ley Orgánica de Educación Intercultural*, which increased salaries and personnel in the education sector.

For the six months ended June 30, 2024, the non-financial public sector registered a surplus of U.S.\$2,306.4 million compared to a surplus of U.S.\$355.9 million for the six months ended June 30, 2023. This increase in surplus was primarily due to an increase in income of approximately U.S.\$1,462 million and a decrease in expenses of approximately U.S.\$488 million. For the six months ended June 30, 2024, total revenues for the non-financial public sector totaled U.S.\$ 23,853.3 million, an increase from U.S.\$22,390.8 million for the six months ended June 30, 2023. This increase was primarily due to an increase in tax revenues of approximately U.S.\$582 million as a result of the entry into force of the *Ley Orgánica para Enfrentar el Conflicto Armado* (Law to confront the internal armed conflict), which included income from temporary security contributions of approximately U.S.\$275 million and temporary contributions from banks and cooperatives of approximately U.S.\$147 million; the entry into force of the Organic Law of Energy Competitiveness, which included the remission of interest, fines and surcharges on the balance of tax and fiscal obligations; an increase in VAT to 15%; and the implementation of self-withholdings on income from large taxpaying companies. For the six months ended June 30, 2024, total expenditures for the non-financial public sector totaled U.S.\$21,546.9 million, a decrease compared to U.S.\$22,034.9 million for the six months ended June 30, 2023. This decrease was primarily due to the decrease in non-permanent expenses.

The 2024 budget was enacted on April 2, 2024, for fiscal year 2024 (the “**2024 Budget**”). Its macroeconomic assumptions include lower oil production and lower consumption and investment (slowdown in domestic demand), which is reflected in various economic indicators such as inflation, sales, non-oil imports, credits and deposits, and employment. The 2024 Budget estimates U.S.\$24,039.13 million in total revenue, of which U.S.\$19,928.37 million was attributed to permanent revenue (such as taxes, sale of goods and services, and collection of fines) and U.S.\$4,110.76 million was attributed to non-permanent revenue. Total expenses were budgeted at U.S.\$28,848.02 million, of which U.S.\$20,569.32 million was for permanent or current expenditures. The expected deficit was approximately U.S.\$4,808.89 million with a primary deficit of U.S.\$1,180.33 million.

The 2024 Budget assumes: (i) GDP to be U.S.\$121,710 million, a decrease of 0.5% from the pro forma budget in 2023; (ii) a real GDP growth rate of 0.8%, a decrease of 2.3% from the pro forma budget in 2023; (iii) average annual inflation of 2.07%, compared to 2.76% in the pro forma budget in 2023; (iv) oil production of 156.07 million barrels, a decrease of 16.95% from 187.9 million barrels in the pro forma budget for 2023; and (v) average export price of crude oil of U.S.\$66.71 per barrel, an increase of 2.8% from U.S.\$64.8 per barrel from the pro-forma budget in 2023. However, in September 2024 the Central Bank revised its projection for 2024 GDP from 1% to 0.9% due to a reduction in imports of consumer goods, capital goods and raw materials, as well as lower household spending and private investment.

As of September 30, 2024, the Republic estimates that the total financing needs for 2024 are approximately U.S.\$10,207.36 million, which covers both external (US\$5,220.19 million, of which U.S.\$319.59 million are tied to specific projects) and domestic (US\$4,987.17 million) financing, distributed as follows: (i) 48.50% is expected to come from agreements with multilateral institutions (totaling approximately U.S.\$4,950.08 million), (ii) 2.60% is expected to come from bilateral creditors (totaling approximately U.S.\$264.31 million), (iii) 0.06% is expected to come from other private sector and commercial loans (totaling approximately U.S.\$5.81 million), and (iv) 48.86% is expected to come from domestic funding (totaling approximately U.S.\$4,987.17 million). The totality of these aggregate financing needs for the 2024 Budget are covered by existing financing commitments. As of May 2024, U.S.\$3,592.26 or 35.19% of these commitments had been disbursed, and U.S.\$6,615.11 or 74.81% remained undisbursed.

For 2025, as new presidential and legislative authorities are expected to be sworn in by May 2025, the 2024 Budget will remain applicable until the new administration submits a budget proforma for 2025, which will then undergo the legislative approval process.

Public Debt

The consolidated public debt of Ecuador, including other payment obligations of the non-financial public sector and social security, totaled U.S.\$61,256.03 million as of December 31, 2023, compared to U.S.\$63,692.17 million as of December 31, 2022 and U.S.\$62,205.55 million as of December 31, 2021. The Public Debt and Other Obligations to GDP Indicator decreased from 58.59% as of December 31, 2021 to 55.36% as of December 31, 2022 and 51.23% as of December 31, 2023.

The consolidated public debt of Ecuador, including other payment obligations of the non-financial public sector and social security, totaled U.S.\$58,585.80 million as of June 30, 2024, compared to U.S.\$59,100.83 million as of June 30, 2023. The Public Debt and Other Obligations to GDP Indicator decreased from 48.87% as of June 30, 2023 to 48.00% as of June 30, 2024.

Public sector total aggregated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$79,316.99 million as of December 31, 2023, compared to U.S.\$75,479.58 million as of December 31, 2022 and U.S.\$72,607.89 million as of December 31, 2021. Public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$52,833.51 million as of December 31, 2023, compared to U.S.\$54,231.52 million as of December 31, 2022 and U.S.\$52,561.77 million as of December 31, 2021.

Public sector total aggregated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$77,382.95 million as of June 30, 2024, compared to U.S.\$74,726.41 million as of June 30, 2023. Public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$51,788.89 million as of June 30, 2024, compared to U.S.\$50,226.38 million as of June 30, 2023.

As of December 31, 2023, interest payments on all public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$110.12 million, representing 0.10% of GDP. As of June 30, 2024, interest payments on all public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$102.05 million, representing 0.08% of GDP.

External Debt

The total consolidated external debt of the public sector in Ecuador totaled U.S.\$47,815.67 million as of December 31, 2023, compared to U.S.\$48,336.72 million as of December 31, 2022 and U.S.\$46,534.02 million as of December 31, 2021. The increase in the total consolidated external debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of the disbursements under certain multilateral loans for purposes of financing investment programs and projects as established by Ecuadorian law in Article 290 of the 2008 Constitution and Article 126 of the Public Planning and Finance Code.

The total consolidated external debt of the public sector in Ecuador totaled U.S.\$47,961.58 million as of June 30, 2024, compared to U.S.\$46,758.52 million as of June 30, 2023. The increase in the total consolidated external debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of the disbursements under certain multilateral loans for purposes of financing investment programs and projects as established by Ecuadorian law in Article 290 of the 2008 Constitution and Article 126 of the Public Planning and Finance Code.

As of June 30, 2024, the total consolidated debt owed to multilateral institutions was U.S.\$25,955.26 million. The Republic is current on all its obligations to multilateral institutions. As of June 30, 2024, the total consolidated debt owed to other governments was U.S.\$4,268.80 million.

As of December 31, 2023, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD with debt levels of U.S.\$1,957.6 million (43.4% of total bilateral debt), U.S.\$1,089.3 million (24.1% of total bilateral debt) and U.S.\$728.35 million (16.1% of total bilateral debt), respectively. As of December 31, 2023, total debt owed to bilateral sovereign entities was U.S.\$4,513.7 million.

As of July 31, 2024, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD, with debt levels of U.S.\$1,804.9 million (42.2% of total bilateral debt), U.S.\$886.0 million (20.7% of total bilateral debt) and U.S.\$821.3 million (19.2% of total bilateral debt), respectively. As of July 31, 2024, the total debt owed to bilateral sovereign entities was U.S.\$4,278.6 million.

Internal Debt

The total consolidated internal debt of the public sector in Ecuador was U.S.\$5,017.84 million as of December 31, 2023, compared to U.S.\$5,894.80 million as of December 31, 2022, and U.S.\$6,110.73 million as of December 31, 2021. The decrease of the total consolidated internal debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of placement of bonds to the private sector. The total consolidated internal debt of the public sector in Ecuador was U.S.\$3,827.32 million as of June 30, 2024, compared to U.S.\$3,467.86 million as of June 30, 2023. The increase of the total consolidated internal debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of placement of bonds to the private sector.

The total aggregated internal debt of the public sector in Ecuador was U.S.\$31,501.32 million as of December 31, 2023, compared to U.S.\$27,142.86 million as of December 31, 2022 and U.S.\$26,073.87 million as of December 31, 2021. The increase in the total aggregated internal debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of placement of bonds to the private sector. The total aggregated internal debt of the public sector in Ecuador was U.S.\$29,421.37 million as of June 30, 2024, compared to U.S.\$27,967.89 million as of June 30, 2023. The increase in the total aggregated internal debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of placement of bonds to the private sector.

As of June 30, 2024, the Republic had issued U.S.\$2.068 million in short-term debt (i.e., with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these

development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

In 2010, Ecuador enacted a 40% debt-to-GDP ceiling. In 2020, this law was waived until 2032 subject to milestones to reduce the debt-to-GDP ratio. As of September 30, 2024, Ecuador's debt-to-GDP ratio is 51.53%, which is below the target amount for 2025.

The IMF's Extended Fund Facility

On May 15, 2024, the MEF and the General Manager of the Central Bank presented the IMF with a letter of intent outlining Ecuador's economic outlook and economic goals in connection with the request for a 48-month extended arrangement under the 2020 EFF in an amount equivalent to SDR3 billion (about U.S.\$4 billion), or 430% of Ecuador's IMF quota, to be provided for budget support, with an initial purchase of SDR752.9 million (107.9% of quota) upon approval of the 2024 EFF arrangement.

The letter of intent outlined the Government's policy plans for the subsequent four years. Among other measures, the Government intends to:

- place the public debt ratio on a firmly downward trajectory, maintaining manageable gross financing needs, and respecting the expenditure growth rules and the debt limit of 40% of GDP by 2032 in the Public Planning and Finance Code;
- achieve a gradual medium-term fiscal consolidation to place public finances on a sustainable path, reducing the non-financial public sector operations overall deficit to 1% of the GDP in 2025 and reach an overall surplus of 0.5% of the GDP by the end of the program in 2028;
- commit to a financing strategy that relies on bilateral and multilateral sources in the near-term, while seeking to regain access to international capital markets as soon as possible, as market conditions allow, and gradually developing domestic financing sources; to that end, the Republic will pursue an active public debt management strategy with the goal of covering the public sector's financing needs at the lowest possible cost with a prudent level of risk;
- ensure that the burden of fiscal consolidation is not borne by the poor and vulnerable, and commit to prepare a plan to complete the social registry to cover all families in the lowest three deciles of the income distribution throughout the country;
- progress in establishing a revised mechanism to settle healthcare claims from IESS to bring legal predictability to the process of auditing and clearing verified obligations; in this regard, the Republic will establish an updated agreement between the MEF and IESS on the transfer of healthcare obligations (including both internal and external providers), building on the December 2022 agreement;
- implement an institutional model under the Tax Administration Diagnostic Assessment methodology to close the gaps in tax administration against best international practices, especially in control processes;
- increase coordination among agencies involved in financial sector oversight, establishing a Financial Stability Committee in line with best international practices, comprising the Central Bank, the MEF, the Financial Board, the Monetary Board, the Superintendent of Banks, the Superintendent of Popular and Solidarity Economy, the Superintendent of Companies and COSEDE;
- invest in the Central Bank's central securities depository and payment system to strengthen the domestic capital market and promote digital payments nationwide; and
- enhance financial integrity and fight against organized crime and related illicit activities by strengthening Anti-Money Laundering and Combating the Financing of Terrorism ("AML/CFT") framework; to that end, the Republic will enact new AML/CFT legislation to strengthen the AML/CFT framework in line with Financial Action Task Force standards.

On May 31, 2024, the Executive Board of the IMF approved a 48-month extended arrangement under the 2020 EFF for Ecuador, with access equivalent to SDR 3 billion (430% of quota, equivalent to U.S.\$4 billion). The Board's approval permitted an immediate disbursement of SDR 753 million, equivalent to U.S.\$1 billion, available to the public budget.

Implementation of the 2024 EFF will be monitored through quantitative performance criteria, indicative targets, and structural benchmarks. The 2024 EFF arrangement will be subject to triannual reviews during 2024-25 and shift to semiannual reviews during 2026-28, with the first and second reviews occurring on or after November 15, 2024, and March 15, 2025, respectively.

Selected Economic Indicators

	2021	2022	2023	H1 2023	H1 2024
The Economy (U.S.\$ millions, except %)					
Nominal GDP.....	107,435	116,586	118,845	59,835	60,482
Real GDP.....	107,297	113,934	116,618	58,833	58,535
Real GDP growth.....	9.8%	6.2%	2.4%	3.1%	1.6%
Unemployment rate.....	4.1%	3.1%	3.4%	-	-
Annual inflation.....	1.9%	3.7%	1.4%	0.7%	1.9%
International reserves.....	7,897.9	8,458.7	4,454.4	6,312.2 ⁽¹⁾	8,577.5 ⁽¹⁾
Balance of Payments (U.S.\$ millions, except %)					
Exports.....	26,699.3	32,658.3	31,267.5	19,101.5	16,952.1
Imports.....	25,689.7	33,049.0	30,901.7	14,957.6	13,991.5
Trade balance.....	2,868.3	2,324.5	1,995.0	1,129.5	3,738.7
Services balance.....	2,083.0	(2,652.8)	(2,097.0)	(934.2)	(1,110.0)
Current account balance.....	3,036.1	2,093.1	2,206.8	1,199.9	3,876.3
Current account balance as % of GDP.....	2.8	1.8	1.9	2.0	6.4
Public Sector Finances (U.S.\$ millions, except %)					
<i>Non-Financial Public Sector</i>					
Total revenues.....	38,462.4	45,199.3	43,606.6	22,390.8	23,684.6
Total expenditures.....	40,244.7	45,222.0	47,883.5	22,034.9	21,420.9
Surplus/deficit.....	(1,782.3)	(22.6)	(4,276.9)	355.9	2,263.6
Surplus/deficit as % of GDP.....	(1.7)	(0.02)	(3.6)	0.6	3.7
<i>Central Government</i>					
Total revenues.....	25,057.4	28,622.9	21,134.6	11,429.0	12,401.3
Total expenditures.....	29,324.1	30,169.3	27,048.9	12,567.4	12,137.0
Surplus/deficit.....	(4,266.7)	(1,546.4)	(5,914.4)	(1,138.4)	264
Surplus/deficit as % of GDP.....	(4.0)	(1.3)	(5.0)	(1.9)	0.4
Public Debt (U.S.\$ millions, except %)					
Internal Public Debt (aggregated).....	26,073.9	27,142.9	31,501.3	27,967.9	29,421.4
External Public Debt.....	46,534.0	48,336.7	47,815.7	46,758.5	47,961.6
Total Other Obligations.....	2,023.48	1,749.91	930.14	1,076.53	695.35
Aggregate Public Debt.....	62,205.55	63,692.17	61,256.03	59,100.83	58,585.80
Aggregate Debt-to-GDP ratio.....	58.59%	55.36%	51.23%	48.87%	48.00%

Source: Central Bank of Ecuador; Ministry of Economy and Finance

(1) Data as of September 30 of the applicable year.

RISK FACTORS RELATING TO THE REPUBLIC

The risks described below are not the only ones that the Republic faces. Additional risks that are not currently known to the Republic or that the Republic currently believes are immaterial may also adversely affect it. Many of these risks are interrelated and occur under similar economic conditions, and the occurrence of certain of them may in turn cause the emergence, or exacerbate the effect, of others risks. A combination of risks could materially increase the severity of the impact on the Republic. As a result, should certain of these risks emerge, the Republic may need to raise additional funds through borrowing in the internal or external capital markets, and there is no assurance that the Republic will be able to borrow needed funds on terms that it considers acceptable or at all.

Ecuador has defaulted on its sovereign debt obligations in the past and has restructured its sovereign debt obligations.

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes (as defined in “*Public Debt—Debt Obligations*” herein) in the aggregate amount of approximately U.S.\$157 million and principal payments of approximately U.S.\$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of Ecuador in order to extend the maturity dates of those prior obligations. These defaults followed the publication of a report in 2008 by the Commission of Integral Audit of Public Credit (“**CAIC**”), a committee composed of representatives from both the Government and private sector organizations and members of civil society. CAIC reviewed Ecuador’s debt obligations from 1976 to 2006 and in its report made a number of findings regarding the legitimacy of Ecuador’s debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa’s administration, Ecuador offered to repurchase the 2012 and 2030 Notes at a discount to their par value. Holders responded to this offer by tendering substantially all of the 2012 and 2030 Notes. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has successfully repurchased additional 2012 and 2030 Notes from remaining holders from 2009 onwards. For more information, see “*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*”.

More recently, in 2020, Ecuador underwent a significant restructuring of its sovereign debt to alleviate fiscal pressures resulting from the COVID-19 pandemic and a decrease in oil prices. In April 2020, Ecuador launched a consent solicitation to defer, until August 2020, payments of interest falling due between March 27, 2020 and July 15, 2020 on its Existing Republic Securities. Holders of more than 91% of the aggregate principal amount of the Existing Republic Securities (not including the bonds due 2024), whose total aggregate value amounted to approximately U.S.\$17 billion, and holders of more than 82% of the aggregate principal amount of the bonds due 2024 which amounted to U.S.\$2 billion, consented to Ecuador’s proposal. Petroamazonas also launched in April 2020 a separate consent solicitation to amend the amortization schedule of its one outstanding series of notes, extend the maturity date from November 6, 2020, to December 6, 2021, defer principal and interest payments, and exclude cross defaults linked to specific Republic bonds and other external indebtedness up to U.S.\$300,000,000. In May 2020, Petroamazonas received the requisite consents from 98.91% of eligible holders of its notes, allowing the proposed amendments to take effect following payment of a consent fee to participating eligible holders. The interest deferral obtained by Ecuador and Petroamazonas as a result of these successful consent solicitations allowed the authorities to engage in orderly discussions with its bondholders to provide Ecuador with relief for the economy to recover from the economic impacts of the COVID-19 health crisis and the decrease in the price of oil. See “*Public Debt—Debt Obligations—The April 2020 Consent Solicitations*”.

In July 2020, Ecuador launched the July 2020 Exchange Offer and Consent Solicitation. Under the July 2020 Exchange Offer and Consent Solicitation, Ecuador invited certain of the holders of the Existing Republic Securities to exchange those Existing Republic Securities for a package of New Republic Securities. In addition, pursuant to the consent solicitation, Ecuador also sought consents from such holders to modify the terms of the Existing Republic Securities. Eligible holders who agreed to exchange their Existing Republic Securities for the New Republic Securities would also receive 86% of the accrued and unpaid interest on such Existing Republic Securities up to, but excluding, the settlement date, in the form of a new zero-coupon bond due 2030. The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including announcement of a staff-level agreement on a program with the IMF by the settlement date. In August 2020, Ecuador announced that it had obtained the requisite consents from the holders of all ten series of Existing Republic Securities to modify the terms of such Existing Republic Securities and that it was accepting for exchange all eligible Existing Republic Securities that had been validly tendered as part

of the July 2020 Exchange Offer and Consent Solicitation. Later that month, the IMF announced that it had reached a staff-level agreement on a new funded program for Ecuador, thereby satisfying the IMF-related condition of the July 2020 Exchange Offer and Consent Solicitation. Settlement of the July 2020 Exchange Offer and Consent Solicitation took place on August 31, 2020, when all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation were exchanged for the New Republic Securities. In addition, the remaining Existing Republic Securities that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “*Public Debt—Debt Obligations—The July 2020 Exchange Offer and Consent Solicitation*”. Concurrently, Ecuador also amended the terms of its Social Bonds in July 2020. The amendments removed certain cross-default provisions tied to other sovereign debt, ensuring that defaults or judgments on other bonds would not trigger a default on the Social Bonds. See “*Public Debt—Debt Obligations—The Social Bond Consent Solicitation*”.

Ecuador’s history of defaults and debt restructurings highlights its vulnerability to global oil prices and economic shocks. Any further defaults or restructurings, as well as potential legal actions by holders of past or future defaulted bonds, could materially affect the value of Ecuador’s debt and the Government’s ability to make timely principal and interest payments on its debt. Given Ecuador’s history of defaults, including the defaults with respect to the 2012 and 2030 Notes as a result of the CAIC determining that the notes were issued illegally, and the recent difficulties that Ecuador has had in meeting its debt service payment thereby requiring the launch of the consent solicitation and exchange offer (launched in April and July 2020) described above, Ecuador may not be able access external financing on favorable terms and this limited access may continue for several years despite its continuing financing needs. For further information regarding the external debt payment record of Ecuador and the history of defaults, see “*Public Debt—Debt Obligations*”.

Severe weather, natural disasters and adverse climate changes may materially adversely affect Ecuador’s economy.

Due to Ecuador’s geographic location in western South America, it is subject to the effects of severe weather, natural disasters and climate changes. For example, Ecuador is located in an active seismic area where the risk of an earthquake or tremors is high. On April 16, 2016, the Pedernales Earthquake, a 7.8 magnitude earthquake, struck the northern coast of Ecuador above the convergent boundary where the Nazca tectonic plate subducts beneath the South American tectonic plate. In March 2023, a 6.8 magnitude earthquake struck in Guayaquil, following which President Lasso declared a state of emergency in respect thereof on March 20, 2023.

Ecuador is also particularly vulnerable to the effects of the *El Niño* phenomenon of warming temperatures in the central and eastern Pacific Ocean, occurring every two to seven years and lasting typically up to a year. When it occurs, the irregular *El Niño* climatic phenomenon can cause heavy rains, landslides, widespread flooding and hotter temperatures across Ecuador. For example, on June 17, 2024, *Oleoducto de Crudos Pesados* (the OCP-Heavy Crude Oil Pipeline or “OCP”) was forced to suspend pipeline operations due to erosion concerns following heavy rainfall and the rising Coca River. This disruption lasted for 16 days, with operations resuming on July 3, 2024, and resulted in significant economic losses, with estimates suggesting a loss of approximately U.S.\$6.5 million per day, or a total loss of approximately U.S.\$104 million (approximately 0.1% of the country’s GDP for 2023). See further “*Environmental Matters—Current Environmental Challenges faced by Ecuador*”. However, *El Niño* is a complex climatic event and can impact different regions in different ways, often causing both extreme wet (typically in coastal regions) and dry conditions simultaneously (typically in the Andean valleys). For example, since 2023, Ecuador has experienced severe drought – its worst drought in over 60 years according to international observers – which has dropped water reserves to critical levels. These severe drought conditions have significantly impacted the country’s hydroelectric power generation, leading to a power crisis that resulted in widespread blackouts, with power outages lasting up to 14 hours a day, and had a significant financial impact, with estimated losses in the business sector of approximately U.S.\$12 million for every hour without electricity, according to the Ecuadorian Business Committee (*Comité Empresarial Ecuatoriano*). Hydropower accounts for a substantial portion of Ecuador’s electricity generation, and the reduced water levels in the aggregate led to electricity shortages, scheduled blackouts and increased reliance on more expensive thermal power. This power crisis has had negative effects on core industries, including oil production and agriculture, further weakening Ecuador’s economic conditions and increasing the financial strain on the government. See “*The Republic of Ecuador—Ecuador’s Power Sector Crisis*”.

Any of the meteorological or seismic phenomena that can potentially occur in Ecuador can materially adversely affect the country’s core industries, such as oil production or agricultural production, as well as power generation, which in turn would have a negative effect on the financial conditions of Ecuador. In addition, Ecuador’s glaciers have

decreased significantly, reflecting broader global trends in glacial loss, which reduces the water available for agriculture, hydroelectric generation and other key economic activities, potentially exacerbating the impact of droughts and dry conditions on the country. The potential impact of climate change on Ecuador's economy and infrastructure, however, remains challenging to quantify, as no comprehensive models are currently available to assess the full range of possible effects.

Public health crises and pandemics/epidemics, such as the outbreak of the COVID-19 virus, may materially adversely affect the Republic's economy.

The COVID-19 pandemic had a severe impact on the Republic's economy, and on the health and welfare of the people of Ecuador. In 2020, as a result of the COVID-19, the Republic's GDP contracted 9.2%. This economic slowdown consisted of: (i) a decrease of 4.5% in gross fixed capital formation and 6.8% in household final consumption expenditure; (ii) a reduction of 0.6% in general government final consumption expenditure; (iii) a 0.9% contraction in exports of goods and services and (iv) a 4.4% increase in imports of goods and services. In addition, social distancing and stay-at-home quarantine measures imposed to minimize pressure on the healthcare system and contain social costs, adversely affected other productive sectors of the economy. Reduced activity in these economic sectors resulted in reduced employment and less income for families and companies. COVID-19 generated a simultaneous shock on supply and demand – a supply shock resulting from the sudden significant decrease in production in multiple economic sectors and a collapse in demand as a result of reduced consumption – which amplified the negative effects on the economy.

While Ecuador's economy has recovered from the pandemic, the magnitude and duration of the pandemic and its impact on the Republic's economic, social and public health situation continues to cause uncertainty and hence the Republic's economic, political and social conditions could be materially adversely affected by COVID-19 and/or other novel pandemics/epidemics. Moreover, the Republic cannot assure you that any measures it adopts to counteract the effects of COVID-19 or any other future epidemics/pandemics will be sufficient to restore public confidence or to restore economic growth. To the extent COVID-19 or any new pandemics/epidemics adversely affect the Republic's economic, political and social situation, it may also have the effect of heightening many of the other risks described in "Risk Factors".

Ecuador may incur additional debt, which may result in non-compliance with its debt-to-GDP limit under Ecuadorian law, which could materially adversely affect the Ecuadorian economy and the interests of the holders of its debt.

Ecuador's public debt has surpassed the 40% of GDP ceiling established by the Public Planning and Financing Code of 2010, which restricts Ecuador's borrowing capacity. The Organic Law for the Regulation of Public Finances passed in 2020 waived this debt ceiling until 2032 by requiring a gradual reduction of the public debt-to-GDP ratio starting at 57% by 2025, down to 45% by 2030 and 40% by 2032, after which public debt-to-GDP will be required by law to be kept at or below the legal limit of 40%. As of September 30, 2024, Ecuador's current debt-to-GDP ratio is 51.53%, well below the target amount for 2025.

Despite these steps, Ecuador's ability to achieve its debt reduction targets is uncertain, and any failure to comply could materially impact the Ecuadorian economy and the interests of debt holders. Additionally, exemptions allowing higher borrowing in the short term are permitted under the law in the case of public investment programs and projects of national interest, provided that more than 50% of the National Assembly approves the exemption in connection with a specific project. The use of this exemption could lead to increased public debt levels, further affecting Ecuador's ability to meet future obligations.

Ecuador has been affected by political instability and corruption scandals throughout its history and the subsequent political, economic and social effects could adversely affect Ecuador.

Ecuador has experienced significant political instability and corruption scandals throughout its history, which may affect the country's ability to meet its debt obligations. Between 1997 and 2007, three presidents were overthrown during periods of political unrest. Although the country experienced political stability under former President Correa, recent years have seen increased turmoil. Corruption scandals have affected multiple high-level officials, including former Vice President Glas and former President Correa, both of whom were tried and convicted by Ecuadorian courts for corruption. See "The Republic of Ecuador—Form of Government". More recently, in early 2023, opposition

legislators in the National Assembly initiated impeachment proceedings against former President Lasso based on accusations of embezzlement and other charges. Former President Lasso consistently denied the accusations, claiming they were politically motivated and lacked sufficient evidence and, on May 17, 2023, invoked Article 148 of the Constitution to dissolve the National Assembly, effectively ending the impeachment trial, and call for early elections in which current President Noboa emerged victorious on October 15, 2023. President Noboa was elected to finish President Lasso's term, which expires on May 24, 2025 and President Noboa has officially announced his candidacy for re-election in the upcoming elections to be held on February 9, 2025. See "*The Republic of Ecuador—Form of Government*".

Political tensions have also led to national strikes, including the June 2022 protests against economic policies and the 2019 protests over fuel subsidy removal, both of which caused significant economic disruptions and material losses.

Ecuador's efforts to combat corruption and stabilize its political environment remain ongoing, but no assurance can be given that these issues will be resolved in the near term or at all. Continued political unrest, policy changes, or instability (including any disruption of policies as a result of a change in administration in future elections, including the 2025 presidential elections) could negatively impact Ecuador's economy, disrupt policy continuity and hinder the Government's ability to meet its obligations under existing debt agreements. In addition, allegations of or concerns about corruption activity, or actual or alleged violations of applicable anti-corruption, anti-bribery, or anti-money laundering laws by governmental authorities, could materially and adversely impact the Republic's reputation, ability to attract foreign investment, and access to international financing, any or all of which could have a material adverse effect on the Republic's economic growth and its ability to make payments on its debt obligations.

Increased Violence and Organized Crime in Ecuador Could Adversely Impact the Economy, Investment Climate, and Political Stability.

The substantial increase in violence and organized crime in Ecuador, including record levels of homicide and gang activity, could have a material adverse effect on Ecuador's economy, investment climate and political stability. According to the Ecuadorian Organized Crime Observatory, homicides rose by 574.3% from 2019 to 2023, resulting in a homicide rate of 47.3 per 100,000 inhabitants by the end of 2023, positioning Ecuador as one of the most violent countries in Latin America. Despite a reported decrease in homicides in the first half of 2024, the incidence of violence remains high throughout the country, with sustained elevated levels in key economic regions, including Guayaquil, Los Ríos and other areas critical to Ecuador's economy.

The sharp increase in violent crime, driven largely by organized criminal groups involved in drug trafficking, illegal mining and other illicit activities, may significantly disrupt economic activity in affected areas, potentially impacting economic growth and reducing government revenues. High-profile incidents, such as the assassination of political figures, car bombings and public displays of gang violence, have raised security concerns and may deter both domestic and foreign investment. Ecuador's tourism industry, an important contributor to foreign exchange, may also suffer if concerns over safety discourage international visitors.

The heightened violence and crime may also negatively affect the Republic's investment climate, potentially deterring foreign direct investment ("**FDI**") due to perceived risks associated with security and governance. Ecuador's role as a transit point for drug trafficking has drawn international attention. Increased scrutiny by international regulatory bodies may impose compliance burdens on Ecuador, and there can be no assurance that recent security measures, including expanded military engagement in law enforcement, will succeed in stabilizing the security situation. If the violence continues unabated, investors may further question the safety and stability of the Republic as an investment destination, potentially leading to reduced FDI inflows and impairing economic performance.

Furthermore, the Government's response to the security crisis may result in significant political and policy shifts, introducing uncertainties for the Republic's future governance and regulatory landscape. In January 2024, the President declared a state of emergency in response to internal armed conflict, which includes emergency measures such as deploying the military for domestic policing, restricting civil liberties and authorizing the use of lethal force against designated criminal groups. While a referendum in April 2024 approved several of these emergency measures on a permanent basis, public support may fluctuate, and there can be no assurance that the Republic will not face additional domestic or international challenges to its policy approaches. As a result, Ecuador's political and regulatory environment may become increasingly uncertain, which could further impact investor confidence and Ecuador's ability to attract capital.

Given the current environment of elevated violence, organized crime and governmental responses, the Republic's economy, investment climate and political stability remain exposed to risks that could materially and adversely affect Ecuador's economic performance and ability to meet its obligations.

Certain economic risks are inherent in any investment in an emerging market country such as Ecuador.

Investing in an emerging market country such as Ecuador carries economic risks. These risks include many different factors that may affect Ecuador's economic results, including the following:

- interest rates in the United States and financial markets outside Ecuador;
- inflation;
- changes in economic or tax policies in Ecuador;
- the imposition of trade barriers by Ecuador's trade partners;
- general economic, political, and business conditions in Ecuador, Ecuador's major trading partners, and the global economy;
- the ability of Ecuador to effect key economic reforms, including its economic strategy to re-balance the economy by increasing the percentage of GDP represented by the non-petroleum economy (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*");
- political and social tensions in Ecuador;
- the prices of commodities, including oil and mining;
- the current energy crisis in the country and recent wildfires in Quito, which underscore the increasing frequency and severity of extreme weather events, creating heightened risks of natural catastrophes that may further impact Ecuador's economy and infrastructure (see "*The Republic of Ecuador—Ecuador's Power Sector Crisis*");
- the impact of policies, sanctions, hostilities including war or political unrest and other geopolitical tensions in other countries that may affect international trade, commodity prices and the global economy; and
- the decisions of international financial institutions regarding the terms of their financial assistance to Ecuador.

Ecuador's economy remains vulnerable to external shocks, including the negative global economic consequences resulting from the ongoing economic challenges stemming from the aftermath of the COVID-19 pandemic, the fluctuations in international oil prices since 2020, persistent global inflationary pressures, ongoing geopolitical tensions affecting global trade and energy markets. Moreover, future significant economic difficulties of its major regional trading partners could have a material adverse effect on Ecuador's economic growth and its ability to service its public debt. Political events such as a change in administration in the United States or changes in the policies of the European Union, other emerging market countries or Ecuador's regional trading partners or in Latin America generally could impact Ecuador's economy.

Emerging-market investment generally poses a greater degree of risk than investment in more mature market economies because the economies in the developing world are more susceptible to destabilization resulting from domestic and international developments. Generally, investment in emerging markets is only suitable for sophisticated investors who appreciate the significance of the risks involved in, and are familiar with, investing in emerging markets.

There can be no assurance that any crises such as those described above or similar events will not negatively affect investor confidence in emerging markets or the economies of the principal countries in Latin America, including Ecuador. In addition, there can be no assurance that these events will not adversely affect Ecuador's economy, its ability to raise capital in the external debt markets in the future or its ability to service its public debt.

A significant increase in interest rates in the international financial markets could have a material adverse effect on the economies of Ecuador's trading partners and adversely affect Ecuador's economic growth and Ecuador's ability to make payments on its outstanding public debt.

In response to global inflationary pressures, central banks worldwide have implemented significant interest rate increases since 2022. This tightening, the most aggressive in decades, was aimed at curbing inflation but has far-reaching consequences for economies globally, including Ecuador. Since 2022, economic growth has decelerated in emerging markets and developing economies. This deceleration is partly attributable to the global interest rate environment, which has led to tighter credit conditions and reduced access to international bond markets. Moreover, Ecuador's dollarized economy limits its ability to implement independent monetary policy to counteract these external shocks. Moreover, increases in global interest rates tend to increase Ecuador's debt service requirements with respect to Ecuador's debt obligations that accrue interest at floating rates. If interest rates continue to increase, Ecuador's ability to make payments on its outstanding public debt generally could be adversely affected.

If interest rates outside Ecuador increase, Ecuador's trading partners, in particular, could find it more difficult and expensive to borrow capital and refinance their existing debt. These increased costs could in turn further adversely affect economic growth in those countries. Decreased growth on the part of Ecuador's trading partners could have a material adverse effect on the markets for Ecuador's exports and, in turn, adversely affect Ecuador's economy.

A number of factors, including significant volatility in oil prices, have impacted and may continue to impact the Republic's revenues and the performance of the Ecuadorian economy.

The economy of Ecuador and the Republic's budget are highly dependent on oil revenues. During the first six months of 2024, consolidated oil revenues for the non-financial public sector were U.S.\$7,396.1, compared to U.S.\$6,852.9 for the same period in 2023. In 2023, consolidated oil revenues for the non-financial public sector amounted to U.S.\$14,506.8 in 2023. The price and international demand for crude oil are affected by many factors, including:

- global economic and political conditions as well as economic and political developments in oil producing nations;
- market expectations regarding future supply of crude oil and petroleum derivatives;
- the impact of climate change, and more generally global weather and environmental conditions, on the demand for, and the price of, hydrocarbons;
- the impact of international and national environmental regulations designed to reduce carbon emissions;
- the development of new crude oil exploration, production and transportation methods or other innovations in existing methods;
- prices and development of alternative energies, including renewable energy, and the shift to electric vehicles in some of Ecuador's trading partners including the United States;
- fluctuations in the value of the U.S. Dollar, the currency used to price oil globally;
- the decisions of OPEC, its constitutive members and other crude oil producing nations;
- price wars between large oil producing nations, such as the one that occurred in 2020 between Russia and Saudi Arabia; and
- geopolitical conflicts, such as the ongoing war in Ukraine, which caused shifting European energy policies away from Russian oil and gas dependency, as well as the various current conflicts in the Middle East or potential future disruptions in the South China Sea.

There can be no assurance that these factors, whether individually or in the aggregate, will not result in a prolonged or continued volatility in oil prices.

There can therefore be no assurance that Government revenues from petroleum exports will not experience significant fluctuations as a result of changes in the international petroleum market. Concerns with respect to global recession and weakness of the world economy, particularly as a result of terrorism, market volatility and certain geopolitical developments, political instability and the ongoing wars in Ukraine and the Middle East, may have a potentially adverse effect on the petroleum market as a whole and on Ecuador in particular.

In addition, during the seven months ended July 31, 2024, 62.4% of Ecuador's oil trade was exported to Panama, the United States and Peru (41.7%, 22.1% and 0.4%, respectively). Similarly, in 2023, the share of Ecuador's oil trade exported to those same countries was 41%, 37% and 9%, respectively. Worsening economic conditions in any of these countries could have a significant impact on Ecuador's revenues from oil and overall economic activity.

Further, operating difficulties in certain oil fields, lower production budgets, national strikes and social protests and the outages and the overhaul of Ecuador's largest refinery, the Esmeraldas Refinery (see "*The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector*"), have led to uneven crude oil and petroleum derivatives production over the last few years. While Ecuador expects to increase production through the development of new fields, future political opposition, the fluctuation in international oil prices, budget adjustments that affect investments in oil exploration, natural disasters such as earthquakes or rivers regressive erosions provoking *force majeure* events, pipeline ruptures, or further outages caused by national strikes, social protests or otherwise could result in a decline of overall production. A decrease in the price of oil below the budgeted price can result in lower government revenues and higher fiscal deficits, which may necessitate adjustments in government spending or borrowing to meet budgetary requirements. Accordingly, any sustained period of decline in capacity, if exacerbated by a decline in oil production, could adversely affect Ecuador's fiscal accounts and international reserves.

Failure to reduce greenhouse gas (“GHG”) emissions could curtail the profitability of Ecuador’s hydrocarbon and industrial sectors.

In the years ahead, the global hydrocarbon and industrial sectors may face increased international regulation relating to GHG emissions. Like any significant changes in the regulatory environment, GHG regulation could have the impact of curtailing profitability in the hydrocarbon and industrial sectors reducing Ecuador's income from oil and gas operations and in tax revenues. In the long term, Ecuador's oil and gas operations could become economically less remunerative and viable.

International agreements and regulatory measures that aim to limit or reduce GHG emissions are currently in various stages of implementation. For example, the Paris Agreement went into effect in November 2016, and a number of countries are studying and adopting policies to meet their Paris Agreement goals. Since then, countries have significantly increased their climate pledges and regulatory frameworks to accelerate decarbonization efforts, leading to a more stringent regulatory landscape globally. Other jurisdictions are considering adopting or are in the process of implementing laws or regulations to directly regulate GHG emissions through similar or other mechanisms such as, for example, via a carbon tax (e.g. Singapore, Canada and Colombia) or via a cap-and-trade program (e.g. Mexico, China and the European Union). In July 2024, the European Union adopted the Carbon Border Adjustment Mechanism, which imposes a carbon pricing on imported goods such as aluminum and steel to ensure that the carbon price of imports is equivalent to the carbon price of domestic production. Although the European Union is not a major export market for Ecuador's oil, this move, along with similar actions in other countries, increases the pressure on Ecuador's industrial sector to comply with stricter emissions standards or face higher costs in key export markets.

The landscape continues to be in a state of constant re-assessment and legal challenge with respect to these laws and regulations, making it difficult to predict with certainty if this will have an adverse effect on, among other things, GDP growth, government revenues, balance of payments and foreign trade. As international regulations become more stringent, Ecuador may face significant challenges in balancing its economic reliance on the hydrocarbon sector with the growing need for GHG reduction, which could further impact its economic stability.

Commodity prices are volatile, and a significant decline in commodity prices could adversely affect Ecuador’s economy and its ability to perform its obligations under its existing debt.

In addition to petroleum prices, see "*Risk Factors—Risk Factors Relating to Ecuador—A number of factors, including significant volatility in oil prices have impacted and may continue to impact on revenues and the performance of the economy*". Ecuador's economy is highly exposed to other commodity price volatility, especially with regard to shrimp

and bananas, which made up approximately 34.6% and 15.5% of Ecuador's total non-oil exports for the year 2023, respectively.

Ecuador has taken steps to diversify its shrimp export markets, which have traditionally relied significantly on China. In recent years, Ecuador has expanded its shrimp exports to the U.S. and European markets, which have begun to account for a larger share of shrimp revenues. This diversification has reduced Ecuador's dependence on a single market and could potentially mitigate the impact of disruptions or price volatility in the region.

However, a significant drop in the price of certain commodities, such as oil, shrimp or bananas, would adversely affect Ecuador's economy and could affect Ecuador's ability to perform its obligations under its existing debt obligations. The recent downward trend in global commodity prices, driven by weakening global demand and geopolitical tensions, underscores the vulnerability of Ecuador's export revenues to external market conditions. Prolonged periods of low commodity prices could lead to a substantial decrease in fiscal revenue, deteriorate the balance of payments and hinder Ecuador's ability to meet its debt service requirements.

Ecuador is a sovereign state and has not waived its sovereign immunity to the fullest extent permitted under the United States Foreign Sovereign Immunities Act of 1976; accordingly, it may be difficult to obtain or enforce judgments against it.

Ecuador is a sovereign state. Consequently, it may be difficult for investors or lenders to effect service of process within their own jurisdictions upon Ecuador or to obtain or realize judgments against Ecuador in the United States or elsewhere. For example, Argentina defaulted on part of its external debt beginning in 2002. Holders of those bonds issued by Argentina had difficulty in obtaining payment from the defaulted issuer, as described further in the risk factor entitled "*Certain federal court decisions in New York create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*".

As further described in "*Environmental Matters—Amazon Bio-Corridor—Financing*," the present BCA transaction involves the issuance of notes by a new special purpose vehicle and not by the Republic, which vehicle does not enjoy Ecuador's sovereign immunity protections. However, the Republic will, simultaneously with the issuance, engage in a back-to-back Facility Agreement with such issuer. Such underlying obligation of the Republic remains subject to Ecuador's sovereign immunity protections, which may complicate enforcement actions.

Furthermore, the dispute resolution provisions of certain debt instruments of Ecuador require submission to arbitration at the London Court of International Arbitration while the contractual provisions themselves are governed by New York law. In order to obtain an enforceable judgment any disputes will have to be submitted first to the decision of an arbitral panel prior to being subject to enforcement by an applicable court.

To the extent holders of Ecuador's debt were to bring suit in Ecuador or attempt to enforce a foreign judgment or arbitral award in Ecuador, under the laws of Ecuador certain property of Ecuador is exempt from attachment. In addition, pursuant to the terms of the certain debt instruments of Ecuador, Ecuador has limited its sovereign immunity (other than with respect to the laws of Ecuador) with respect to actions brought against it under such debt instruments. This limitation of immunity, however, may be more limited in scope than those under certain other sovereign issuances in which issuers may waive immunity to the full extent under the U.S. Foreign Sovereign Immunities Act of 1976. Given this limitation on the scope of immunity, as well as the limitations of the U.S. Foreign Sovereign Immunities Act of 1976 and the immunity granted to Ecuador under Ecuadorian law, or which may in the future be granted under Ecuadorian law, holders seeking to attach assets of Ecuador may not be able to do so within Ecuador and may face difficulties doing so outside of Ecuador.

Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment.

Ecuador is currently involved in several legal proceedings, mainly related to contracts in the oil and electricity sectors. For a description of these legal proceedings and other proceedings against Ecuador, see "*Legal Proceedings*". For example, in respect of the legal proceedings relating to Perenco Ecuador Limited ("**Perenco**"), in December 2022, the Ministry of Economy and Finance publicly reported that Ecuador and Perenco reached a settlement agreement that included a payment schedule for Ecuador's payment of amounts due under an U.S.\$448.8 million arbitral award issued

in favor of Perenco. Notwithstanding that agreement, in March 2023, the United States District Court for the District of Columbia granted Perenco's petition (filed in October 2019) to enforce the arbitral award. On April 20, 2023, the court officially ordered the enforcement of the arbitral award as a final judgment of the court. As of the date of this Annex, Ecuador has completed its payment to Perenco, and the enforcement process in connection with the arbitral award has been discontinued.

Legal disputes like these, if resolved unfavorably, could significantly impact Ecuador's public finances, disrupt fiscal planning, and lead to increased borrowing costs. Additionally, ongoing litigation and their uncertain outcomes could undermine investor confidence, resulting in reduced foreign investment inflows, particularly in key sectors such as oil and electricity. Ecuador can provide no assurance that these or any other proceedings will be resolved favorably, further elevating the risk of financial loss and weakening its economic stability.

Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt.

In litigation in federal courts in New York captioned *NML Capital, Ltd. v. Republic of Argentina*, the U.S. Court of Appeals for the Second Circuit ruled on August 23, 2013 that the ranking clause (which included ratable payment language) in certain defaulted debt issued by Argentina prevented Argentina from making payments in respect of new performing notes that it issued in exchange for the defaulted notes in a restructuring in which a certain minority of holders elected not to participate, unless it also made pro rata payments in respect of the defaulted notes that rank *pari passu* with new notes. The defaulted notes in this case did not contain "collective action clauses," which generally facilitate sovereign debt restructuring by binding dissenting bondholders to majority decisions. While the U.S. Court of Appeals for the Second Circuit's decision was narrowly tailored to the facts of the case, including the conduct of Argentina and the specific wording of the *pari passu* clause in the defaulted notes, the implication from this case is that it may be more difficult for sovereign debtors to restructure their debts, particularly where collective action clauses are absent.

On February 18, 2014, the Republic of Argentina filed a petition in the U.S. Supreme Court seeking review of the Second Circuit's August 2013 ruling. On June 16, 2014, the U.S. Supreme Court denied the Republic of Argentina's petition for review, thereby letting stand the Second Circuit's August 2013 ruling. On July 22, 2014, the U.S. District Court for the Southern District of New York enforced the ruling and barred the international trustee from making a U.S.\$539 million payment to bondholders of the new performing notes that Argentina issued in exchange for the defaulted notes. On the same date, the U.S. District Court ordered Argentina to undergo continuous mediation and settlement talks with holders of the defaulted notes.

On June 16, 2014, the U.S. Supreme Court issued an opinion in a related case, ruling that the Republic of Argentina is not immune from complying with a judgment creditor's discovery demands seeking information about its assets outside the United States. On August 11, 2014, the U.S. District Court for Nevada granted NML Capital, Ltd.'s motion to compel discovery of information regarding Argentine assets in the United States.

On February 25, 2015, the U.S. District Court for the Southern District of New York ordered Deutsche Bank and JPMorgan Chase and Co. to deliver the documents relevant to Argentina's planned new issuance of dollar-denominated debt to the court and NML Capital, Ltd.

On December 10, 2015, Mauricio Macri became president of Argentina. Under his administration, Argentina negotiated and reached settlements with a group of holdout creditors for U.S.\$1.35 billion on February 2, 2016, and a group of six other holdout creditors for U.S.\$1.1 billion on February 18, 2016. On February 19, 2016, the U.S. District Court lifted its ban on payments to creditors on the condition that Argentina repeal two laws enacted for the purpose of blocking agreements with holdout creditors and agree to pay remaining holdouts by a certain date. Argentina's congress repealed the two laws on March 31, 2016. The U.S. Court of Appeals for the Second Circuit confirmed the lifting of the ban on April 13, 2016. Argentina proceeded with a sale of U.S.\$16.5 billion in sovereign bonds on April 19, 2016.

On December 22, 2016, the U.S. District Court for the Southern District of New York issued an opinion dismissing claims by certain institutional investors that had not participated in the February 2016 settlements, rejecting their claims based upon the breach of the *pari passu* clause and any claims that accrued outside of the six-year statute of limitations. In this decision, the U.S. District Court held that Argentina's payments to creditors who participated in

the settlement were not a violation of the rights of the non-settling investors. The U.S. District Court also found that even if the *pari passu* clause had been breached, monetary damages would be barred as duplicative of the damages from failure to pay, and an injunction would be granted only in extraordinary circumstances. The December 22, 2016 decision by the U.S. District Court appeared to limit the application of the prior rulings in the litigation relating to the defaulted notes, although it is difficult to predict what impact, if any, the December 22, 2016 decision will ultimately have on sovereign issuers such as Ecuador.

Despite the above recent developments and settlement agreements between the Republic of Argentina and its creditors, Ecuador cannot predict what impact, if any, the above U.S. court rulings will have on sovereign issuers such as Ecuador.

Payments to holders of Ecuador's debt could be challenged by creditors, including holders of other debt instruments of Ecuador, to satisfy awards against Ecuador.

There is a risk that creditors could attach payments of interest and principal by Ecuador to its external creditors because, until payments reach creditors of such debt, they could possibly be deemed to be the assets of Ecuador making them susceptible to legal actions by creditors seeking to satisfy claims and/or enforce awards or judgments against Ecuador. If such actions were successful, Ecuador's ability to fulfil its payment obligations to debtholders could be compromised. For more information on these pending awards, see "*Legal Proceedings*" and "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador is involved in a number of legal proceedings and disputes that could result in losses to Ecuador as well as a decrease in foreign investment*".

For further information about the attempts of creditors of Argentina to enforce payment obligations on defaulted sovereign debt, see "*Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*".

Specifically, payments of principal and/or interest on debt of Ecuador may be attached, enjoined or otherwise challenged by holders of other debt instruments of Ecuador. There is a risk that remaining holders of 2012 and 2030 Notes may institute proceedings against Ecuador and may seek to enforce any judgments obtained by seeking to attach assets of Ecuador. See "*Public Debt—Debt Obligations—2012 and 2030 Notes and tender offer*". Any action by the holders of the 2012 and 2030 Notes, or any further defaults by Ecuador on its sovereign debt obligations, could materially adversely affect the market value of Ecuador's debt obligations and its ability to make principal and interest payments free of the risk of attachment. Any action by the holders of the 2012 and 2030 Notes making similar *pari passu* arguments as the holders in *NML Capital, Ltd. v. Republic of Argentina* (see "*Certain federal court decisions in the United States create uncertainty regarding the meaning of ranking provisions and could potentially reduce or hinder the ability of sovereign issuers to restructure their public sector debt*") or any further defaults by Ecuador of its sovereign debt obligations, could materially adversely affect the market value of Ecuador's debt and the ability of Ecuador to make principal and interest payments free of the risk of attachment.

Some creditors have, in recent years, used litigation tactics against several sovereign debtors that have defaulted on their sovereign bonds including Ecuador, Nicaragua, Argentina, Congo and Liberia, to attach or interrupt payments made by these sovereign debtors to, among others, holders of the relevant defaulted bonds who agreed to a debt restructuring and accepted new securities in an exchange offer. Ecuador may also become subject to suits to collect on defaulted indebtedness. Ecuador cannot guarantee that a creditor will not be able to interfere, through an attachment of assets, injunction, temporary restraining order or otherwise, with payments made under its debt.

The ability of Ecuador to counter external shocks through economic policy is limited.

Ecuador instituted the Dollarization Program in the year 2000, replacing the Ecuadorian sucre with the U.S. dollar. As a result, Ecuador lacks the ability to mint its own currency, significantly limiting its flexibility to respond to economic challenges through traditional monetary policy. Due to the current market conditions, Ecuador may be at risk if it cannot export sufficient goods to receive additional U.S. dollars, since it heavily relies on maintaining a positive balance of trade to ensure adequate U.S. dollar inflows. The country's total export and remittance income must exceed the cost of imports, and any shortfall could severely impact economic stability.

In addition, due to the Dollarization Program, the ability of Ecuador and/or the Central Bank to adjust monetary policy and interest rates in order to influence macroeconomic trends in the economy, particularly in response to external shocks, is limited. Disruptions experienced in the financial markets have led to reduced liquidity and increased credit risk premiums for certain market participants and have resulted in a reduction in available financing, which heightens Ecuador's vulnerability to external shocks, as the country has fewer tools to mitigate those impacts.

Furthermore, by law, Ecuador's oil revenues can only be used to finance infrastructure projects, which significantly limits the Government's ability to use these funds for broader fiscal policy measures or to address immediate economic needs. Given that oil is a key export and revenue source for Ecuador, these restrictions further reduce the Government's financial flexibility during times of crisis. Accordingly, Ecuador's ability to use the tools of monetary policy to correct external shocks to the economy is limited.

Ecuador faces challenges in its ability to access external financing and Ecuador will likely continue to rely on multilateral lending as its main source of foreign capital.

Due to the COVID-19 crisis and the decline in international oil prices, Ecuador restructured its external bonds in 2020. The difficulties Ecuador has had in the past servicing its debt and the discounts and extension of maturities which holders of such debt were offered and negotiated as part of the restructuring may result in less of a willingness of international capital market investors to purchase and hold Ecuadorian international bonds. See also "*Risk Factors—Risk Factors Relating to Ecuador—Ecuador has defaulted on its sovereign debt obligations in the past, in particular its obligations under the 2012 and 2030 Notes and has restructured its sovereign debt obligations*".

At the same time, given the fluctuations in Ecuador's level of International Reserves in the last few years its ability to obtain diverse sources of international funding has become increasingly important. See "*Public Sector Finances—Overview—Fiscal Policy*". Since the U.S. dollar is legal tender in Ecuador, the level of International Reserves may not be an indicator of Ecuador's ability to meet current account payments as would be the case in an economy where the dollar is not legal tender.

Furthermore, given Ecuador's history of defaults and the recent difficulties that Ecuador has had in meeting its debt service payments which ultimately required the launch of the consent solicitation and exchange offer (launched in April and July 2020) described above, Ecuador may not be able to access external financing on favorable terms or at all and this limited access may continue for several years while at the same time its financing needs may have remained constant or increased. For further information regarding the external debt payment record of Ecuador and the history of defaults, see "*Public Debt—Debt Obligations*".

Ecuador is therefore likely to depend on multilateral lending as its main source of foreign capital in the near- to medium-term. Consequently, if Ecuador fails to reach satisfactory arrangements with multilateral lenders, Ecuador's limited access to foreign capital could be curtailed, which could have a material adverse effect on Ecuador's economic prospects.

On April 25, 2024, the Development Bank of Latin America and the Caribbean (the "**CAF**") approved an U.S.\$800 million short-term liquidity financing for Ecuador. This loan, granted under CAF's Extraordinary Liquidity Financing instrument, was designed to provide immediate financial support to Ecuador as it finalized negotiations for a larger U.S.\$4 billion 48-month Extended Fund Facility ("**EFF**") with the IMF. The timing of CAF's approval coincided with the IMF's announcement of a staff-level agreement with Ecuador on the same day. CAF's loan, made possible by its status as an authorized Special Drawing Rights holder, aimed to complement the IMF's support and assist Ecuador in addressing its economic challenges. On May 31, 2024, Ecuador secured the U.S.\$4 billion EFF with the IMF, which aims to support Ecuador's economic policies under President Noboa's administration. Key commitments include fiscal consolidation, expansion of social safety nets, financial sector oversight improvements and enhanced governance and transparency measures. The EFF provided for an immediate disbursement of U.S.\$1 billion for budget support and is designed to help Ecuador address its fiscal challenges, increase dollar reserves, and implement crucial economic reforms. See "*Public Debt —IMF's Extended Fund Facility and Rapid Financing Instrument*". Other international financial institutions such as the World Bank and the Inter-American Development Bank have continued to make loans to Ecuador.

Until Ecuador regains normal access to the international private capital markets, official multilateral sources will likely remain Ecuador's chief source of foreign capital.

Ecuador's credit ratings may not capture all risks associated with investing in its debt and there can be no assurance that Ecuador's credit rating will improve, remain stable, not be downgraded, suspended or cancelled by the rating agencies.

Sovereign credit ratings are an assessment by rating agencies of Ecuador's ability to pay its debts when due. Consequently, real or anticipated changes in Ecuador's sovereign credit ratings will generally affect the market value of its debt and potentially affect Ecuador's cost of funds in the international capital markets and the liquidity of and demand for Ecuador's debt securities. These credit ratings may not reflect the potential impact of risks relating to structure or marketing of Ecuador's debt. Credit ratings are not a recommendation to buy, sell or hold any security, and may be revised or withdrawn at any time by the issuing organization. Each agency's rating should be evaluated independently of any other agency's rating.

Ecuador's current ratings and the rating outlooks currently assigned to it are dependent upon economic conditions and other factors affecting credit risk that are outside the control of Ecuador. Standard & Poor's has rated Ecuador B- with a negative outlook for its long-term issuer default rating, which was last updated in January 2024. Moody's has assigned Ecuador a Caa3 rating with a stable outlook, a rating that has remained unchanged since February 2021. Fitch, on the other hand, has affirmed Ecuador's rating at CCC+ as of August 2024, reflecting a balance between the country's improved fiscal and external metrics and its poor debt-repayment record. There can be no assurances that such credit ratings will be maintained for a certain period of time or that such credit rating will not be downgraded, suspended or cancelled upon the credit ratings agencies' consideration or if circumstances will so require. Each rating should be evaluated independently of the others. Detailed explanations of the ratings may be obtained from the rating agencies. Any credit rating downgrade, suspension, or cancellation may have an adverse effect on the market price and the negotiation of debt securities.

Cybersecurity Threats and Data Breaches Could Adversely Impact Ecuador's Economy, Government Operations, and Public Trust.

Ecuador's digital infrastructure and data security measures remain exposed to increasing risks of cyberattacks and data breaches, which could have material adverse effects on government operations, the economy and public trust in national institutions. In September 2019, a major data breach was reported, compromising personal information of a large portion of Ecuador's population. This breach involved government-held information, including identification numbers and home addresses, and was attributed to vulnerabilities in data security practices by a third-party marketing firm. The Government initiated investigations and proposed legislative measures in response; however, the incident underscored vulnerabilities in Ecuador's data protection infrastructure.

Cybersecurity incidents, including hacking, phishing, ransomware and data theft, could disrupt Ecuadorian governmental operations, impede essential services, and potentially lead to misuse of sensitive information. Such incidents may compromise data across various sectors, including finance, healthcare and education, impacting both public and private entities. Additionally, disruptions to essential services or critical infrastructure, such as telecommunications, electricity or financial institutions, could have direct and severe economic consequences, potentially affecting productivity and economic growth. Data breaches or cybersecurity incidents could also erode public trust in the Government and institutions, especially if sensitive information is improperly accessed or utilized. Public apprehension surrounding data privacy and government-held information could affect the willingness of individuals and businesses to engage with government services. Furthermore, adverse publicity or reputational damage following a cyber event could discourage foreign direct investment or result in increased regulatory scrutiny from international partners, which could impact Ecuador's economic performance.

While Ecuador has taken steps to strengthen data protection since the major incident of 2019 described above, including drafting data privacy laws, the country remains at risk of similar events, especially as cyber threats evolve in complexity and scope. There can be no assurance that Ecuador will be able to prevent or respond effectively to future cybersecurity incidents.

THE REPUBLIC OF ECUADOR

Territory, Population and Society

Ecuador is one of the smallest countries in South America, covering an area of approximately 98,985 square miles (256,370 km²). Located on the north-western coast of the continent, it shares a 950-mile border with Peru to the south and the east, a 373-mile border with Colombia to the north, and a 1,452-mile coastline on the Pacific Ocean to the west. Ecuador encompasses a wide range of geographic areas and climates, including the Pacific coastal plains, the Sierra (consisting of the Andean highland region), the Oriente (characterized by the Amazonian tropical rain forest) and the Galápagos Islands region located in the Pacific Ocean approximately 600 miles from the coast.

The Republic is traversed by the equator and lies entirely in the north and south tropical zones. Ecuador's regional climates vary depending on altitude. The climate is tropical in the Pacific coastal plains and the Oriente, predominantly temperate in the Sierra, and maritime in the Galápagos Islands. Ecuador has several active volcanoes, some of which have shown increased activity in the past several years.

On October 26, 1998, Ecuador and Peru signed a comprehensive peace agreement that ended a long-standing territorial dispute concerning territory in the Oriente region. Although the territorial conflict spanned more than a century, the treaty ended multiple hostile encounters between the two governments over the course of the previous four years. As a result of this treaty, the two countries presented joint plans for the development of infrastructure and commerce in the border region.

According to the 2022 census conducted by the INEC, in 2022 the total population of Ecuador was approximately 16.9 million. Approximately 53.3% of the population live in the Pacific coastal plains (comprising the provinces of Esmeraldas, Manabí, Guayas, Los Ríos, El Oro, Santo Domingo de los Tsáchilas and Santa Elena), 41.0% live in the Andean highlands (comprising the provinces of Carchi, Imbabura, Pichincha, Cotopaxi, Tungurahua, Chimborazo, Bolívar, Cañar, Azuay and Loja), 5.5% in the Oriente (comprising the provinces of Sucumbíos, Napo, Orellana, Pastaza, Morona Santiago and Zamora-Chinchipe) and 0.2% in the Galápagos Islands. As of 2022, approximately 63.1% of the population lives in urban areas. Quito, Ecuador's capital, is Ecuador's second largest city with a projected 2.8 million inhabitants in 2024 and is located in the highlands at 2,850 meters above sea level. Guayaquil, which is located on the east coast, is the largest city in Ecuador with a projected population in 2024 of 2.91 million. Spanish is the official language in Ecuador, while Quechua and Shuar are considered official languages for intercultural relations.

Historically, Ecuador has been a Catholic country and while Ecuador remains predominantly Catholic, evangelical Christianity has become increasingly popular.

The following table sets forth certain demographic characteristics for Ecuador for the years specified:

DEMOGRAPHIC CHARACTERISTICS

	2020 ⁽¹⁾	2021 ⁽¹⁾	2022 ⁽²⁾	2023 ⁽¹⁾	2024 ⁽¹⁾
Total population (million)	17.5	17.6	16.9	17.8	18.0
Female (%)	50.2	50.3	51.3	50.4	50.4
Male (%)	49.8	49.7	48.7	49.6	49.6
Urban (%)	64.9	64.1	63.1	n/a	n/a
Rural (%)	36.1	35.9	36.9	n/a	n/a
Functional age groups (%)					
Child (0-14)	28.7	28.2	26.3	25.7	25.2
Adult (15-64)	63.9	64.1	66.0	66.3	66.6
Elderly (65+)	7.5	7.7	7.8	8.0	8.2
Demographic Indicators					
Average annual growth (%)	1.0	0.5	0.6	0.7	0.7
Birth rate (per thousand)	16.5	15.8	15.3	15.0	14.6
Infant mortality rate (per 1,000 live births) ⁽³⁾	5.4	6.1	6.7	6.8	n/a
Fertility rate (per female)	2.0	1.9	1.9	1.8	1.8
Average Life Expectancy (years)					
Overall	72	73	77	77	77

Source: Based on data from INEC. Data of Average life expectancy, infant mortality rate, fertility rate and birth rate from Databank World Bank.

- (1) Based on INEC’s projections available at: www.ecuadorencifras.gob.ec, last visited on October 9, 2024.
- (2) Based on the results of the 2022 census, available at www.censoecuador.gob.ec, last visited on October 9, 2024.
- (3) Based on Registro Estadístico de Defunciones Generales, available at www.censoecuador.gob.ec, last visited on October 9, 2024.

The following table sets forth certain comparative information for Ecuador relative to certain countries in South America, Central America and the United States:

SOCIAL STATISTICS

	Ecuador	Bolivia	Paraguay	Honduras	Guatemala	Costa Rica	United States
Average life expectancy (years) ⁽¹⁾	74.9	72.5	78.8	73.1	73.5	80.3	80.9
Adult literacy rate (%) ⁽²⁾	94%	93%	95%	89%	84%	98%	n/a
Mean years of schooling (years) ⁽³⁾	9.97	9.83	8.86	7.09	5.85	8.8	13.91
Population below poverty line (%) ⁽⁴⁾ ..	25.2%	39%	24.7%	48.0%	59.3%	25.5%	11.5%

Source: Data based on The Central Intelligence Agency World Factbook, Explore All Countries (<https://www.cia.gov/the-world-factbook/countries/>) and UNESCO data, U.S. Stat, Education (<http://data.uis.unesco.org>), as indicated.

- (1) Based on data from The Central Intelligence Agency World Factbook (estimation for 2024).
- (2) Based on data from The World Bank (last accessed online on September 25, 2024). Latest available data for Ecuador and Guatemala are from 2022; Costa Rica, 2021, Bolivia and Paraguay, 2020; Honduras, 2019. Based on data from The National Center for Education Statistics (last accessed online on September 25, 2024) for the United States from 2019.
- (3) Based on data from UNESCO (last accessed online on September 25, 2024). Latest available data for Ecuador and the United States is from 2022; Bolivia, Paraguay, Costa Rica, 2020; Honduras and Guatemala, 2019.
- (4) Based on data from The Central Intelligence Agency World Factbook. Latest available data for Costa Rica is from 2022; Ecuador and Paraguay, 2022; Bolivia, 2020; Honduras, 2019; Guatemala, 2014; United States, 2020.

Form of Government

Ecuador is a republic, with powers divided among five branches of the Government: the executive, the legislative, the judicial, the transparency and social control, and the electoral branches. The 2008 Constitution provides for concurrent four-year terms of office for the President, Vice President, and members of the National Assembly. Presidents and legislators may be re-elected, with presidents limited to two full terms in office. President Noboa’s current time in office, however, does not count toward this term limit, as he is completing the remainder of former President Lasso’s term. Citizens must be at least 16 years of age to vote.

The President is the head of Government and head of state, and is elected by direct popular vote for a four-year term. The President’s duties include the enforcement of the Constitution, the establishment of economic, trade and foreign policy, and the enforcement of domestic law and order. The President is also commander-in-chief of the armed forces and appoints ministers and heads the Government’s cabinet. Former President Correa came into office in January 2007 under the previous Constitution, was re-elected in a general election held in February 2013, and finished his second term under the 2008 Constitution on May 23, 2017. Former President Moreno won the 2017 presidential election and assumed the presidency of Ecuador on May 24, 2017 for a four-year term. In 2021, former President Lasso won the 2021 presidential election and assumed the presidency of Ecuador on May 24, 2021 for a four-year term.

In early 2023, opposition legislators in the National Assembly initiated impeachment proceedings against former President Lasso based on accusations of embezzlement. The case centered on a 2020 contract between a state-owned oil transport company and an international shipping firm. While the contract was signed before former President Lasso’s presidency, the National Assembly’s inquiry alleged that former President Lasso allowed the contract to continue, despite knowledge of financial irregularities, leading to significant economic losses for the state. On March 29, 2023, Ecuador’s Constitutional Court authorized the impeachment process to proceed, focusing solely on the embezzlement charge and dismissing earlier allegations of bribery and misuse of public funds. Former President Lasso consistently denied the accusations, claiming they were politically motivated and lacked sufficient evidence. On May 17, 2023, with the National Assembly moving closer to an impeachment vote, former President Lasso invoked Article 148 of the Constitution to dissolve the National Assembly and call for early elections. Article 148 of the Constitution, also known as the “*muerte cruzada*” (mutual death) provision, allows the President to dissolve the National Assembly before the end of the legislative term if the National Assembly repeatedly obstructs the Executive’s legislative agenda, if it assumes functions beyond its constitutional authority, or if there is a severe political crisis or social unrest. Once

invoked, the President must call for new legislative and presidential elections, which must be held within 90 days. During this interim period, the President can govern by decree but only on issues deemed urgent for the economy. This mechanism ensures that both the presidency and the National Assembly are subjected to new elections, hence the term “mutual death.”

In the 2023 election, Daniel Noboa emerged victorious in a second-round vote held on October 15, 2023. Noboa won against Luisa González, a candidate from the Citizen Revolution Movement. Notably during those elections, presidential candidate Fernando Villavicencio, an investigative journalist and former lawmaker known for exposing corruption and organized crime, was assassinated on August 9, 2023. His assassination occurred during a campaign rally in Quito, highlighting the deepening security crisis tied to gang violence and narco-politics in Ecuador. Noboa’s presidency, which began on November 25, 2023, is expected to continue until the next election, scheduled for February 9, 2025, as he finishes the remainder of former President Lasso’s term. A potential second round is scheduled for April 13, 2025, in the event no candidate secures a majority in the first round. On August 9, 2024, President Noboa emerged as his political movement’s candidate for Ecuador’s February 2025 presidential election following primary voting. President Noboa’s main contender according to polls in Ecuador is Luisa Gonzalez, an Ecuadorian lawyer and politician from the Citizen Revolution Movement who served as a member of the National Assembly from 2021 to 2023 and held various positions in former President Correa’s government from 2007 to 2017. She lost the 2023 presidential election to Daniel Noboa. Ecuador’s electoral system for presidential elections is designed to ensure that the elected president has significant voter support. In the first round of voting, a candidate can secure a victory by achieving more than 50% of the valid vote. Alternatively, a candidate can also win if they receive at least 40% of the valid vote and maintain a margin of at least 10% over the second-most-voted candidate. If no candidate meets either of these thresholds, the electoral process moves to a second round. In this runoff, the two candidates with the highest number of votes from the first round compete, and the one with the majority of votes in the second round is declared the winner.

The 2008 Constitution establishes a single chamber national assembly elected through direct popular vote for a four-year period. The National Assembly has 137 representatives, of which 15 are elected at the national level, two are elected per province, one provincial representative is elected for every 200,000 inhabitants above 150,000 per province threshold, and six provincial representatives are elected for Ecuadorians living abroad.

Pursuant to Article 149 of the 2008 Constitution, the Vice President performs all functions assigned to the post by the President. On August 3, 2017, former President Moreno relieved the then-Vice President Jorge Glas of his official duties but he officially retained the post of Vice President. On October 4, 2017, former President Moreno appointed the Minister of Urban and Housing Development, María Alejandra Vicuña Muñoz, as interim Vice President. On December 13, 2017, the former Vice President Glas received a six-year prison sentence in connection with the unlawful association investigation related to Odebrecht. After confirmation that the former Vice President Glas could no longer retain his post as Vice President on January 6, 2018, the National Assembly elected María Alejandra Vicuña Muñoz as the Vice President of Ecuador until 2021. However, on December 3, 2018, former President Moreno relieved former Vice President María Alejandra Vicuña Muñoz of her official duties amidst an undergoing corruption scandal that spurred a criminal investigation into her vice presidency. The day after, on December 4, 2018, the then-Vice President resigned her post. On December 6, 2018, a shortlist of three candidates proposed by the former President was submitted to the National Assembly. On December 11, 2018, the National Assembly appointed economist Otto Ramón Sonnenholzner Sper as the new Vice President of Ecuador. On July 7, 2020, Otto Ramón Sonnenholzner Sper resigned his post as Vice President of Ecuador and the President sent on July 10, 2020 a list of eligible candidates to the National Assembly for the appointment of a new Vice President. On July 17, 2020, the National Assembly designated María Alejandra Vicuña Muñoz as new Vice President of the Republic for the remainder of the term. Vice President Muñoz served until May 24, 2021, when former Vice President under former President Lasso, Alfredo Borrero Vega, was appointed.

On November 25, 2023, Verónica Abad Rojas took office as Vice President alongside President Noboa. However, among reported rumors of a strained relationship between the President and the Vice President, on December 4, 2023, President Noboa issued Executive Decree No. 61 appointing Vice President Abad as Ecuador’s ambassador to Israel, tasked with contributing to peace efforts between Israel and Palestine. In May 2024, President Noboa described the situation as “complicated,” criticizing Vice President Abad for disloyalty to the Government. Vice President Abad later accused President Noboa of attempting to remove her from office, alleging abuse of power, and warned of legal actions against her. On August 8, 2024, Vice President Abad filed a formal complaint against President Noboa with

the Electoral Contentious Court alleging political gender violence, accusing him of marginalizing her role in the government and sidelining her from state decision-making and public life. President Noboa, in response, characterized the accusations as a betrayal and an attempt at a political coup, emphasizing that the move was intended to destabilize his administration ahead of his campaign for re-election in February 2025. On November 9, 2024, the Ecuadorian Ministry of Labor suspended Vice President Abad for 150 days without pay, citing “unjustified abandonment” of her duties. The suspension was based on her delayed compliance with a directive to relocate from Israel to Turkey amid regional conflicts. Vice President Abad contested the suspension, arguing that the Government’s actions were intended to prevent her from assuming the presidency should President Noboa take a leave of absence to campaign for re-election. As of the date of this Annex, Vice President Abad remains suspended from her official duties. She has publicly criticized President Noboa, labeling him as authoritarian and accusing him of undermining democratic institutions. The suspension has significant political implications, particularly concerning the upcoming February 2025 elections. If President Noboa seeks re-election and takes a mandatory leave of absence to campaign, the suspension of Vice President Abad would prevent her from assuming the presidency during his absence, thereby influencing the political dynamics leading up to the election. The ongoing conflict between President Noboa and Vice President Abad highlights internal divisions within the Ecuadorian government and may raise concerns about the stability of its democratic institutions as the nation approaches a critical electoral period.

The following table shows the composition of the National Assembly as of the date of this Annex:

COMPOSITION OF THE NATIONAL ASSEMBLY

Political Party or Movement	Number of Members
Revolución Ciudadana.....	48
Acción Democrática Nacional.....	25
Movimiento Construye.....	17
Partido Social Cristiano.....	17
Independientes.....	9
Gente Buena.....	9
Pachakutik.....	5
Others.....	8
Total.....	138

Source: Data based on National Assembly, available at: <https://www.asambleanacional.gob.ec/es/pleno-asambleistas>.

Ecuador is administratively divided into 24 provinces and 221 municipalities. Each province is governed by a prefect who is popularly elected. The Government also designates a governor for each province that coordinates and administers the initiatives of the Government, while mayors, who are elected by popular vote, govern municipalities. A municipal council is responsible for the governance of each municipality. All provincial and municipal officials are popularly elected for four-year terms. Provincial and municipal elections were last held on February 5, 2023.

The judicial system of Ecuador consists of the National Court of Justice, *Cortes Provinciales de Justicia* (“**Provincial Courts of Justice**”) and *Tribunales Unidades Judiciales* (“**First Instance Courts**”). The National Court of Justice is composed of 21 judges appointed by the *Consejo de la Judicatura* (“**Judiciary Council**”), which is in charge of regulating, administering and auditing the judicial branch. The Judiciary Council is comprised of nine standing members with their respective alternates, who perform their duties for a six-year term of office and cannot be re-elected. The designation of the standing members of the Judiciary Council and their alternates takes place by a competitive merit-based examination process, subject to citizen oversight.

Issues relating to the 2008 Constitution, including the modification or amendment thereof, are reserved to the Constitutional Court. The Constitutional Court is composed of nine members who are selected by a commission composed of eight members appointed from the various branches of government. Each member of the Constitutional Court is appointed to a nine-year term. Every three years there may be a partial renewal of the justices. The justices may decide not to re-elect their colleagues at the conclusion of their nine-year term. In February 2022, the Constitutional Court replaced three justices, who were selected for rotation by drawing lots. The three new justices took office in February 2022. In September 2024, the Constitutional Court began the process to select three new members by February 2025.

The 2008 Constitution recognizes the possibility for indigenous communities to exercise their judicial authority in accordance with their traditions and their own sets of rules. The exercise of this authority must comply, and must not conflict with, the rights set forth in the 2008 Constitution and international treaties ratified by the Republic.

The 2008 Constitution also creates two additional branches of government. *La Función de Transparencia y Control Social* (Transparency and Social Control Branch) is intended to serve as the auditor of the Government and of private entities that contribute to the Republic's general welfare. It is comprised of the Office of the Comptroller General, the Counsel of Citizen Participation and Social Control, various superintendent organizations including the *Superintendencia de Bancos* (“**Superintendent of Banks**”), and the *Defensoría del Pueblo* (the “**Public Defender**”). The Counsel of Citizen Participation and Social Control appoints the chief executive of each superintendent organization, the Office of the Comptroller General, the Public Defender and the Attorney General. It is also the entity principally responsible for corruption investigations and establishing citizens' committees for public consultation prior to the enactment of laws according to the 2008 Constitution. The purpose of these citizens' committees is to increase citizen participation and involvement in the democratic process and create an informed population who perform an active role in the enactment of laws.

The purpose of the *Función Electoral* (the “**Electoral Branch**”) is to provide oversight for the Republic's political parties and elections. The Electoral Branch is comprised of the National Electoral Council and the Electoral Dispute Settlement Court. The National Electoral Council organizes and oversees elections to ensure transparency and compliance with election law, supervises the activities of political parties and establishes a civil registry. The Electoral Dispute Settlement Court hears and resolves, among others things, disputes regarding campaign finance violations and settles election results appeals.

Under the Law of the Office of the Comptroller General (the “**Comptroller General Law**”), the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment of the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoría de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General headed by Dr. Pablo Celi announced its intention pursuant to *Acuerdo 024-CG-2017* to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law to examine acts of public entities. For more information on this audit, see “*Public Debt—Review and Audit by the Office of the Comptroller General.*” Dr. Celi was later arrested in April 2021 as part of a corruption scandal involving bribery schemes related to clearing debt irregularities and managing contracts involving the *Empresa Pública de Hidrocarburos del Ecuador EP Petroecuador* (“**Petroecuador**”). Dr. Celi and other high-level officials were implicated in the case, leading to his conviction in February 2023. He was sentenced to 13 years and four months in prison for organized crime. Dr. Celi's arrest came after an employee of trading house Gunvor Group pleaded guilty to United States charges of involvement in a scheme to bribe Ecuadorean officials to win business from Petroecuador. Dr. Celi's resignation in 2021 marked the end of his tenure, and subsequent interim leadership has managed the Office of the Comptroller General.

President Noboa's Administration

In November 2023, President Noboa unveiled his first cabinet, just three days after taking office. President Noboa's cabinet consists of 24 ministers, reflecting a focus on youth and gender balance. Only one cabinet appointment, the Minister of Tourism, carried over from the previous administration. The Minister of Economy and Finance was appointed shortly after the cabinet's formation. President Noboa's cabinet was reportedly primarily assembled to address urgent national issues, such as reducing criminal violence and boosting employment.

Since assuming office in November 2023, President Noboa has implemented several key measures to address Ecuador's surge in violence. In January 2024, President Noboa declared that Ecuador was in an “internal armed conflict” against 22 organized crime groups involved in drug trafficking and illegal mining. As a response, he extended a state of emergency to six provinces through Presidential Decree 377, in January 2024. President Noboa also militarized prisons, aiming to restore order in facilities that had been largely controlled by criminal gangs. In May

2024, President Noboa declared a new security state of emergency in Ecuador granting the Government expanded powers to address crime. See “—*Surge in Violence and Organized Crime.*”

Before his inauguration, President Noboa traveled internationally in October and November 2023 to meet with officials from the World Bank, the International Monetary Fund, and the Organization of American States. These meetings, held in Washington, D.C., aimed to secure investment and financial assistance to tackle Ecuador’s growing debt crisis.

The Noboa administration introduced the Organic Law for Economic Efficiency and Job Creation (*Ley Orgánica de Eficiencia Económica y Generación de Empleo*) in 2023, a comprehensive reform package that touches various aspects of the country’s fiscal and economic landscape, and which was passed by the National Assembly in December 2023. The law aims to increase state revenue by approximately U.S.\$832 million. See “*The Ecuadorian Economy—Economic and Social Policies—Organic Law for Economic Efficiency and Job Creation.*”

In December 2023, the Government announced an increase in its monthly minimum wage to U.S.\$460 for 2024. This represents a 4.5% increase from the monthly minimum wage of U.S.\$450 for the previous year.

As of September 22, 2024, the country had experienced 71 days without significant rainfall resulting in multiple wildfires, particularly around Quito where approximately 2,000 firefighters, rescue workers and military personnel battled blazes. Ecuador has also faced a severe energy crisis, driven primarily by an unprecedented drought that drastically reduced water levels in key reservoirs. The crisis resulted in widespread blackouts, with power outages lasting up to 14 hours a day, and had a significant financial impact, with estimated losses in the business sector of approximately U.S.\$12 million for every hour without electricity, according to the Ecuadorian Business Committee (*Comité Empresarial Ecuatoriano*). The Government declared multiple states of emergency throughout 2024 to address the energy crisis, deploying the military to protect critical infrastructure and fast-tracking efforts to boost domestic energy production by up to 1,430 megawatts in the coming years. In response to the crisis, the Government declared a red alert in 19 provinces, including Quito, and imposed planned power outages across 12 of Ecuador’s 24 provinces. The blackouts, initially scheduled for eight hours nightly from Monday to Thursday, were extended to include a nine-hour suspension on Sunday from 8:00 a.m. to 5:00 p.m. local time. Additionally, as of September 2024, water rationing was implemented in 60 neighborhoods in Quito. The Government also deployed military personnel to key hydroelectric facilities, such as the Mazar plant, to support operations and ensure protection. See “—*Ecuador’s Power Sector Crisis.*”

In December 2023, President Noboa introduced the bill for the Organic Law of Energy Competitiveness (*Ley Orgánica de Competitividad Energética*) to the National Assembly. The bill was enacted into law on January 11, 2024, and is considered a crucial step in promoting sustainable energy practices in Ecuador. The law aims to address Ecuador’s energy deficit and mitigate energy shortages by encouraging private sector participation and incentivizing the adoption of various renewable energy technologies, thereby diversifying the energy mix and reducing reliance on hydropower. See “—*Ecuador’s Power Sector Crisis.*”

In March and May 2024, President Noboa issued Decrees 190 and 259, respectively, providing for a temporary reduction in the general value-added tax (“VAT”) rate to 8% for services defined as tourism activities under Article 5 of the Tourism Law. This reduction applies to both natural persons and national or foreign companies throughout the country during the Easter week (March 29 to March 31, 2024) and during the national holiday for the Battle of Pichincha (May 24 to May 26, 2024). The objective of these measures was to boost domestic tourism, particularly in light of a broader strategy to support economic recovery in the post-pandemic period by stimulating travel and tourism spending during extended holidays. These decrees are a continuation of measures started in the prior administration, including Decree 644 issued on January 10, 2023 by former President Lasso. These temporary VAT reductions were implemented based on the authority granted to the President by Article 73 of the Organic Law of Internal Tax Regime, which allows for VAT rate modifications by executive decree.

On March 15, 2024, President Noboa issued Decree 198, increasing the general VAT rate from 13% to 15%, effective from April 1, 2024. This increase was introduced as part of a fiscal consolidation effort to improve government revenues and reduce the budget deficit. The increase was enacted in accordance with the Organic Law to Address Internal Armed Conflict and the Social and Economic Crisis, which entered into force on March 12, 2024. This law permanently set the VAT rate at 13% but granted the President the authority to temporarily increase it to 15%.

On April 5, 2024, Ecuador’s security forces stormed the Mexican embassy in Quito in an unprecedented diplomatic incident. The operation was aimed at arresting Jorge Glas, Ecuador’s former Vice President under former Presidents Rafael Correa and Lenín Moreno, who had sought asylum in the embassy. Glas, convicted of receiving U.S.\$18 million in bribes from the Brazilian firm Odebrecht, had been granted asylum by Mexican authorities earlier that day. Special forces, equipped with a battering ram, surrounded the embassy located in Quito’s financial district. The raid was widely condemned internationally as a clear violation of the Vienna Convention, which provides for the inviolability and diplomatic immunity of diplomatic missions. The incident led to a severe diplomatic crisis, with Mexico immediately severing diplomatic ties with Ecuador. Other Latin American countries, including Venezuela and Nicaragua, also cut ties with Ecuador, while many others, such as Brazil, Argentina, Chile and Colombia, sharply rebuked Ecuador for the action. The United States also condemned the violation of diplomatic norms, and the United Nations Secretary-General expressed alarm over the raid. On April 30, 2024, Mexico presented its case to the International Court of Justice (“ICJ”), arguing that Ecuador’s actions in storming the embassy to arrest former Vice President Glas were illegal and violated international law. The following day, on May 1, Ecuador mounted its defense, accusing Mexico of “blatant interference” in its internal affairs and contended that Mexico had abused its diplomatic privileges by harboring former Vice President Glas, who was wanted on corruption charges. Ecuador argued that granting asylum to former Vice President Glas was unjustified and that Ecuador had the right to enforce its laws. The case has drawn international attention as it could potentially have significant implications for international diplomatic norms and practices. As of the date of this Annex, the ICJ continues to deliberate.

On April 21, 2024, President Noboa called for a constitutional referendum and public consultation. This referendum focused primarily on security measures, institutional reforms and economic reactivation, and consisted of 11 questions. Unlike the previous referendum, nine out of 11 proposals were approved by voters, with a reported turnout of 72%. However, two key economic proposals were rejected, consisting of a proposal to make certain labor laws more flexible, which was viewed as potentially undermining workers’ rights, and a measure to allow Ecuador to return to international arbitration systems for commercial disputes. The people’s rejection of this latter proposal was seen as a setback for President Noboa’s economic agenda. The nine approved proposals primarily focused on enhancing security measures and institutional reforms. A key measure allows the country’s military to support police operations in combating organized crime without declaring a state of emergency, effectively making permanent some of the emergency measures implemented in January 2024. Other approved measures include enabling extradition processes for Ecuadorians involved in transnational crimes, creating specialized constitutional courts and increasing penalties for serious offenses such as terrorism, drug trafficking, organized crime, murder, human trafficking and money laundering. The referendum also approved measures to ensure that sentences for certain crimes must be served through imprisonment, without the possibility of work-release or day-release programs or sentence reductions based on good behavior. These security-focused proposals received strong support. The approval of these measures was seen as a significant victory for President Noboa, providing him with a mandate to implement his security agenda in response to Ecuador’s escalating violence and organized crime challenges.

On April 25, 2024, the Development Bank of Latin America and CAF approved an U.S.\$800 million short-term liquidity financing for Ecuador. This loan, granted under CAF’s Extraordinary Liquidity Financing instrument, was designed to provide immediate financial support to Ecuador as it finalized negotiations for a larger U.S.\$4 billion 48-month 2024 EFF with the IMF. The timing of CAF’s approval coincided with the IMF’s announcement of a staff-level agreement with Ecuador on the same day. CAF’s loan, made possible by its status as an authorized Special Drawing Rights holder, aimed to complement the IMF’s support and assist Ecuador in addressing its economic challenges. On May 31, 2024, Ecuador secured the U.S.\$4 billion 2024 EFF with the IMF, which aims to support Ecuador’s economic policies under President Noboa’s administration. Key elements include fiscal consolidation, expansion of social safety nets, financial sector oversight improvements and enhanced governance and transparency measures. The 2024 EFF provided for an immediate disbursement of U.S.\$1 billion for budget support and is designed to help Ecuador address its fiscal challenges, increase dollar reserves, and implement crucial economic reforms. See “*Public Debt—IMF’s Extended Fund Facility and Rapid Financing Instrument.*”

On June 12, 2024, President Noboa issued Decree 302, reducing the *Impuesto a los Consumos Especiales* (Special Consumption Tax or “ICE”) rate for firearms, sporting weapons and ammunition to 30%. This decision was made following the recommendation of the Ministry of National Defense, which cited the need to combat the illicit trafficking of arms while improving traceability and control measures. This reduction in tax is expected to enhance regulatory oversight by incentivizing lawful registration and discouraging black-market transactions.

In June 2024, the Government announced a plan to slash subsidies for low-octane gasoline. This resulted in an initial price increase of about U.S.\$0.25 cents per gallon from the previous U.S.\$2.47 per gallon, with a mechanism allowing for further increases of up to 5% per month to gradually match international prices. This new policy aims to reduce spending on gasoline subsidies by U.S.\$500 million annually. However, diesel subsidies, which make up the bulk of Ecuador's approximately U.S.\$3 billion annual fuel subsidy expenditure, remained unchanged as of September 2024. The Government's efforts to reduce fuel subsidies are part of a broader fiscal reform strategy, which includes the U.S.\$4 billion 2024 EFF provided by the IMF. These measures have faced some opposition, with threats of strikes from indigenous groups and taxi drivers' unions, reminiscent of the protests that occurred in October 2019 and June 2022 over similar subsidy reduction attempts.

In July 2024, President Noboa issued Decree 325, which reduced the *Impuesto a la Salida de Divisas* (Currency Outflow Tax or "ISD") to 0% for imports of certain fuels. Specifically, this reduction applies to imports of hydrocarbon derivatives, biofuels, liquefied petroleum gas ("LPG") and natural gas. This measure aims to lower costs for energy-related imports, supporting both the energy transition and the reduction of operating costs for industries reliant on imported fuels.

In September 2024, President Noboa announced plans to seek a constitutional change that would allow foreign military bases in the country. This move aims to bolster Ecuador's fight against organized crime and drug trafficking. The 2008 Constitution prohibits foreign military bases on Ecuadorian soil. President Noboa's proposal would require approval through a referendum, as it involves amending the 2008 Constitution. This initiative comes in response to the escalating security challenges facing Ecuador, particularly the rise in violence linked to drug cartels.

Former President Lasso's Administration

On May 24, 2021, former President Lasso appointed the members of his cabinet, composed of 24 ministers, 5 secretaries of state, 7 secretaries of the presidency and 8 managers and directors of State-owned enterprises. Former President Lasso's cabinet did not include former ministers from former President Moreno's cabinet. On March 30, 2022, former President Lasso appointed an additional minister, elevating the Vice Minister of the Interior into a separate Ministry of the Interior. On August 2, 2022, former President Lasso designated an additional secretary of state, the National State Secretary of Public and State Safety.

A constitutional referendum took place in February 2023, at the same time as the local elections. Former President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) on November 29, 2022, called for a binding referendum to effect amendments to the 2008 Constitution. Eight proposals were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These proposals included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the Council for Citizen Participation and Social Control) and questions regarding the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place in February 2023, and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

In August 2021, former President Lasso issued Decree 151, which contained the 'Action Plan for the Mining Sector'. The Action Plan sought to facilitate: (i) the achievement of efficient and environmentally and socially responsible mining, (ii) the determination of the local geological potential for domestic and foreign investment and (iii) the introduction of the best practices for the exploitation of such resources. However, Decree 151 was repealed after strikes led by the *Confederación de Nacionalidades Indígenas de Ecuador* (Confederation of Indigenous Nationalities of Ecuador or "CONAIE") in June 2022 following which the Government signed the Agreement for Peace. See "*The Ecuadorian Economy—Strategic sectors of the Economy—Mining.*"

In November 2021, former President Lasso issued the Electricity Sector Policies through Decree 238. Among other things, this Decree sought to promote the implementation of the necessary institutional and regulatory framework to guarantee the sustained increase of the installed capacity of electric power generation in Ecuador. It also ordered the call for public tenders for, among others, the concession of the 500 MW non-conventional renewables block ("500 ERNC"), the Northeastern Transmission System and the 400 MW Natural Gas Combined Cycle Block ("400 CCGN"). See further "*The Ecuadorian Economy—Strategic sectors of the Economy—Mining.*"

In pursuit of protecting Ecuador’s marine ecosystem, Decree 319 was issued by President Lasso in January 2022 instructing the designated National Environmental Authority to declare a new protected area within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve, with the objectives of (i) protecting the marine ecosystem therein and its species and (ii) prioritizing the distribution area of migratory species. The new protected area is called the Hermandad Marine Reserve and forms part of Ecuador’s National System of Protected Areas (“SNAP”). As part of the SNAP, the Hermandad Marine Reserve benefits from enhanced legislative protection. The Hermandad Marine Reserve has an area of 60,000 square kilometers. Within this, and pursuant to Decree 319, an area of 30,000 square kilometers will be maintained in which no extractive activities will be allowed so that areas of critical oceanic ecosystems, migratory routes and feeding zones of threatened marine species are conserved. The remaining 30,000 square kilometers area will be designated as a responsible fishing zone.

As a result, in November 2021, within the framework of the twenty-sixth meeting of the parties to the United Nations Conference on Climate Change 2021 held in Glasgow, Scotland, Ecuador announced the creation of the Hermandad Marine Reserve. A ‘no-take zone’ connecting Ecuador’s waters with those of Costa Rica, in an area known as the Cocos-Galápagos Migravía, and Cocos Island, which is on the underwater mountain range of Cocos, was designated. The protection of this migration route is intended to better protect migratory species such as sharks, turtles and manta rays. In addition, a ‘no long line zone’ has been designated in the northwest of the current Galápagos Marine Reserve to prevent long line fishing from entering into the marine reserves. Following the enactment of Decree 319, on March 14, 2022 the Minister of Environment, Water and Ecological Transition signed a ministerial agreement, ordering the creation of the Hermandad Marine Reserve and the designation of the Hermandad Marine Reserve as a marine reserve and protected area within the SNAP. See “*Environmental Matters.*”

Following the measures described in “*Environmental Matters*” below, the Republic decided to enter into a debt conversion transaction, a so called ‘debt-for-nature’ swap, to facilitate the following objectives: (i) strengthening the institutional framework to support sustainable finance and adequate natural resource management, (ii) improving the Republic’s debt management capacity with a focus on environmental and financial sustainability and (iii) enhancing the management and conservation of the Hermandad Marine Reserve and the growth of the natural capital of the Galápagos Islands and their marine ecosystems. See “*Public Debt — External Debt*” and “*Environmental Matters — Amazon Bio-Corridor.*”

On May 31, 2022, after 21 years in which the State’s debt to the *Instituto Ecuatoriano de la Seguridad Social* (the “**IESS**”) for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IEISS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.\$140 million. See “*The Ecuadorian Economy — Other Sectors of the Economy — Social Security.*”

Former President Lasso enacted several initiatives to fight corruption in Ecuador and commenced investigations into several alleged cases of corruption against current or former public officials of State-owned companies. At his inauguration in May 2021, former President Lasso enacted via Decree 4 a ‘Code of Ethics’ for high-level public officials, setting a higher standard of conduct for the Government. He also established a cabinet-level Secretary of Anticorruption Public Policy by Decree 412, elevating the position from Presidential Advisor. In July 2022, the Lasso Administration presented the *Estrategia Nacional Anticorrupción* (National Anti-Corruption Strategy or “**ENA**”) with the goal of generating policies and preventive actions against a wide range of corruption risks that threaten the rule of law and democracy. Furthermore, former President Lasso sought via referendum to amend the 2008 Constitution to allow the extradition of Ecuadorians involved in transnational organized crime (referendum question 1) and ensure full independence of the Prosecutor General (referendum question 2), but on February 5, 2023, the majority of the electorate voted against all proposals in the referendum. In April 2023, the Law Amending the Organic Law for the Prevention, Detection and Eradication of the Crime of Asset Laundering and of Financing of Crime, expanding the reporting obligations of certain financial transactions, was enacted. See “*The Ecuadorian Economy—Anti-corruption measures in Ecuador.*”

In June 2022, former President Lasso issued Decree 457, which repealed Decree 135 and sought to optimize public spending. Former President Lasso also issued Decree 468 in June 2022, which specified that: (i) the President would not exercise the exceptional power provided in the 2008 Constitution that allows the President to request the extractive activity of non-renewable natural resources in protected areas, areas declared as intangible, in ancestral territories and archaeological zones in accordance with the law; (ii) the President had instructed the Ministry of Energy and Mines not to present or approve new projects for the extraction of non-renewable natural resources in protected areas, intangible zones, ancestral territories and archaeological zones; and (iii) the President had requested the development

of the law relating to free and informed consultation with the indigenous communities in affected areas, prior to the execution of any new natural resource extraction projects. See *“The Ecuadorian Economy—Strategic sectors of the economy—Mining.”*

In order to increase transparency of the accounts of the State-owned oil company Petroecuador, the Lasso Administration undertook, within the framework of the agreement with the IMF (see *“Public Debt”*), to conduct an external audit of the financial statements of Petroecuador for the fiscal years ended 2019, 2020 and 2021 by an independent international audit firm and invited the ‘big four’ audit firms to submit tenders. The process was to be financed with a loan from the Inter-American Development Bank (the **“IDB”**). However, no offers were received. On January 23, 2024, Petroecuador entered into an agreement with Moore & Asociados Cía. Ltda. to conduct an audit of Petroecuador and the *Empresa Pública de Exploración y Explotación de Hidrocarburos Petroamazonas EP’s* (**“Petroamazonas”**) financial statements. Such audit is expected to conclude in the first quarter of 2025. See *“The Ecuadorian Economy—Strategic Sectors of the Economy—Oil Sector.”*

Former President Lasso signed Decree 614 in December 2022, eliminating a diesel subsidy for the shrimp industry for farms with more than 30 productive hectares (which was also a request from indigenous communities to focalize fuel subsidies). The Government estimated that this measure would allow yearly savings of approximately U.S.\$160 million. In January 2023, several reforms were presented for the regularization of diesel commercialization for the industrial sector. See *“The Ecuadorian Economy—Other Sectors of the Economy—Fishing.”*

In 2009, during the administration of the former President Correa, Ecuador withdrew from the International Centre for Settlement of Investment Disputes (the **“ICSID”**) Convention (the **“ICSID Convention”**) and terminated bilateral investment treaties to which it was a signatory. The ICSID was established in 1966, operates as part of the World Bank Group and is headquartered in Washington, D.C. ICSID’s primary purpose is to provide facilities for arbitration and conciliation of investment disputes between states and foreign investors by offering a neutral, internationally recognized framework. ICSID aims to foster cross-border investment by mitigating risks associated with political and legal uncertainty. The ICSID Convention has been signed by 165 states, with 158 of them having ratified it as of 2024.

In withdrawing Ecuador from the ICSID Convention, former President Correa argued that it violated Article 422 of the 2008 Constitution, which prohibits “international treaties in which the State cedes sovereign jurisdiction to international arbitration bodies” and also claimed that the ICSID Convention led Ecuador to face millions of U.S. dollars in cases in international arbitration. However, under former President Lasso, Ecuador re-signed and ratified the ICSID Convention in 2021.

Former President Lasso restarted foreign trade agreement negotiations with South Korea in March 2022 after a six-year pause. In October 2023, Ecuador and South Korea pre-signed a Strategic Economic Cooperation Agreement (SECA). The agreement is currently undergoing translation and technical and legal review and is expected to become effective in the first quarter of 2025. In 2022, the Republic also concluded foreign trade agreement negotiations with China. In May 2023, China and Ecuador entered into a Free Trade Agreement which became effective in May 2024. See *“Balance of Payments and Foreign Trade—Foreign Trade.”*

Response to COVID-19 Crisis

The global pandemic caused by COVID-19 severely impacted the health and welfare of the people of Ecuador. The first confirmed case of the virus in Ecuador was registered in February 2020. Ecuador was one of the hardest hit countries in the world in proportion to its total population, with 864,811 confirmed cases and 10,334 deaths from the virus as of July 2024. In addition to the health crisis, the pandemic led to an unprecedented external shock on the global economy, which in turn severely affected Ecuador’s economy.

In March 2020, former President Moreno declared a State of Emergency, followed by a nationwide lockdown order (excluding essential services and activities), the closure of Ecuador’s borders, and the declaration of a national curfew. In April 2020, the Government announced that despite these measures, the Republic’s healthcare system was under severe pressure, lacking essential medical resources including medical equipment and supplies, testing kits, protective garments, and additional medical staff. In May 2020, former President Moreno ordered the extension of the State of Emergency for 30 days, which was further extended for an additional 60 days.

In 2020, the sudden collapse of international oil prices, a virtual halt in tourism, and delays in shipping of exports of perishable goods such as flowers had a severe impact on the economy of Ecuador.

Further, because the Ecuadorian economy has a significant informal sector, the measures adopted by the Government to prevent the spread of COVID-19 significantly impeded activity in this sector. As a result, the percentage of the population falling into poverty increased in 2020 from 25% in December 2019 to 33% in December 2020. Since then, the poverty rate has decreased reaching pre-pandemic levels in December 2022 (25.2%), December 2023 (26.0%) and June 2024 (25.5%).

Recent Geopolitical Conflicts and Economic Impact

In February 2022, Russia launched a full-scale military attack on Ukraine. The subsequent war, which is still ongoing, significantly amplified existing geopolitical tensions among Russia, Ukraine, the North Atlantic Treaty Organization, the United States, the European Union and its member states, the United Kingdom and various other countries, and led to significant volatility and disruption in global trade and financial markets. Moreover, Russia's annexation in September 2022 of four regions of Ukraine (Donetsk, Luhansk, Zaporizhzhia and Kherson) further escalated these tensions. The war has generated concern regarding non-oil exports, including banana exports to Russia. However, during the first semester of 2022, Ecuador's total trade balance was only reduced by U.S.\$30 million, despite the economic effects due to the war.

In 2023 and 2024, Ecuador's trade with Russia faced new challenges. In January 2024, Ecuador negotiated a military exchange with the United States, agreeing to transfer Soviet-era weapons to the United States in exchange for modern military equipment worth U.S.\$200 million. This deal was primarily aimed at bolstering Ecuador's capabilities to combat organized crime. However, the agreement drew sharp criticism from Russia, which suspected that the weapons might ultimately be transferred to Ukraine for use against Russian forces. In retaliation, Russia imposed a partial ban on Ecuadorian banana imports in February 2024. This action had significant economic implications for Ecuador, as Russia accounted for approximately 20% of Ecuador's banana exports in 2023, with total trade in this fruit reaching U.S.\$3,770.1 million that year. The Russian veto extended beyond bananas, with threats to restrict imports of Ecuadorian carnations as well. On February 23, 2024, the Government called off the planned arms exchange with the United States after learning that some of the weapons were intended to be sent to Ukraine. The Government stated that this decision was made to maintain its stance of neutrality in the ongoing conflict between Russia and Ukraine.

Furthermore, one of the main economic effects of the war was a shortage of fertilizers and grains, which led to an increase in international prices caused by the decrease in Russian and Ukrainian production from the international market. For Ecuador, this resulted in higher production costs for farmers. The government responded by seeking alternative suppliers and implementing programs to support domestic fertilizer production. In 2023, Ecuador signed agreements with Morocco and Bolivia to secure fertilizer supplies, helping to stabilize prices for agricultural inputs. In the energy sector, the steady rise in oil and gas prices also affected the costs of fertilizers. In this context, Ecuador had to look for other agricultural supplies from different countries, such as the United States, China, Italy and Chile. The effect of the war on domestic prices has been largely contained by government subsidies on fuel and urea, as well as the appreciation of the U.S. dollar. However, this approach became unsustainable over time and in June 2024, the government announced a reduction in fuel subsidies, leading to an 11% increase in gasoline prices, which has sparked protests. This decision was part of a broader fiscal reform aimed at reducing Government spending and securing the U.S.\$4 billion 2024 EFF with the IMF. The Government argues that the subsidy reduction is necessary to redirect funds to social programs and infrastructure development, but it has faced significant public opposition. See *"Public Debt —IMF's Extended Fund Facility and Rapid Financing Instrument."*

Regarding oil exports, the increase in prices in international markets as a result of the war allowed greater inflows into the General State Budget from oil revenues compared to the initial budget in 2022. In 2023, oil revenues decreased with Ecuador's oil export earnings reaching U.S.\$9.0 billion, a 13.9% decrease from 2022. As of September 2024, oil prices have stabilized at around U.S.\$65.6 per barrel for Ecuador's Oriente crude, down from the peak of over U.S.\$107 per barrel in June 2022, while still providing a steady income stream for the country.

The global economic landscape has been significantly influenced by the Federal Reserve's monetary policy. In April 2021, the Federal Open Market Committee (the "FOMC") announced that it would not raise interest rates until 2023 and instead would maintain its asset purchase program with a view to achieving employment and economic recovery objectives. However, as a result of high inflation, the FOMC announced in June 2022 that it would increase interest

rates to contain inflation and re-anchor inflationary expectations. In January 2023, the benchmark rate was increased to between 4.25% to 4.75%. The Federal Reserve continued its interest rate hikes throughout 2023 and into 2024. However, in September 2024, the Federal Reserve initiated its first easing campaign in four years by implementing a significant 50 basis point cut, lowering the federal funds rate to a range of 4.75% to 5%. This was followed by another 25 basis point reduction in November 2024, bringing the target range to 4.5% to 4.75%.

For dollarized Ecuador, higher interest rates mean tighter financial conditions and higher amounts of external public debt service contracted at a variable rate (around 40% of external public debt is contracted at a variable interest rate). Rising interest rates may cause capital outflows to advanced economies and U.S. dollar appreciation. This has put pressure on Ecuador's economy, with the Government implementing measures such as tax reforms and subsidy reductions to manage fiscal challenges. See "*The Ecuadorian Economy—Tax Reforms.*"

On October 7, 2023, Hamas launched a large-scale surprise attack on Israel from the Gaza Strip. The subsequent war, which is ongoing, significantly amplified existing tensions between Israel, Palestine and various regional and global actors, including the United States, Iran, Egypt and other Middle Eastern countries. The conflict led to increased levels of violence, humanitarian crises and disruptions in regional stability. As of the date of this Annex, despite international mediation efforts, including attempts at ceasefires and hostage exchanges, the conflict continues with no clear resolution in sight. The war has had far-reaching consequences, including a severe humanitarian crisis in Gaza, increased global economic uncertainty and a reshaping of geopolitical alliances in the Middle East and beyond. While Ecuador has not been directly impacted, there have been indirect effects. The conflict has contributed to global economic uncertainty and volatility in oil prices, which can affect Ecuador's oil export revenues. President Noboa's government was among the handful of Latin American countries that immediately supported Israel following the October 7th attack by Hamas. Ecuador's support for Israel and alignment with United States foreign policy has helped Ecuador maintain positive relations with Western allies, traditionally allied with Israel, in times where Ecuador has sought international support for its economic reforms.

Surge in Violence and Organized Crime

Violence and organized crime in Ecuador has increased dramatically in recent years, transforming the once peaceful nation into one of Latin America's most violent countries. This shift has profoundly impacted daily life, the economy, and governance in Ecuador.

According to the Ecuadorian Organized Crime Observatory (*Observatorio Ecuatoriano de Crimen Organizado* or the "OECCO"), intentional homicides in Ecuador increased by 574.3% between 2019 and 2023, making it the most violent country in Latin America and one of the most violent in the world. By the end of 2023, there were 8,004 violent deaths, resulting in a homicide rate of 47.3 per 100,000 inhabitants. From January to October 2023, 770 youths aged 0 to 19 were victims of homicide, and the country recorded 17,882 intentional homicides since 2019, positioning it statistically comparable to conflict zones like Afghanistan (23.8 per day) and Yemen (15.8 per day). During 2023, the region comprising Los Ríos, Guayas, Santa Elena and Bolívar showed a 120% rise in homicide rates, driven by drug routes and conflicts. Guayaquil, Durán and Samborondón account for 35.1% of homicides, with a rate of 89.1 per 100,000 inhabitants. In the first semester of 2024, Ecuador reported a total of 3,036 homicides, marking a reduction of 16.2% compared to the same period in 2023. Despite this decrease, the rate remains high, with 17.9 homicides per 100,000 inhabitants. The group most affected by homicides has shifted to those aged 20-24 years, overtaking the historical trend of 25-29 years. During the first semester of 2024, homicides among adolescents aged 15-19 increased by 17% from the first semester of 2023. Geographically, 80% of homicides were concentrated in three main planning zones, with Zone 8 (including Durán, Guayaquil and Samborondón) accounting for 35% of the total. The province of Los Ríos was the most violent, with a rate of 48.0 homicides per 100,000 inhabitants, and the *cantón* of Camilo Ponce Enríquez had the highest rate at 171.0 homicides per 100,000. The expansion of illegal mining activities contributed significantly to increased violence in areas like Camilo Ponce Enríquez and Las Naves. The use of firearms was prevalent, accounting for 2,595 of the 3,036 homicides recorded during the first semester of 2024, suggesting a strong link to gang activities and violent crime, with violence intensifying in regions where criminal organizations vie for control over illegal activities like drug trafficking and illegal mining.

The increase in violence reportedly began in 2016-2017, triggered by a confluence of factors. The 2016 peace agreement between Colombia and the *Fuerzas Armadas Revolucionarias de Colombia* ("FARC") rebels may have inadvertently pushed criminal elements into Ecuador. A devastating earthquake that same year scattered existing criminal groups across the country as they fled the influx of military and aid workers to affected areas. Additionally,

economic downturns due to falling oil prices and later the COVID-19 pandemic provided criminal organizations with a steady stream of recruits from unemployed youth. The situation escalated rapidly starting in 2020, marked by a series of brutal prison massacres as rival gangs battled for control. By 2023, Ecuador's homicide rate had skyrocketed to 47.3 per 100,000 inhabitants, a dramatic increase from just 6.7 per 100,000 in 2019. The violence expanded beyond prisons, with assassinations of political figures, including presidential candidate Fernando Villavicencio, car bombings and gruesome public displays of gang brutality.

Ecuador has become a major hub for drug trafficking, particularly cocaine. Its strategic location, high-quality road network, dollarized economy and lax visa requirements have made it attractive to both domestic and international criminal groups. The ports of Guayaquil, Manta, and Esmeraldas have emerged as primary export points for narcotics destined for Europe and the United States. The criminal ecosystem in Ecuador is complex, involving local gangs, transnational organizations from Colombia, Mexico, and even Albania, and a web of corrupt officials within state institutions. These groups engage in drug trafficking, extortion, arms trafficking and other illicit activities. The fragmentation of once-powerful gangs, particularly following the 2020 assassination of Los Choneros leader Jorge Luis Zambrano, has led to violent turf wars and further destabilization.

The surge in organized crime has profoundly affected Ecuadorian society. In major cities like Quito, businesses have altered their operations, closing early and limiting nighttime activities. Extortion networks have spread throughout the country, affecting businesses large and small. On December 14, 2023, Ecuador's police detained Wilman Terán, the president of the Judiciary Council, along with 28 others in a major operation targeting drug trafficking networks. This operation, dubbed '*Metástasis*,' involved over 75 raids and uncovered links between judicial officials, police officers and criminal organizations. Prosecutor Diana Salazar described the case as exposing 'a structure of corruption' within Ecuador's justice system. The detentions included judges, lawyers and police officers.

On March 24, 2024, Ecuador's youngest mayor, 27 year-old Brigitte Garcia, and her staffer Jairo Loor Meza, were found shot to death in San Vicente. On October 25, 2024, Ecuadorian prosecutor Marcelo Vasconez was shot dead along with his police escort in Manta, a coastal city known for its rising crime rates. Vasconez was part of the attorney general's transnational organized crime unit and was actively involved in combating drug trafficking and organized crime. As of that date, at least nine prosecutors have been killed since 2019 amid the surge in crime linked to drug gangs.

Since assuming office on November 23, 2023, President Noboa has implemented several key measures to address Ecuador's surge in violence. The crisis began with the escape of José Adolfo Macías Villamar, alias "*Fito*," a notorious gang leader, from the Guayaquil regional prison, followed by the escape from prison soon thereafter of another notorious gang leader, Fabricio Colón Pico Suárez, alias "*Capitán Pico*." A series of subsequent incidents, including masked gunmen storming the state-owned TV station TC Television during a live broadcast, riots and mass prison escapes, and attacks on public institutions and the army, further increased tensions.

As a result, in January 2024, President Noboa declared a state of emergency in Ecuador based on grave internal commotion. In January 2024, President Noboa declared that Ecuador was in an "internal armed conflict" against 22 organized crime groups involved in drug trafficking and illegal mining and authorized the use of lethal force against the crime groups designated as "terrorist groups" and ordered the mobilization of armed forces and police throughout the country. The decree also limited citizens' rights to assemble and move freely, allowed authorities to enter homes without warrants, and militarized prisons, aiming to restore order in facilities that had been largely controlled by criminal gangs.

In February 2024, President Noboa ratified military cooperation agreements with the United States as part of the Government's broader strategy to combat organized crime and drug trafficking. The cooperation includes areas such as training, intelligence sharing, and equipment support.

In April 2024, President Noboa called for a constitutional referendum and public consultation. Public safety and the fight against crime were key focuses of the referendum. Nine out of 11 proposals were approved by voters, with a reported turnout of 72%. Former President Correa stated that his party would support the security reforms if they were implemented as approved in the referendum. A key approved measure allows the Republic's military to support police operations in combating organized crime without declaring a state of emergency, effectively making permanent some of the emergency measures implemented in January 2024. Other approved measures include enabling extradition processes for Ecuadorians involved in transnational crimes, creating specialized constitutional courts and increasing

penalties for serious offenses such as terrorism, drug trafficking, organized crime, murder, human trafficking and money laundering. The referendum also approved measures to ensure that certain crimes must be served through imprisonment, without the possibility of semi-open regimes or sentence reductions based on good behavior. These security-focused proposals received strong support. The approval of these measures was seen as a significant victory for President Noboa, providing him with a mandate to implement his security agenda in response to Ecuador's escalating violence and organized crime challenges. See “—*President Noboa's Administration.*”

In April 2024, Ecuadorian authorities announced the recapture of Fabricio Colón Pico. As of the date of this Annex, José Adolfo Macías Villamar, alias “*Fito,*” remains at large.

In May 2024, the Government declared a new security state of emergency granting the Government expanded powers to address crime. The situation raised concerns about potential human rights abuses and the need for accountability in security operations and the Government has since launched an investigation into eight reported extrajudicial killings that allegedly occurred during the state of emergency declared at the start of the year.

Ecuador's Power Sector Crisis

In 2024, Ecuador has faced a severe energy crisis, driven primarily by an unprecedented drought that drastically reduced water levels in key reservoirs, particularly in the Paute and Mazar basins. These reservoirs feed hydroelectric plants, which supply a significant portion of the country's electricity. The crisis resulted in widespread blackouts, with power outages lasting up to 14 hours a day, and had a significant financial impact, with estimated losses in the business sector of approximately U.S.\$12 million for every hour without electricity, according to the Ecuadorian Business Committee (*Comité Empresarial Ecuatoriano*). The Government immediately sought external help, negotiating electricity imports from Colombia. However, Colombia, facing similar drought conditions, temporarily suspended these exports, leaving Ecuador to manage its energy shortfall through emergency rationing and investment in new energy sources. On November 17, 2024, Ecuador resumed importing energy from Colombia, as further described below.

In January 2024, the National Assembly passed the Organic Law of Energy Competitiveness to introduce new actors and technologies in the energy generation sector intending to reduce reliance on hydropower and to mitigate energy shortages. See “—*President Noboa's Administration.*” The law focuses on three main pillars: investment, new clean energy generation and deregulation of the energy sector, and allows for private sector participation in electricity service activities through public selection processes, including foreign state-owned enterprises and popular and solidarity economy companies. The law provides incentives for renewable energy adoption, such as VAT exemptions for solar photovoltaic equipment and wastewater treatment plants, and encourages distributed generation systems for self-supply using non-conventional renewable energy. It also establishes a National Energy Efficiency Investment Fund to finance plans and projects aligned with the National Electricity Plan. The legislation introduces a short-term energy market for voluntary transactions governed by hourly energy prices and promotes self-generation of clean energy for industries and businesses. Additionally, it includes provisions for debt forgiveness on electricity bills for non-industrial customers and total debt forgiveness for customers in earthquake-affected provinces. Specifically, the law offers a 100% additional deduction for investments in machinery, equipment and technologies intended for the implementation of distributed generation systems based on unconventional renewable energy. This measure encourages companies to adopt renewable energy solutions for their own power needs, reducing dependency on non-renewable sources. Furthermore, the law introduces a 0% tax rate for electric vehicles and equipment and accessories for solar photovoltaic generation, as well as plants for wastewater treatment. Additionally, electric vehicles are exempt from the ICE (Special Consumption Tax), further promoting the shift towards cleaner transportation options. The law also includes provisions under RIMPE (the Small and Micro Enterprises Regime), allowing these businesses to deduct salaries paid to affiliated employees, thus promoting formal employment in the growing green energy sector.

The lack of prior investment in Ecuador's electrical infrastructure and increased energy demand have compounded the energy crisis. Demand grew by 10.5% in 2023, and by an additional 5.5% through August 2024, intensifying the strain on the power system. Aging thermal generation plants and low reliability due to outdated technology have further reduced capacity, necessitating regular scheduled blackouts to maintain balance.

The Government declared multiple states of emergency throughout 2024 to address the energy crisis, deploying the military to protect critical infrastructure and fast-tracking efforts to boost domestic energy production by up to 1,430 megawatts in the coming years. On June 19, 2024, Ecuador experienced a nationwide power outage that plunged the

country into darkness. The blackout affected all 24 provinces of the country, causing significant disruptions to daily life and economic activities. The Ministry of Energy and Mines reported that the outage was due to a failure in the National Interconnected System. This incident highlighted the vulnerabilities in Ecuador's power infrastructure and raised questions about the country's energy security. As a result of the crisis, Ecuador's state-owned electric utility company, *Corporación Eléctrica del Ecuador* ("CELEC"), declared a state of emergency and signed four contracts for emergency power generation, adding 341 MW at a cost of approximately U.S.\$350 million. Additionally, in August 2024, CELEC awarded contracts to Progen Industries LLC for the installation of generators capable of producing up to 150 MW at the Quevedo and Salitral plants, at a total projected cost of U.S.\$149.1 million.

Amidst the severe issues faced by Ecuador's power sector, including infrastructure deficiencies, on July 3, 2024, President Noboa appointed Antonio Goncalves Savinovich as the new Minister of Energy and Mines. Goncalves, who replaced Roberto Luque, who had been serving in an interim capacity, has a background in international banking, which suggests a potential focus on financial management in the energy sector. The appointment is seen as a crucial step towards stabilizing Ecuador's energy situation and addressing both immediate and long-term infrastructure needs.

In September 2024, Ecuador's *Agencia de Regulación y Control de Electricidad* (Electricity Regulation and Control Agency or "ARCONEL") issued regulation 003/24 establishing the technical and commercial conditions for private owners of emergency generators to participate in supplying electricity during periods of declared shortages.

To quickly boost electricity supply, a 100 MW floating power plant began commercial operations on September 16, 2024. This temporary solution aims to provide immediate relief during peak demand periods, ensuring stability in the power supply when hydroelectric resources are limited.

As of September 22, 2024, the country had experienced 71 days without significant rainfall, severely impacting its hydroelectric power plants that supply about 70% of the country's electricity. This prolonged drought led to record-low water levels in the Mazar basin, with the rate of water flowing into or within the basin, measured as a percentage of typical or expected flow rates hitting historic lows: 0.5% in July, 0.04% in August and 0.06% in September. The drought also resulted in multiple wildfires, particularly around Quito where approximately 2,000 firefighters, rescue workers and military personnel battled blazes. In response to the crisis, the Government declared a red alert in 19 provinces on September 22, 2024, including Quito, and imposed planned power outages across 12 of Ecuador's 24 provinces. The blackouts, initially scheduled for eight hours nightly from Monday to Thursday, were extended to include a nine-hour suspension on Sunday from 8:00 a.m. to 5:00 p.m. local time. Additionally, in September 2024, water rationing was implemented in 60 neighborhoods in Quito. The Government also deployed military personnel to key hydroelectric facilities, such as the Mazar plant, to support operations and ensure protection. On September 24, 2024, three of Ecuador's major hydroelectric dams became offline due to low water levels, which further exacerbated the country's ongoing energy crisis. The affected dams, which normally provide about 30% of Ecuador's electricity, are expected to remain non-operational until water levels recover.

On October 23, 2024, the Ministry of Labor introduced a temporary labor regime in response to the national energy crisis allowing private sector employers and employees to voluntarily adjust the workweek to four days, with 10-hour workdays, either from Monday to Thursday or Thursday to Sunday, maintaining the standard 40-hour workweek. The agreement aims to reduce energy consumption during peak hours and alleviate the strain on the national power grid caused by prolonged drought conditions affecting hydroelectric generation.

On October 27, 2024, the National Assembly unanimously approved a bill proposed by President Noboa that increases the cap on private investment in electricity generation projects from 10 megawatts to 100 megawatts, aiming to attract more private capital into the sector. The bill also authorizes private companies to import natural gas for industrial use and electricity generation, provided they meet technical and quality standards set by regulatory authorities. This initiative is part of the Government's broader strategy to diversify energy sources and reduce reliance on hydropower.

On November 6, 2024, President Noboa issued Executive Decree No. 444, implementing financial relief measures to mitigate the economic impact of the ongoing energy crisis. The decree allows public, private and cooperative financial institutions to offer extraordinary deferral programs for up to 90 days, enabling clients to postpone payments without incurring additional interest, fees or penalties. Additionally, the decree permits the restructuring and refinancing of loans to accommodate current economic conditions. Internet service providers are also mandated to implement compensation measures and provide payment facilities to users affected by service interruptions due to power outages.

On November 17, 2024, Ecuador resumed importing energy from Colombia, initially averaging 420 megawatts per day, with plans to increase the supply to 440 megawatts. The energy exchange is facilitated by the electrical interconnection between the two countries, which enables dynamic exchange based on availability and demand. This measure, coupled with slightly improved hydrological conditions, has allowed the Government to reduce the mandated daily power outages from 12 to 8 hours.

THE ECUADORIAN ECONOMY

Gross Domestic Product

The U.S. dollar is the legal tender in Ecuador. Real GDP for 2023 was U.S.\$116,618 million, compared to U.S.\$113,934 million in 2022, representing a 2.4% increase in real terms. This increase was mainly due to the increase in household consumption. Nominal GDP for 2023 reached U.S.\$118,845 million, representing a 1.9% increase from U.S.\$116,586 million in 2022. Real GDP for 2021 was U.S.\$107,297 million, compared to U.S.\$97,704 million in 2020, representing a 9.8% increase in real terms. This increase was mainly due to increases in household consumption and investment.

Real GDP for the first six months of 2024 was U.S.\$58,535 million, compared to U.S.\$58,833 million for the first six months of 2023, representing a 0.5% decrease in real terms. This decrease was mainly due to the contraction of domestic demand. Nominal GDP for the first six months of 2024 reached U.S.\$60,482 million representing an increase of 1.7% from U.S.\$58,835 million for the same period in 2023. This increase was mainly due to the increase in prices of exported goods, especially traditional products such as cocoa, coffee and bananas.

According to the INEC, the annual inflation rate in Ecuador increased steadily from 0.93% for 2020 to 1.94% for 2021 and 3.74% for 2022. This increase was primarily due to disruptions in international markets and related problems in international transport supply chains that affected the price of raw materials, as well as policy measures on fuel prices. The inflation rate decreased to 1.35% in 2023. This decrease was primarily due to the stabilization of raw material prices at the international level, normalization of production chains and moderate domestic demand. Annual inflation for the six months ended June 30, 2024 was 1.28%.

In 2023, trade was the largest sector of the economy measured by percentage of GDP (16.1%), followed by manufacturing (11.9%), petroleum and mining (8.6%) and Government services (7.4%). In the first six months of 2024, trade was the largest sector of the economy measured by percentage of GDP (15.6%), followed by manufacturing (11.4%), petroleum and mining (8.8%), technical professional activities (7.4%), agriculture, livestock and forestry (7.3%), and Government services (7.2%).

The following table sets forth Ecuador's real and nominal GDP for the periods indicated:

REAL AND NOMINAL GDP

	For year ended December 31,			For six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in millions of U.S.\$, except percentages)</i>				
Real GDP.....	107,297	113,934	116,618	58,833	58,535
Real GDP growth/decrease (%).....	9.8%	6.2%	2.4%	3.1%	1.6%
Nominal GDP.....	107,435	116,586	118,845	59,835	60,482

Source: Data based on figures from the Central Bank, *Quarterly National Accounts of 2024*, available at <https://ire.finanzas.gob.ec/s/r/crecimiento.php>.

The following table sets forth Ecuador's nominal GDP by economic sector for the periods indicated:

NOMINAL GDP BY ECONOMIC SECTOR ⁽¹⁾

	For year ended 31 December,						For six months ended June 30,	
	2021	% of GDP	2022	% of GDP	2023	% of GDP	2023	2024
	<i>(in millions of U.S.\$, except for percentages)</i>							
Manufacturing ⁽²⁾	13,157	12.2%	14,417	12.37%	14,176	11.93%	7,090	6,798
Construction.....	4,317	4.02%	4,751	4.07%	4,695	3.95%	2,088	1,880
Petroleum and mining.....	9,034	8.41%	12,144	10.42%	10,192	8.58%	4,671	5,354
Trade (commerce).....	16,214	15.09%	18,899	16.21%	19,083	16.06%	9,495	9,398
Agriculture.....	6,989	6.51%	6,956	5.97%	7,710	6.49%	3,722	4,352
Social services.....	4,339	4.04%	4,517	3.87%	4,729	3.98%	2,340	2,395

	For year ended 31 December,						For six months ended June 30,	
	2021	% of GDP	2022	% of GDP	2023	% of GDP	2023	2024
	(in millions of U.S.\$, except for percentages)							
Government services ⁽³⁾	7,788	7.25%	8,170	7.01%	8,764	7.37%	4,367	4,381
Administrative activity ⁽⁴⁾	7,405	6.89%	7,951	6.82%	8,294	6.98%	3,827	4,167
Transportation	5,113	4.76%	5,365	4.60%	5,670	4.77%	2,781	2,770
Finance and insurance.....	4,228	3.94%	5,045	4.33%	5,187	4.36%	2,575	2,544
Telecommunications.....	2,292	2.13%	2,431	2.09%	2,508	2.11%	1,219	1,200
Electricity and water.....	1,997	1.86%	2,070	1.78%	2,239	1.88%	1,123	1,167
Others ⁽⁵⁾	24,561	22.86%	23,869	20.47%	25,598	21.54%	9,080	9,407
Total GDP	107,435	100.0%	116,586	100.0%	118,845	100.0%	54,378	55,813

Source: Data based on figures from the Central Bank, *Quarterly National Accounts of 2024*.

(1) Table measures gross value added by economic sector and corresponding percentage of Nominal GDP.

(2) Includes manufacturing other than petroleum refining.

(3) Includes Public Administration.

(4) Includes Professional and Technical Administration.

(5) Includes fishing, petroleum refining, hospitality and food services, domestic services, other services and other elements of GDP.

The following table sets forth Ecuador's real GDP growth by expenditure as a percentage of total real GDP growth for the periods indicated:

REAL GDP AND EXPENDITURE GROWTH

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(Percentage change from previous comparable period based on 2018 prices)				
Real GDP Growth.....	10.9	2.8	-0.7	3.1	1.7
Import of goods & services ⁽¹⁾	6.4	4.1	15.4	10.6	-3.8
Public Sector Consumption.....	1.7	3.9	1.0	1.3	-0.2
Private Consumption.....	10.9	1.5	-0.4	3.7	2.0
Gross Fixed Capital Formation	4.0	8.2	-4.7	5.9	2.6
Exports of goods and services ⁽¹⁾	3.0	7.6	-7.3	0.3	10.3

Source: Data based on figures from the Central Bank, *Quarterly National Accounts Bulletin*.

(1) Corresponds to figures from "Real GDP by Expenditure" table.

The following table sets forth Ecuador's per capita GDP statistics for the years indicated:

PER CAPITA GDP

	For the year ended December 31,		
	2021 ⁽¹⁾	2022 ⁽¹⁾	2023 ⁽²⁾
	(U.S.\$, except for population in thousands of people)		
Per capita Nominal GDP	6,099	6,581	6,664
Per capita Real GDP.....	6,091	6,431	6,539
Population ⁽³⁾	17,614	17,715	17,835

Source: Data based on figures from Table 4.3.5 of the Central Bank's *Monthly Statistical Information for October 2024*, available at <https://www.bce.fin.ec/en/economic-information>

(1) Provisional data published by the Central Bank.

(2) Preliminary data published by the Central Bank based on the aggregation of quarterly data.

(3) Population figures correspond to projected population annual figures from 2010 census.

The following table sets forth the real GDP growth by expenditure for the periods indicated:

REAL GDP BY EXPENDITURE

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(in millions of U.S.\$)				
Consumption					
Public Sector Consumption	15,597	15,878	16,465	8,219	8,191
Private Consumption	68,637	73,693	74,729	36,728	36,479
Total Consumption	84,233	89,571	91,194	44,947	44,670
Gross Investment					
Gross Fixed Capital Formation	19,514	21,175	21,276	9,861	9,411
Change in Inventory	2,359	2,816	2,638	689	1,000
Exports of goods and services ⁽¹⁾	27,916	29,951	30,649	15,534	15,744
Imports of goods and services ⁽¹⁾	26,382	29,140	28,877	14,138	13,912
Real GDP.....	107,297	113,934	116,618	56,877	56,881

Source: Data based on figures from the Central Bank.

(1) The exports and imports figures in this table have been adjusted for inflation and reflect the contribution of exports and imports to GDP. They differ from the nominal exports and imports in the “Balance of Payments” table and stand-alone exports and imports tables in the “Exports-(FOB)” and “Imports-(CIF)” tables in this Annex.

Economic and Social Policies

Below is a brief description of the most relevant major economic and financial reform initiatives over the past years:

The 2008 Constitution

One of the most important objectives of the 2008 Constitution was to grant control over the Central Bank to the executive branch. Section 6, Article 303 of the 2008 Constitution states that “*the drafting of monetary, credit, foreign exchange and financial policies is the exclusive power of the executive branch and will be implemented through the Central Bank*” hence limiting the autonomy and authority of the Central Bank for the purpose of effective implementation of reforms by the executive branch and its agencies.

Another relevant reform embedded in the 2008 Constitution is the creation of a debt and finance committee (the “**Debt and Finance Committee**”), tasked with evaluating and approving issuances or incurrence of sovereign debt. The Debt and Finance Committee is comprised of the President or his or her delegate, the Minister of Economy and Finance or his or her delegate, and the National Secretary of Planning and Development or his or her delegate. The sub-secretary in charge of public debt, the Undersecretary of Public Finance, acts as the secretary for the committee. See “*Public Debt—General*.” Other important reforms include the establishment of limitations on the proceeds of public borrowing (Article 289) (see “*Public Debt—General*”), the possibility of the President to be elected to a second consecutive term (Article 144 of the 2008 Constitution) (see “*The Republic of Ecuador—Form of Government*”), the requirement of an evaluation structure for any public program in conjunction with the National Development Plan (Article 297 of the 2008 Constitution), and the establishment of the Treasury Account or the administration of the general budget (Article 299). In May 2011, certain amendments to the 2008 Constitution were approved by popular referendum. The most debated amendments included the change to the Judiciary Council to its current make up (see “*The Republic of Ecuador—Form of Government*”), and the prohibition of owners of media companies to own stock in non-media companies. On December 3, 2015, the National Assembly approved certain amendments to the 2008 Constitution, including the elimination of term limits for public officials, allowing indefinite re-election, and a transitory provision providing that such elimination of term limits would become effective on May 24, 2017. These amendments were published and became effective on December 21, 2015.

In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum. The amendments included, among others, that those convicted of corruption related offenses should lose their political rights, and the reversion of the 2015 constitutional amendment which allowed indefinite re-election, limiting instead officials to a single re-election to the same office.

A constitutional referendum took place on February 5, 2023 at the same time as the local elections. Former President Lasso, upon meeting the requirements to call the referendum (including authorization from the Constitutional Court) called on November 29, 2022 for a binding referendum to effect amendments to the 2008 Constitution. Eight questions were put to the electorate, each of which proposed to modify different articles of the 2008 Constitution. These questions included the right to extradite individuals as well as questions related to judicial reforms and changes to State organizations (such as the reduction of seats in the National Assembly, minimum membership requirements for the registration of political parties and their participation in elections, and certain other matters relating to the appointment of certain Government positions and the Council for Citizen Participation and Social Control) and questions on the establishment of a water protection agency and environmental protection for individuals, communities and indigenous people from environmental damage. Voting took place on February 5, 2023 and all eight proposals failed to receive the required votes for approval, increasing political uncertainty.

Subsequently, on April 21, 2024, the new administration of President Noboa, who took office in November 2023, called for a constitutional referendum and public consultation. This new referendum focused primarily on security measures, institutional reforms and economic reactivation, and consisted of 11 proposals. Unlike the previous referendum, nine out of 11 proposals were approved by voters, with a reported turnout of 72%. However, two key economic proposals were rejected, consisting of a proposal to make certain labor laws more flexible, which was viewed as potentially undermining workers' rights, and a measure to allow Ecuador to recognize international arbitration as a method for resolving disputes related to investment, contractual or commercial matters. The people's rejection of this latter proposal was seen as a setback for President Noboa's economic agenda. The nine approved proposals primarily focused on enhancing security measures and institutional reforms. A key measure allows the country's military to support police operations in combating organized crime without declaring a state of emergency, effectively making permanent some of the emergency measures implemented in January 2024. Other approved measures include enabling extradition processes for Ecuadorians involved in transnational crimes, creating specialized constitutional courts and increasing penalties for serious offenses such as terrorism, drug trafficking, organized crime, murder, human trafficking and money laundering. The referendum also approved measures to ensure that certain crimes must be served through imprisonment, without the possibility of semi-open regimes or sentence reductions based on good behavior. These security-focused proposals received strong support. The approval of these measures was seen as a significant victory for President Noboa, providing him with a mandate to implement his security agenda in response to Ecuador's escalating violence and organized crime challenges.

Budget Reforms

Enacted in April 2008, the *Ley Orgánica para la Recuperación del Uso de los Recursos Petroleros del Estado y Racionalización Administrativa de los Procesos de Endeudamiento* (the Law for the Recovery of the Use of Oil Resources of the State and Administrative Rationalization of Indebtedness, the "**LOREYTF**") replaced Ecuador's then-existing budget and transparency regulations. The objectives of the law were (i) to enhance the transparency and flexibility of the budget process by prioritizing investments and improving the management of Government resources and (ii) to terminate any distribution of budgeted amounts based on predetermined uses of resources. To achieve those objectives, the LOREYTF eliminated the *Cuenta Especial de Reactivación Productiva y Social del Desarrollo Científico-Tecnológico y de Estabilización Fiscal* (the Scientific-Technological and Fiscal Stability Social and Productive Reactivation Special Account, "**CEREPS**"). Also, pursuant to Article 299 of the 2008 Constitution, LOREYTF established the *Cuenta Única del Tesoro* – a single Central Bank master account for the management of Ecuador's resources. The *Cuenta Única del Tesoro* is comprised of various sub-accounts where amounts are allocated according to functional purposes. These sub-accounts include a social security account, accounts for public companies, a public banking account, and accounts for municipal and provincial governments (the "**Autonomous Decentralized Governments**"). The budget and transparency regulations established in LOREYTF were subsequently codified and superseded by the *Código Orgánico de Planificación y Finanzas Públicas* ("**Public Planning and Finance Code**").

The *Ley Orgánica para el Fomento Productivo, Atracción de Inversiones, Generación de Empleo, y Estabilidad y Equilibrio Fiscal* (Organic Law for Productive Development, Investment, Employment and Fiscal Stability or "**Organic Law for Productive Development**") enacted in August 2018 amended the Public Planning and Finance Code to prevent a budget with a primary deficit being approved and ensure that any increase in the expenditure of the Central Government does not exceed the long-term growth rate of the economy.

Tax Reforms

Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador

Enacted in December 2008, the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* (Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador) reformed the existing tax system by improving the mechanisms by which the Government collects tax revenues. The objectives of the law were: (i) to reduce tax evasion; (ii) to improve direct and progressive taxation; (iii) to increase the tax base; and (iv) to generate adequate incentives for investment in economic activity. On December 29, 2014, the National Assembly enacted a corporate tax reform relating to the taxation of shareholders of Ecuadorian companies who reside in tax havens. The reform increased the corporate tax rate to 25% from 22% if an Ecuadorian company's owners are tax haven residents who own collectively more than 50% of the company. In addition, the tax reform exempt companies from corporate taxes, for a period of ten years, for profits related to new and productive investments as defined by the *Código Orgánico de la Producción* (the “**Production Code**”). Furthermore, in December 2017, *Ley Orgánica para la Reactivación de la Economía, Fortalecimiento de la Dolarización y Modernización de la Gestión Financiera* (the “**Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management**”) was published and became effective, which included, among other measures, tax incentives to microenterprises, small businesses, cooperatives and associations, and an increase of 3% to the corporate income tax (now subject to 25%). The Organic Law for Productive Development, enacted in August 2018, expanded some of the tax incentives under the Production Code (including income tax exemption for eight years instead of five for investments in Quito or Guayaquil, for 12 years elsewhere, and for 15 years in basic industries as defined in the Production Code, and for five additional years if located in bordering counties).

For more information on these laws and other tax reforms, see “*Public Sector Finances—Taxation and Customs*,” “*Public Sector Finances—Tax Reforms*,” “*The Republic of Ecuador—Form of Government*,” and “*Public Debt*.”

Law on Economic Development and the Organic Law on Tax Simplification

In October 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development, aimed at reforming several of the Republic's tax and financial laws. Specifically, the Law on Economic Development's objective was to, on the one hand, increase revenue by U.S.\$450 million by progressively taxing corporations and individuals with higher yearly income, and imposing new taxes such as a tax on plastic bags and e-cigarettes; and in addition introducing a number of measures to create: (a) a more efficient tax system for taxpayers; and (b) reforming certain aspects of Ecuador's financial laws and regulations to, among other objectives: (i) enhance fiscal sustainability establishing stricter budget controls; and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. After the protests held in October 2019, former President Moreno modified the proposed draft Law on Economic Development to remove the elimination of gas subsidies as part of the draft law.

In November 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, former President Moreno presented the draft *Ley Orgánica de Simplificación y Progresividad Tributaria* (the “**Organic Law on Tax Simplification**”), replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification, after a Presidential partial veto, became effective in December 2019. The Organic Law on Tax Simplification eliminates income tax advances, VAT and ICE on certain products and services (e.g. certain web services, and electric and public vehicles), provides for 100% debt relief of interest and charges on certain student loans, a progressive taxation calendar for corporations and individuals with higher yearly income, and imposes new special taxes on supermarket plastic bags, certain mobile services and certain beers, among other tax reforms targeting certain micro-entrepreneurs, immigrants, exporters, agricultural manufactures, and others.

Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic

In November 2021, at the direction of former President Lasso, the Government enacted the *Ley Orgánica para el Desarrollo Económico y Sostenibilidad Fiscal tras la Pandemia COVID-19* (“**Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic**”). This law established that: (i) those with an income of more than U.S.\$2,000 per month would be subject to increased income tax; (ii) those with a net worth of U.S.\$1 million or more (or, in the case of marital partnerships, U.S.\$2 million or more) would be subject to increased

income tax; (iii) taxes on certain goods and services (such as feminine hygiene products and cell phone plans) would be reduced or eliminated; (iv) companies with assets worth over U.S.\$5 million must make a solidarity contribution of 0.8% for two years; (v) a new regime would be introduced for entrepreneurs and popular businesses; (vi) a special contribution would be made by companies that generated profits during the COVID-19 pandemic; and (vii) income tax would be increased for certain incomes.

As a result of the abovementioned increases in income tax:

- those with an annual income of U.S.\$51,630 to U.S.\$61,630 were subject to an income tax rate of 30% (an increase of 10%);
- those with an annual income of U.S.\$61,630 to U.S.\$100,000 were subject to an income tax rate of 35% (an increase of 15%); and
- those with an annual income of U.S.\$100,000 or more were subject to a new income tax rate of 37%.

Where entrepreneurs and popular businesses entered into an investment agreement with the Republic pursuant to the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic, they benefited from:

- a 5% reduction in their income tax rate;
- no currency outflow tax by way of ISD payable for payments made abroad for capital goods and/or raw materials that were the subject of the investment agreement;
- exemption from foreign trade taxes (other than customs service fees) on imports of capital goods and raw materials that were the subject of the investment agreement;
- future tax stability whereby tax incentives provided to them would not be revoked nor would they be prevented from enjoying such tax incentives where the law was updated and removed them; and
- in respect of investment agreements exceeding U.S.\$100 million, stability on the legal norms of the taxable base, rates and values to be paid for taxes.

In addition, the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic regulated capital or investments held by certain individuals outside of Ecuador and required that they be reported to the *Servicio de Rentas Internas* (“**IRS**”) and income tax be paid thereon.

The Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic also reduced the rate of VAT for services rendering tourist activities by 4% in order to boost tourism, exempted several services from VAT and established a new 0% VAT rate for the purchase of electric and hybrid vehicles and solar panels in order to promote energy transition.

The Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 Pandemic also made changes to consumption taxes through ICE, meaning that the President may reduce the ICE rate at any time by way of an executive decree and subject to a supporting opinion from the Ministry of Economy and Finance.

Decree 298 and Decree 643

Decree 298 was enacted on December 22, 2021 and established the following reductions in ISD for 2022:

- as of January 1, 2022, 4.75%;
- as of April 1, 2022, 4.50%;
- as of July 1, 2022, 4.25%; and
- as of October 1, 2022, 4.00%.

On January 10, 2023, Decree. 643 was enacted and established the following reductions in ISD for 2023:

- as of February 01, 2023, 3.75%;
- as of July 1, 2023, 3.50%; and
- as of December 31, 2023, 2.00%.

Organic Law to Address Internal Armed Conflict and the Social and Economic Crisis

On March 12, 2024, the Organic Law to Address Internal Armed Conflict and the Social and Economic Crisis was enacted as a response to ongoing socio-political challenges in Ecuador. The law introduced two temporary contributions aimed at financing emergency measures for the affected population. Additionally, it temporarily modified the VAT rate for the construction industry, setting it at 5% for local transactions involving construction materials, a strategic reduction designed to support the construction sector and alleviate housing shortages amid the crisis. The general VAT rate increased from 12% to 13% to help increase government revenues in a time of heightened public spending. Furthermore, the Currency Outflow Tax (“**ISD**”) was set at 5%, which likely impacts the flow of capital but is intended to stabilize the currency and retain financial resources domestically during challenging times.

Public Planning and Finance Code

Enacted in October 2010, the Public Planning and Finance Code created a new financial regulatory system pursuant to the 2008 Constitution. The objectives of the law, among others, were to develop and coordinate national and regional governmental planning, guarantee the rights of citizens through equitable resource allocation and increased citizen participation in framing public policy, and strengthen national sovereignty and Latin American integration through public policy decisions. To achieve those objectives, the Public Planning and Finance Code, as amended under the *Ley Orgánica para el Ordenamiento de las Finanzas Públicas* (“**Organic Law for the Regulation of Public Finances**”) (see “*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances*”):

- allows for more flexibility for the Ministry of Economy and Finance to reallocate and reassign expenditures up to 5% of the approved Government budget without the prior approval of the National Assembly (before July 15, 2020, until the passing into law of the Organic Law for the Regulation of Public Finances, this authority was capped at 15% under the law);
- sets an explicit total public debt ceiling of 40% of GDP including Central Government, non-financial public sector and Autonomous Decentralized Governments (see “*Public Debt—General*” and “*— Organic Law for the Regulation of Public Finances*” for a description of the Republic’s measures to decrease the public debt levels to below the debt ceiling);
- allows the Ministry of Economy and Finance to issue short term certificates of Ecuador (“**CETES**”) at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;
- allows for the establishment of citizens’ committees for financial public policy consultations;
- determines that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and
- establishes the functions and responsibilities of the Debt and Finance Committee (see “*Public Debt—General*”).

In June 2018, the National Assembly passed the Organic Law for Productive Development, which became effective on August 21, 2018. The law amended Article 124 of the Public Planning and Finance Code providing that in exceptional cases, fiscal rules and the 40% debt-to-GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly would be required. These

rules may also be suspended in the event that the President decrees a state of emergency, in accordance with the provisions of the 2008 Constitution. In these cases, the entity in charge of public finances would approve a plan to strengthen public finances to achieve and restore fiscal balance.

In April 2019, in line with the letter of intent presented to the IMF, the Ministry of Economy and Finance published the *Plan de Acción para el Fortalecimiento de las Finanzas Públicas* (the “**Action Plan for the Strengthening of Public Finances**”) with 17 proposals aimed at strengthening fiscal and budgetary rules and planning and improving sustainability in the operations of the National Treasury. Among the proposals, the Ministry of Economy and Finance undertakes to send the President a draft bill: (i) modifying certain provisions of the Public Planning and Finance Code to further limit the Executive’s discretion to outspend the national budget from 15% to 5% in order to increase credibility over each year’s set fiscal goals; (ii) substituting the CETES with a new short-term instrument that guarantees its use within the budgetary year of issuance and placement; and (iii) including a chapter in the Public Planning and Finance Code with a functional outline of the fiscal rules to increase transparency. These amendments were passed into law with the Organic Law for the Regulation of Public Finances, which became effective on July 24, 2024 upon its publication in the Supplement to the Official Register No. 253 (see “—*Organic Law for the Regulation of Public Finances*”).

In October 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development, which included certain amendments to the Public Planning and Finance Code aimed, among other objectives, at enhancing fiscal sustainability establishing stricter budget controls. However, in November 2019 the National Assembly rejected those amendments. In July 2020, the Organic Law for the Regulation of Public Finances, which amends the Public Planning and Finance Code became effective (see “—*Organic Law for the Regulation of Public Finances*”).

The Public Planning and Finance Code sought to improve the operation and transparency of the definitions and concepts of public finance, including: (i) demonstrating an adequate classification of the public sector; (ii) having a fiscal risk prevention, mitigation and management policy; (iii) establishing a fiscal programming document; (iv) establishing guidelines for the tax administrations for the issuance of tax expenditure; (v) limiting the modification of the General State Budget by the governing body of public finances; (vi) issuing indebtedness limits for Autonomous Decentralized Governments; (vii) developing plans to reduce backlogs in the public sector; and (viii) creating a ‘National Treasury Financial Plan’.

The *Ley Orgánica Reformatoria al Código Orgánico de Planificación y Finanzas Públicas* (the “**Organic Law Reforming the Organic Code of Public Planning and Finances**”) was enacted on November 23, 2022 and aims to regulate the procedure for calculating the annual increases to be made in the General State Budget for initial education (basic and baccalaureate) and for the National Health System in order to guarantee compliance with the transitory provisions Eighteenth and Twenty-Second of the 2008 Constitution.

Both the Republic and the Autonomous Decentralized Governments are subject to the Public Planning and Finance Code (as amended). For more information on the Public Planning and Finance Code, see “*Public Sector Finances—Fiscal Policy*.”

Monetary and Financial Code

In September 2014, the National Assembly enacted the *Código Orgánico Monetario y Financiero* (the “**Monetary and Financial Code**”) in order to address weaknesses of the Republic’s financial system stemming from the banking crisis in 2000. To achieve its objectives, the Monetary and Financial Code created a new regulatory body, the Committee of Monetary and Financial Policy Regulation, to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of Ecuador. The committee is comprised of delegates from the Ministry of Economy and Finance, the Ministry of Production, Foreign Trade, Investments and Fisheries (formerly the Ministry of Production and Industrialization), the National Secretary of Planning and Development, the Ministry of Finance and Economy (formerly the Ministry of Economic Policy), and a delegate appointed by the President. The principal function of the committee is to oversee and monitor the liquidity requirements of Ecuador’s financial system, ensuring that liquidity remains above certain levels (to be determined by the Committee of Monetary and Financial Policy Regulation). The law also created a separate internal auditor for the Government’s financial entities, established certain norms for the Central Bank and the Superintendent of Banks regarding their budget, purpose, and supervision, and set forth reporting requirements to the Committee of Monetary and Financial Policy Regulation. The law also

explicitly established that certain accounts in the Central Bank, including the accounts used for the deposits of the *Corporación de Seguros de Depósito* (“**COSEDE**”) and the Liquidity Fund, are subject to sovereign immunity and cannot be subject to attachment of any kind.

In October 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development, which included certain amendments to the Monetary and Financial Code. These amendments aimed to ensure that the Central Bank had clear objectives and limited functions, designed to fully support the dollarization regime. They encompassed measures to strengthen the Central Bank’s autonomy, including in terms of its budget, improve the Central Bank’s governance by establishing a board with fiduciary responsibilities to the Central Bank, and build a strong internal and external audit function. The amendments prohibited all direct and indirect lending by the Central Bank to the Government or the public sector, while remaining able to provide temporary liquidity support to public banks, if needed for prudential purposes. However, in November 2019, the National Assembly rejected those amendments. In July 2020, the Organic Law for the Regulation of Public Finances, which amends the Public Planning and Finance Code became effective (see “—*Organic Law for the Regulation of Public Finances*”).

In April 2021, the National Assembly passed the *Ley Orgánica Reformatoria al Código Orgánico Monetario y Financiero para la Defensa de la Dolarización* (“**Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization**”) aimed at strengthening the independence of the Central Bank.

In May 2021, the National Assembly enacted the *Ley para la Defensa de la Dolarización* (“**Law for the Defense of Dollarization**”). This law set forth that: (a) the *Junta de Política y Regulación Monetaria y Financiera* (“**Monetary and Financial Policy and Regulation Board**”) be replaced by two new independent entities with their own powers: (i) the Financial Policy and Regulation Board and (ii) the Monetary Policy and Regulation Board, both of which are within the executive branch; (b) the Central Bank is not allowed to provide Central Government, any governing body of public finances, Autonomous Decentralized Governments, public sector institutions or entities owed by the Government or public entities, with direct or indirect financing, or to make investments, including the purchase of shares or having an interest in privately and publicly companies, the purchase of securities issued by such companies, providing aid, donations or financial contributions to individuals and entities; and (c) the Central Bank’s four-balance sheet hedging system was re-established. This law aims to gradually accumulate resources in the International Reserve of Free Availability to support the liabilities of the Central Bank within five years.

The Monetary Regulation Board is part of the executive branch, and is comprised of three members appointed by the National Assembly at the suggestion of the executive branch. The Monetary Regulation Board is responsible for the formulation of monetary policy, including: (i) establishing the policies of the Central Bank and supervising their implementation; (ii) overseeing compliance with the functions of the Central Bank; (iii) formulating policy and regulating the management of physical means of payment; (iv) evaluating risks to financial stability and issuing macroprudential regulations in consultation with the Financial Policy and Regulation Board; (v) regulating the central payment system, as well as the regulation, permission, registration, oversight and supervision of auxiliary payment systems; (vi) defining the investment policy of International Reserves; and (vii) approving the annual financial statements of the Central Bank.

The Financial Policy and Regulation Board is part of the executive branch and is comprised of members appointed by the National Assembly from a shortlist of three candidates submitted by the President. The Financial Policy and Regulation Board is responsible for: (i) formulating credit and financial policies, including in respect of insurance policy, prepaid health care services and securities; (ii) issuing regulations that permit sustainability and stability of the financial systems; (iii) standardizing the criteria and protocols to determine the existence of a systemic crisis to issue and implement decisions and direct the actions to address it; (iv) issuing the regulatory framework and regulate the creation, constitution, organization, activities, operation and liquidation of financial services, securities, insurance policies and prepaid health care services; (v) regulating the financial activities carried out by entities of the national social security system; (vi) evaluating risks for financial stability and issue regulations in consultation with the Monetary Policy and Regulation Board; (vii) establishing the system of maximum interest rates for lending and borrowing operations of the national financial system and other interest rates required by law; (viii) preventing and seeking to eradicate fraudulent practices, including money laundering; and (ix) regulating the constitution, operation and liquidation of funds and trust businesses related to the securities market.

Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management

In November 2017, the National Assembly approved the Organic Law for the Reactivation of the Economy, Strengthening of Dollarization and Modernization of Financial Management. In December 2017, the law became effective after undergoing certain amendments. Some of the main provisions of this law include:

- tax incentive measures intended to benefit microenterprises, small businesses, cooperatives, and associations;
- an increase of 3% to the corporate income tax, with corporations that were subject to a 22% tax rate subject to a 25% tax rate;
- a provision requiring that electronic means of payment be managed by entities of the private financial system with the objective of effectively substituting physical money;
- the elimination of income tax for the first U.S.\$11,290 of the income of small enterprises;
- the elimination of income tax for new microenterprises for the first three years from the date they begin generating operating income;
- the elimination of the land tax;
- the simplification of the procedure to domicile foreign companies to Ecuador; and
- an extension of the prohibition to execute foreign judgments on property located in Ecuadorian territory when those judgments arise from extrajudicial documents for foreclosures of mortgage loans granted abroad.

Organic Law for Productive Development

In June 2018, the National Assembly approved the Organic Law for Productive Development and, after a Presidential partial veto, it became effective on August 21, 2018. The law aims to provide tax incentives for small- and medium-sized companies and to promote new investments in Ecuador. The law provides for a 12 year income tax exemption (eight years if the investment is in Quito or Guayaquil and 15 years for investments in the industrial and agricultural sectors, including agricultural cooperatives, in the border regions of Ecuador) for new productive investments in priority sectors, such as food production, forestry and agricultural land reforestation (agroforestry), metal-mechanic, petrochemical, pharmaceutical, tourism, renewable energy, foreign trade logistical services, biotechnology and import replacement and export promotion and a 15 year income tax exemption (20 years if the investment is in one of the border regions of Ecuador) for productive investments in the industrial, agricultural and agro-associative sectors and any other basic industries determined by Ecuadorian law in the future. It also provides for remittances of interests, fines and charges over, among other things, declared delayed tax payments, social security contributions and amounts owed to State-owned utilities as well as under student loans and grants. Finally, it provides for a simplified administrative process for social housing projects, which also benefit from the incentives in the law.

The Organic Law for Productive Development also includes other incentives, such as the option for investors to agree to settle disputes with the Republic through national or international arbitration under the United Nations Commission on International Trade Law Arbitration Rules (the “**UNCITRAL Rules**”) before the Permanent Court of Arbitration, under the rules of the International Chamber of Commerce in Paris, or under the rules of Inter American Commercial Arbitration Commission at the choice of the investor, and amends the Civil Procedure Code so that an international arbitration award is enforceable without prior homologation (*exequatur*). As a result, international arbitral awards are directly enforceable as is the case with domestic awards.

The Organic Law for Productive Development reformed Article 123 of the Public Planning and Finance Code by expressly confirming that a contingent liability may originate from the activities listed below, and that it would be excluded from the calculation of public debt for the period for which it remains contingent. A contingent liability would only be considered public debt, and included in the calculation of total public debt-to-GDP ratio, in such amount and to the extent the obligation become due and payable. A contingent liability may originate when:

- the Central Government issues sovereign guarantees for the benefit of public sector entities that enter into public debt, together with all provisions made for their payment;
- notes linked to duly documented payment obligations are issued;
- guarantee agreements to secure the proper use of non-reimbursable contributions received by any applicable entity are entered into; and
- the public sector incurs contingent liabilities in accordance with applicable law, or other liabilities are incurred within the context of agreements with international credit agencies.

For further information regarding amendments to certain provisions of the Public Planning and Finance Code, see “*Public Debt— General.*”

Organic Law of Entrepreneurship and Innovation

In January 2020, the National Assembly approved the *Ley Orgánica de Emprendimiento e Innovación* (the “**Organic Law of Entrepreneurship and Innovation**”), and after a Presidential partial veto, it was published and became effective in February 2020. The purpose of the Organic Law of Entrepreneurship and Innovation is to establish a regulatory framework that incentivizes entrepreneurship, innovation and technological development. It seeks to promote an entrepreneurial culture by implementing new corporate and financial procedures to strengthen the entrepreneurial ecosystem. The Organic Law of Entrepreneurship and Innovation established a National Council for Entrepreneurship and Innovation, which is charged with the promotion of entrepreneurship in Ecuador. The law also established the National Registry of Entrepreneurship, which allows persons, both natural and business entities, who have a business that is less than five years old, with fewer than 49 employees and with sales less than U.S.\$1 million, to register and have access to financial resources and public funds created by the Organic Law of Entrepreneurship and Innovation.

Organic Law on Humanitarian Aid

In June 2020, the National Assembly approved the *Ley Orgánica de Apoyo Humanitario para Combatir la Crisis Sanitaria Derivada del COVID 19* (“**Organic Law on Humanitarian Aid**”), after a Presidential partial veto, and it was published and became effective on June 22, 2020. The Organic Law on Humanitarian Aid aimed to establish policies to protect the health, safety, education and welfare of the citizens of the Republic and to reactivate the national economy, including, without limitation, the following measures:

- *Public relief measures:* mandating elementary, primary and secondary schools and universities to offer a tuition discount of up to 25% to students who have been economically affected under certain circumstances; prohibiting the expulsion of students that default on the payment of monthly school charges and establishing a government credit facility for those failing to pay for a period of six months; a mandatory 10% increase in the number of grants for universities; a prohibition on forced evictions during the term of the then-existing state of emergency; freezing utility charges; reducing the cost of power for those under the poverty line; preventing healthcare providers from suspending care and preventing health insurance providers from terminating health insurance policies; and expanding the healthcare coverage for certain healthcare plans provided under the social security framework.
- *Access to credit:* requiring national financial institutions to offer loans to the productive sector, which includes the sectors of the economy involved in the production of raw materials and goods, among others, on favorable terms and conditions; and offering tax credits to financial institutions that offer credit alternatives with a term greater than 48 months.
- *Flexibilization of employment rules:* allowing employers to unilaterally modify employment contracts to reduce the length of the work day only if justified under *force majeure* and allowing for salary adjustments per hours actually worked with a 45% reduction cap and for no more than a year; and creating special rules for vacations.

- *Debt relief*: mandating that the Monetary and Financial Policy and Regulation Board issue a resolution such that during the length of the then-existing state of emergency, financial institutions and other entities providing credit must work with their clients to reschedule the collection of monthly installments.
- *Tenant relief*: suspending evictions of tenants during the then-existing state of emergency and for up to 60 days after its conclusion as long as the tenant pays at least 20% of any outstanding payment.

The Organic Law on Humanitarian Aid mandated certain Government agencies to issue regulation for the application of certain of these measures. The National Assembly approved on June 16, 2022 a bill that repealed almost in its entirety the Organic Law on Humanitarian Aid, however, days later this bill was vetoed by former President Lasso.

Organic Law for the Regulation of Public Finances

In May 2020, the National Assembly approved the Organic Law for the Regulation of Public Finances and, after a Presidential partial veto, it became effective in July 2020. The Organic Law for the Regulation of Public Finances has two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the *Ley orgánica de ordenamiento territorial, uso y gestión de suelo* (the “**Organic Law of Spatial Planning**”) and applicable ordinances. This law aims to improve the administration of public finances. It focuses on updates to budgetary ceilings, the predictability of public spending, the establishment of new treasury securities and new tax rules. The amendments to the Public Planning and Finance Code include, without limitation, the following measures:

- limiting the ability of the Ministry of Economy and Finance to increase the State General Budget from 15% to 5% without first following the provisions set forth in the Public Planning and Finance Code;
- providing that the objectives, limits and goals regarding the total fiscal rules of the non-financial public sector and of the State General Budget are calculated, determined, evaluated and updated by the Ministry of Economy and Finance;
- setting a budget spending ceiling for each public entity;
- verifying compliance with these rules with a report with consolidated information. The units that constitute the non-financial public sector will monitor budget execution and adjust public spending to ensure that fiscal objectives and rules are met. The monitoring and evaluation of these reports will fall under the responsibilities of the Ministry of Economy and Finance;
- creating a Fiscal Strengthening and Sustainability Plan if there are breaches of the debt objectives, non-oil primary balances or the rules of permanent expenses (the entity at the cause of, or affected by, the breach must submit such plan);
- releasing to the public the objectives, limits and fiscal goals by ministerial agreement;
- creating the National Committee for Fiscal Coordination tasked with determining, evaluating and updating the sectoral fiscal goals for each level of government. This committee is made up of 11 members representing the President, Ministry of Economy and Finance, Central Bank, Autonomous Decentralized Governments, Public Companies and Social Security, who each have right to be heard and a vote;
- contemplating capital preservation programs of the General State Budget to protect liquidity and increase the wealth, assets (*patrimonio*) and financial capacity of the State. For the achievement of these programs, a technical report is required to be published confirming that the program is economical and financially viable and that it will generate a socially favorable impact;
- creating the policy of prevention, mitigation and management of fiscal risks each year with coverage of the non-financial public sector. This policy must be prepared by the Ministry of Economy and Finance and be attached to the proforma of the general budget of the State. The purpose of this policy is to mitigate the negative impacts on public finances as a result of unforeseen events and to guarantee the better

accomplishment of the fiscal policy put forth by the President. Fiscal risks are defined as unforeseen events that may affect the income and expenses of the State; and

- allocating a maximum of 3% of the total expenditure of the General State Budget to anticipate possible fiscal risks.

The Organic Law for the Regulation of Public Finances makes it a point not to undermine the existing autonomy of the Autonomous Decentralized Governments, the Central Bank and the Bank of the Ecuadorian Social Security Institute (“**BIESS**”), and of social security entities such as the IESS, the Social Security Institute of the Armed Forces (“**ISSFA**”), the Social Security Institute of the Police (“**ISSPOL**”), the Unemployment of the National Police and other similar entities.

The revisions made by the President include setting out a timetable for the gradual decrease of the public debt by imposing transitional debt-to-GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt-to-GDP ratio will be required by law to be kept at or below the legal limit of 40%. As of September 30, 2024, Ecuador’s current debt-to-GDP ratio is 51.53%, well below the target amount for 2025.

The Organic Law for the Regulation of Public Finances also amended Article 123 of the Public Planning and Finance Code, to, among other things:

- exclude certain transactions and instruments from public debt, including contractual rights linked to ordinary operations that do not require a sovereign guarantee and any security or treasury note with a term of less than 360 days;
- clarify the definition of ‘public debt’ by tying it to obligations held by entities from the public sector which must be returned to lender and specifying how contingent liabilities arise;
- include debts contracted by IESS, ISSFA or ISSPOL in the definition of public debt; and
- assign during the budgeting process the resources available from the public debt to the projects and programs that meet the established requirements.

In May 2022, after 21 years in which the State’s debt to the IESS for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS to recognize outstanding contributions, with an initial disbursement of U.S.\$140 million.

In the first quarter of 2023, IESS reported a lack of liquidity that prevented it from canceling the retirement pensions of its affiliates (U.S.\$877 million), which was covered by the IESS with the contribution of 40% by the State, which is fully budgeted for in the 2023 Budget at U.S.\$2.1 billion.

In the first quarter of 2024, IESS reported that it will require approximately U.S.\$3.7 billion to meet one third of its budgeted expenses. The Republic’s contribution, in the 2024 proforma budget, will be U.S.\$2.4 billion, of which U.S.\$2.2 billion will be used for retirement pensions and the remainder to finance the agricultural insurance.

Organic Law for Economic Efficiency and Job Creation

Amidst economic challenges faced by Ecuador in mid-to-late 2023, including high public debt, dependence on oil exports, unemployment and underemployment issues, and the need for foreign investment, President Noboa pushed for comprehensive economic reforms with the goal of creating a more dynamic, efficient and attractive economic environment in Ecuador, and to balance fiscal responsibility with incentives for growth. Upon taking office in November 2023, President Noboa’s administration drafted a reform package to improve tax collection, encourage investment (especially in tourism and free trade zones), create employment incentives and restructure public debt. Two days after his inauguration, President Noboa submitted this reform package, called the Organic Law for Economic Efficiency and Job Creation (*Ley Orgánica de Eficiencia Económica y Generación de Empleo*), to the National Assembly. The bill was classified as urgent, giving the National Assembly 30 calendar days to process it. During that time, it underwent debate and modifications (such as removal from the bill of a controversial tax for the

sale of commercial properties). In December 2023, the bill became effective. This law is intended to increase state revenue by approximately U.S.\$832 million and includes the following reforms:

- At the heart of the reform is a tax amnesty program, offering taxpayers a chance to clear their debts with the IRS by paying only the principal amount within a 150-day window. This amnesty extends to local government debts, traffic-related fines, and even educational loans, providing widespread relief to citizens and businesses. The President’s family members and National Assembly members are explicitly excluded from this benefit.
- The law also addresses Ecuador’s national debt, allowing the Ministry of Finance to restructure its obligations to the Central Bank of Ecuador. This restructuring extends the payment deadline from 2035 to 2040, with a new 20-year term for U.S.\$5.302 billion of debt, set at a 1.3% annual interest rate.
- Large contributors to the tax system face new requirements under this law. The 499 largest taxpayers are required to make monthly advance payments on their income tax, calculated as a percentage of their income. This percentage is determined by the IRS based on the effective tax rate for each economic sector, ensuring a more consistent flow of tax revenue.
- The law offers tax deductions for companies that generate new jobs. Special incentives are provided for hiring young people aged 18-29, university graduates, and individuals in the construction and agriculture sectors. The law also encourages the employment of individuals who have served prison sentences, promoting social reintegration.
- The law introduces a 0% VAT rate for accommodation services sold to foreign tourists. Additionally, new tourism investments of U.S.\$100,000 or more enjoy a seven-year income tax exemption, aiming to attract foreign capital and revitalize the tourism industry.
- In a bid to modernize Ecuador’s economic zones, the law introduces “free trade zones” to replace the previous Special Development Zones. These new zones offer tax benefits for industrial, service, commercial, and logistics activities, including a 0% income tax rate for the first five years and a reduced 15% rate for a 30-year period thereafter.
- The law also establishes a new regime for public-private partnerships, creating an Inter-institutional Committee to oversee these collaborations while maintaining the existing PPP Secretariat under the President’s office. This move aims to facilitate greater private sector involvement in public projects and infrastructure development.
- Other notable aspects of the law include stricter penalties for businesses that fail to issue sales receipts, new regulations for foreign sports betting companies operating in Ecuador, and VAT refunds for real estate projects to stimulate the construction sector.

Amendment to the Organic Law for the Integral Planning of the Special Amazonian Territorial Circumscription in Ecuador

The organic reform to the Organic Law for the Integral Planning of the Special Amazonian Territorial Circumscription in Ecuador (*L. O. Reformatoria a la Ley Orgánica para la Planificación Integral de la Circunscripción Territorial Especial Amazónica*) was approved by the National Assembly on March 30, 2023 and sent to the President for review. The President issued a partial objection, which was then considered by the Assembly on January 23, 2024. The law was ultimately enacted and became effective on January 30, 2024. The Assembly ratified most of the original text, with some exceptions noted as unconstitutional. The law aims to update regulations for the Amazonian region of Ecuador, recognizing it as a special territorial circumscription with unique ecological and cultural characteristics. It emphasizes sustainable development, environmental protection and respect for indigenous rights in the Amazon. The reform addresses issues like contamination from oil exploitation, protection of biodiversity and the need for participatory planning that includes social, economic, environmental and cultural aspects. It also seeks to establish a framework for coherent and coordinated policies between the central Government, local autonomous governments and civil society in the Amazonian region.

Anti-Corruption, Anti-Money Laundering and Sanctions-Related Measures in Ecuador

Former President Moreno established various anti-corruption measures. In February 2018, certain amendments to the 2008 Constitution were approved by national popular referendum, including, among others, that those convicted of corruption related offenses should lose their political rights. In March 2018, *Petroecuador* and the *Unidad de Análisis Financiero y Económico* (the “**Financial and Economic Analysis Agency**”) entered into an inter-institutional agreement to work together in the prevention, detection and eradication of money laundering and financing of crimes within Petroecuador. In June 2018, the Office of the Prosecutor General and the *Servicio Nacional de Contratación Pública* (National Service for Public Procurement) entered into a framework agreement for cooperation between both institutions to allow joint operations in the fight against corruption.

In February 2019, former President Moreno issued Decree 665 creating the *Secretaría Anticorrupción de la Presidencia de la República* (the “**Anticorruption Secretariat**”) tasked with, among other things: (i) setting an agenda for the creation of public policies and actions allowing for whistleblowing on corrupt acts within the administration; (ii) coordinating collaboration between Governmental institutions, courts and entities involved in investigating, trying and penalizing corruption cases; and (iii) articulating with the Ministry of Foreign Affairs and Human Mobility the implementation of existing international agreements on the subject.

In February 2019, former President Moreno announced his plans to form the *Comisión Internacional contra la Corrupción* (the “**International Commission against Corruption**”) with the aim of providing support to Governmental agencies charged with denouncing, investigating and prosecuting acts of corruption in Ecuador. The International Commission against Corruption is composed of five international experts on corruption and three secretariats with other national and international experts. Members of the International Commission against Corruption are designated by agreement between the Government and the United Nations Office on Drugs and Crime. The International Commission against Corruption was created in May 2019.

In February 2019, the CNE partnered with the Financial and Economic Analysis Agency to provide mutual collaboration in, among other things, detecting money laundering and the financing of criminal enterprises. In June 2019, the heads of Ecuador’s Office of the Comptroller General and the *Comisión Nacional Anticorrupción* (the “**National Anticorruption Commission**”) signed a two-year collaboration agreement to carry out coordinated efforts to better process corruption complaints and to implement preventive measures, to identify and promote best practices, to enhance communication between both entities in order to develop training programs promoting ethical behavior, and to promote civic involvement throughout Ecuador to increase public accountability. In June 2019, the *Función de Transparencia y Control Social* (the “**Transparency Committee**”), composed of representatives of 14 Government entities and presided over by the Comptroller General, approved a national plan aimed at building inter-institutional collaboration in the fight against corruption.

In July 2019, former President Moreno issued Decree 828 designating the Anticorruption Secretariat as Ecuador’s representative authority under the terms of the Inter-American Convention against Corruption. However, on May 20, 2020, former President Moreno announced the elimination of the Anticorruption Secretariat.

In December 2019, the National Electoral Council approved its report containing the Council’s findings on the Bribe 2012-2016 investigation over alleged illicit campaign contributions made to the Alianza PAIS party from 2012 to 2017. In January 2020, at a preliminary hearing, a judge at the National Court of Justice ordered former President Correa, former Vice President Glas, and several former ministers and Government officials to stand trial over their alleged involvement in the Bribe 2012-2016 case. In April 2020, the National Court of Justice sentenced former President Correa *in absentia* to an eight-year prison term. This sentence was appealed in September 2020 but the National Court of Justice denied the appeal.

In May 2020, former President Moreno issued Decree 1033 establishing a unified method for purchasing medicines and drugs in the public health network. Decree 1033 seeks to address the proliferation of new cases of corruption after a discovery of irregularities in hospitals was made during the COVID-19 pandemic. The decree sets forth that all acquisitions are to be made through an integrated system that combines the inputs required by the Ministry of Health, the Ecuadorian Social Security Institute, the Social Security Institute of the Armed Forces and the Social Security Institute of the National Police.

In May 2020, former President Moreno sent to the National Assembly a project of reforms to the Comprehensive Penal Code in order to strengthen control mechanisms and make sanctions more severe in cases of corruption of public purchases during an emergency. The project proposed that the evasion of legal procedures in public purchases during an emergency could carry jail time of six months and up to 25 years, depending on the size of the purchase.

Under former President Lasso, the Government likewise established several initiatives to fight corruption in Ecuador and commenced investigations into several alleged cases of corruption against current or former public officials of State-owned companies. On his inauguration in May 2021, former President Lasso enacted Decree 4, a 'Code of Ethics' for high-level public officials, setting a higher standard of conduct for his Government. In addition, he sought via referendum to amend the 2008 Constitution to allow the extradition of Ecuadorians involved in transnational organized crime and ensure full independence of the Prosecutor General; however, in February 2023, the majority of the electorate voted against all proposals in the referendum.

In May 2022, former President Lasso established a cabinet-level Secretary of Anticorruption Public Policy by Decree 412, elevating the position from Presidential Advisor. In July 2022, the Lasso Administration introduced the ENA with the goal of generating policies and preventive actions against a wide range of corruption risks that threaten the rule of law and democracy. This strategy was developed based on international instruments signed by Ecuador and with the support of various sectors, including academia, civil society, business and labor unions, as well as international organizations. The ENA focuses on prevention mechanisms and identification of high-risk areas for corruption, establishing nine lines of work ranging from raising awareness about the dimensions of corruption to applying technologies in the fight against corruption. Since its creation, the ENA has evolved and, under President Noboa's administration, it was transformed into the National Public Integrity Policy 2030, established in July 2024, through Decree 337. This new policy maintains much of the original structure of the ENA but has become a mandatory mandate for the executive branch, with eight strategic lines detailing specific problems, causes, and effects. The Secretariat of Public Integrity is now responsible for monitoring this policy.

In April 2023, the Law Amending the Organic Law for the Prevention, Detection and Eradication of the Crime of Asset Laundering and of Financing of Crime, expanding the reporting obligations of certain financial transactions, was enacted. The amendment introduces significant changes to Ecuador's anti-money laundering and counter-terrorism financing framework. It expands the list of obligated entities required to report suspicious transactions to include virtual asset service providers, expanding the scope beyond traditional financial institutions. The law also introduces new reporting requirements for cash transactions exceeding U.S.\$10,000 or its equivalent in other currencies, strengthens the role of Ecuador's Financial and Economic Analysis Unit in coordinating national efforts against money laundering and terrorist financing, enhances due diligence procedures, particularly for politically exposed persons, and introduces stricter controls on cross-border transportation of currency and bearer negotiable instruments. Additionally, the law establishes more comprehensive asset recovery mechanisms, reinforces international cooperation in combating financial crimes and updates penalties for non-compliance.

In February 2024, the Organic Law for Savings and Monetization of Economic Resources to Finance the Fight Against Corruption was enacted. It aims to enhance transparency and accountability, particularly concerning economic resources stored in foreign jurisdictions. Throughout the 2024 fiscal year, the tax authority is mandated to implement control plans focusing on assets held in tax havens, preferential tax regimes or jurisdictions with lower taxation. This initiative serves as a proactive measure against tax evasion and aims to recover potentially lost tax revenue to support anti-corruption efforts.

In July 2024, the Organic Law for the Prevention, Detection, and Combating of the Crime of Money Laundering and the Financing of Other Crimes (*Ley Orgánica de Prevención, Detección y Combate del Delito de Lavado de Activos y de la Financiación de Otros Delitos*) was published. This new legislation replaces a previous law from 2016, and aims to establish procedures for preventing, detecting, and combating money laundering, its predicate offenses, terrorist financing, and the financing of the proliferation of weapons of mass destruction. The law introduces significant changes to Ecuador's regulatory framework for combating financial crimes. One of the key innovations of this law is the creation of the National Coordination Council against Money Laundering and its Predicate Offenses, Terrorist Financing, and the Proliferation of Weapons of Mass Destruction (*Consejo Nacional de Coordinación Contra el Lavado de Activos y sus Delitos Precedentes, la Financiación del Terrorismo y de la Proliferación de Armas de Destrucción Masiva*) (CONCLAFT), a collegiate body composed of various public sector entities. The CONCLAFT is tasked with promoting the design of public policies to prevent, detect, and combat these financial crimes. Additionally, the law expands the list of covered subjects required to report to the Financial and Economic

Analysis Unit (*Unidad de Análisis Financiero y Económico*) (UAFE), now including lawyers, accountants, and corporate and trust service providers under certain conditions. The legislation also establishes new responsibilities for covered subjects, including the implementation of due diligence measures for clients and suppliers, and the requirement to report suspicious transactions within five days (extendable by three additional days) of becoming aware of them. Furthermore, the law introduces a new scale of infractions and corresponding sanctions, ranging from fines of 1 to 30 unified basic salaries depending on the severity of the violation. The law provides a transition period, giving covered subjects 360 days to adapt their processes and systems to the new provisions, while the UAFE has 180 days to issue the necessary secondary regulations for the law's application. The law is set to come into full effect on July 29, 2025, with the President of the Republic required to issue the General Regulation within six months of the law's enactment.

Strategic Sectors of the Economy

The Ministry for the Environment, Water and Ecological Transition, the Ministry of Telecommunications and the Ministry of Energy and Mines are in charge of the water, telecommunications, electricity, and natural resources (oil and mining) sectors of the economy, respectively. In addition, pursuant to Decree 1036, the Agency for the Regulation and Control of Energy and Non-Renewable Natural Resources was established following the merger of the Hydrocarbon, Mining and Electricity Regulation and Control Agencies. Its priorities are: (i) the control of electricity traffics, (ii) setting mechanisms for fuel prices, (iii) fighting illegal mining; and (iv) the control and regulation of activities and exports of minerals, hydrocarbons and electricity.

The Republic considers the following sectors as the most important sectors of the economy.

Oil Sector

Ecuador's oil reserves are managed directly by the State-owned oil company, Petroecuador and through service contracts with other Ecuadorian and foreign companies. Oil exploitation operations are conducted under the supervision and regulation of the Ministry of Energy and Mines through the Agency for the Regulation and Control of Energy and Non-Renewable Natural Resources.

The Ministry of Energy and Mines conducts the management of non-renewable hydrocarbon resources and is tasked with executing activities such as the administration of oil fields and the execution and modification of oil field contracts. The Ministry of Energy and Mines also provides technical, economic and legal support in service contract origination and public bidding processes.

Petroecuador is a State-owned company and a legal entity with its own assets and budgetary, financial, economic and administrative autonomy. In November 2012, former President Correa signed Decree 1351-A (the "**Consolidation Decree**"), which consolidated the operations of Petroecuador and Petroamazonas allocating exploration and exploitation of hydrocarbon resources to Petroamazonas and transportation, refining and commercialization activities to Petroecuador. Prior to the consolidation, Petroamazonas was also a State-owned company and a legal entity with its own assets and budgetary, financial, economic and administrative autonomy.

As part of the plan to optimize the administration of the State, a committee was created among the Public Companies Coordinator Company, the General Secretariat of the Presidency, the National Secretariat for Planning and Development and the Ministry of Energy and Mines, along with technical team from Petroecuador and Petroamazonas, to carry out the process of merging Petroecuador and Petroamazonas.

In April 2019, former President Moreno issued Decree 723 ordering the merger of Petroecuador and Petroamazonas into a single public company and creating the *Unidad Temporal de Fusión* (the "**Temporary Merger Unit**"), a unit within Petroamazonas charged with managing the merger under the supervision of the Ministry of Energy and Mining. Decree 723 also set December 31, 2020 as the deadline for completion of the merger.

In May 2020, as a result of the economic environment resulting from the COVID-19 and the decline in international oil prices, the Ministry of Energy and Mines announced that it was reconsidering the original merger strategy with the view of simplifying the final management structure of the resulting company after the merger. In January 2021, former President Moreno issued Decree 1221 setting forth the merger between Petroamazonas EP and EP Petroecuador, following which Petroecuador became responsible for the management of the strategic sector of non-renewable

resources, taking part in all phases of Ecuador’s hydrocarbon activity. Since the merger, Petroecuador is the public company in charge of crude oil production for the State, and now manages a total of 26 blocks, with a total production of 392,046 barrels per day (“bpd”) for the period from January to September 2024, compared to 391,724 bpd for 2023, in each case including both crude oil and gas equivalents and accounting for approximately 80% of Ecuador’s total production.

In order to increase transparency of the accounts of the State-owned oil company Petroecuador, the Lasso Administration undertook from August 2022, within the framework of the agreement with the IMF (see further “*Public Debt*”), to have an external audit of the financial statements of Petroecuador for the financial years 2019, 2020 and 2021 by an independent international audit firm, and invited the ‘big four’ audit firms to submit tenders. The process was to be financed with a loan from the IDB. However, no offers were received. As of June 2022, the authorities had agreed on the terms of reference and timeline for completing the independent audits of the 2019 and 2020 financial statements of Petroecuador and Petroamazonas, as well as the 2021 financial audit of the merged entity Petroecuador. The authorities were proceeding with contracting the audit firms with financial and procurement support from the IADB. As of May 2024, the IMF reported that the Ecuadorian authorities remained committed to continuing their institutional framework enhancement, which included advancing the audits of the state-owned oil company.

In early January 2024, Javier Aguilar, a former oil trader for Vitol, the world’s largest independent energy trader, specializing in trading oil, gas, and other energy products, faced trial in the United States on charges related to paying bribes to officials in Mexico and Ecuador. Aguilar was accused of paying over U.S.\$1 million in bribes to secure contracts for Vitol, particularly with Petroecuador and a subsidiary of the Mexican state oil company PEMEX. The trial took place in the Eastern District of New York and concluded with Aguilar being convicted of multiple charges, including violations of the Foreign Corrupt Practices Act (“FCPA”) and money laundering. Prosecutors alleged that from 2015 to 2020, Aguilar used various fraudulent methods—such as shell companies, fake contracts and sham invoices—to pay the bribes, aiming to gain lucrative contracts for Vitol. For example, Aguilar and his co-conspirators secured a U.S.\$300 million contract with Petroecuador by bribing senior officials and, following changes to the Government in 2017, continued to bribe newly appointed officials to ensure ongoing business. The scheme used entities incorporated in Curaçao, Panama, and the Cayman Islands, and involved payments disguised using code words such as “shoes” and “coffee” to conceal their true nature. Aguilar’s trial lasted eight weeks and involved testimony from several co-conspirators and officials who had accepted the bribes. Following his conviction, in August 2024 Aguilar pleaded guilty to additional charges, consolidating the cases and agreeing to forfeit U.S.\$7.1 million as part of his plea agreement. This case is part of a broader investigation into corruption in the global oil trading industry. Vitol had previously admitted to similar bribery practices in Ecuador, Mexico and Brazil, resulting in a U.S.\$160 million settlement with the United States Department of Justice in 2020.

Exploitation

Under the 2008 Constitution, all subsurface natural resources are the property of the Republic, and in the case of petroleum, pursuant to Decree 1221, its exploitation is undertaken directly by Petroecuador. The 2008 Constitution, however, permits the Government to contract with the private sector for the development of these natural resources.

The 2008 Constitution, the *Ley de Hidrocarburos* (the “**Hydrocarbons Law**”), the Consolidation Decree, Decree 315 and Decree 1221 set out certain reforms to define the public sector oil entities’ functions as follows:

- the Ministry of Energy and Mines implements the hydrocarbon policies defined by the President and conducts the public tender process for specific service contracts to develop oil fields, and executes and administers such contracts;
- the Agency for Regulation and Control of Energy and Non-Renewable Natural Resources controls and oversees hydrocarbon activity in all its phases; and
- Petroecuador is involved in the exploration and production of hydrocarbon, refining, and industrialization of hydrocarbon activities, as well as their internal and external marketing.

Under the above framework, Ecuador allows foreign investment in its hydrocarbon resources, which, under the 2008 Constitution and Hydrocarbons Law are exclusively owned by the State. In November 2010, the Government completed its contract renegotiations with foreign oil companies under the Hydrocarbons Law, which replaced

production-sharing agreements for private companies with a fixed per-barrel rate for their exploration and production activities.

The Organic Law for Economic Development and Fiscal Sustainability enacted after the COVID-19 pandemic in November 2021 reformed the Hydrocarbons Law, reintroducing production-sharing agreements to the oil and gas sectors. This law also allowed oil companies under exploration and productive services contracts to migrate to production-sharing agreements under certain conditions set out in Decree 342. In October 2022, the Constitutional Court declared that the reform to the Hydrocarbons Law was partially unconstitutional, excluding those reforms relating to the exoneration of foreign trade taxes on the import of fuels, oil derivatives, bio-fuels and natural gas (which remain in force).

Production

PETROLEUM PRODUCTION

	For the year ended December 31,			For the six months ended July 31,	
	2021	2022	2023	2023	2024
	<i>(in thousands of barrels per year)</i>				
Petroleum ⁽¹⁾	473	481	475	469	477
Public companies ⁽²⁾	136,002	136,926	141,137	80,610	82,130
Other operators	36,600	38,627	32,338	18,747	19,423
Total	172,602	175,553	173,475	99,356	101,552
Natural Gas Production.....	1,607	2,737	3,124	2,074	2,106

Source: Based on figures from the Central Bank, No. 2070 Monthly Bulletin, Domestic Production of Crude Oil and its Derivatives (Table 4.1.1).

(1) Petroleum information is displayed in thousands of bpd.

(2) Public company numbers include the production of Rio Napo.

All of Ecuador’s oil blocks are located onshore. The most productive oil blocks are located in the northeastern part of Ecuador, with Sacha and Auca as two of the oldest and most productive fields. Crude oil production has increased in the last ten years with the opening of the OCP (see “—Transportation”), which removed a chokepoint on heavy crude oil transportation in Ecuador. Production in existing fields has levelled off in recent years as a result of the natural decline in the productivity of existing blocks, particularly older blocks such as Shushufindi, which has been in operation for over forty years.

In May 2018, Petroamazonas started the public procurement of the “Oil & Gas” round for the awarding of specific performance contracts for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina, and the gas field of Amistad, as a result of which four service contracts, with a WTI-indexed tariff and a term of ten years, were entered into for the exploitation of the crude fields of Cuyabeno-Sansahuari, Yuralpa, Oso and Blanca-Vitina.

In January 2019, Petroamazonas endorsed the World Bank’s “Zero Routine Flaring by 2030” initiative whereby it committed to incorporate sustainable utilization or conservation of its oil fields associated gas without routine flaring, and to implement economically viable solutions to eliminate this practice as soon as possible, and by no later than 2030. Despite these efforts, the flaring practice continues in Ecuador. In June 2024, indigenous and environmental groups in Ecuador staged protests against Petroecuador’s gas flaring practices. The demonstrators argued that these activities contribute to environmental degradation and pose health risks to local communities.

On May 22, 2019, as part of the XII Interfields Oil Round, the Government, acting through the MEM, entered into seven participation agreements for the exploration and exploitation of seven new oil blocks in the Sucumbíos province: Arazá Este, Iguana, Perico, Espejo, Sahino, Charapa and Chanangué, with the following companies: Petróleos Sudamericanos del Ecuador Petrolamerec S.A. (two agreements), Gran Tierra Energy Colombia LLC (three agreements) and the consortium formed by Frontera Energy Colombia Corp. and Geopark Perú S.A.C. (two agreements). The Government estimated that these agreements would result in a total U.S.\$1.17 billion investment by those companies through 2023. By December 2022, these blocks collectively contributed over 5,000 barrels of crude oil per day to the national production. By September 2024, during the testing phase, the average contribution increased to approximately 9,600 barrels per day.

On March 6, 2020, Petroamazonas entered into a contract worth approximately U.S.\$148 million with Chuanqing Drilling Engineering Company Limited for the drilling and completion of 24 new oil wells in the province of Orellana, Ecuador. The initiative aimed to boost oil production by approximately 7,500 barrels per day.

In 2021, State-owned companies were responsible for 78.8% of oil production, compared to 79.6% in 2020. This decrease was principally due to: (i) a stoppage in the vicinity of the Edén Yuturi – Block 12 field near the Kichwa El Edén community; (ii) a short circuit in the CELEC generation plant, which forced the stoppage of crude oil extraction in several wells belonging to the Tambococha and Tupitini fields; and (iii) the suspension of transportation of the Ecuador’s two major oil pipelines, the *Sistema Oleoducto Trans-ecuatoriano* (the Trans-Ecuadorian Pipeline System or “**SOTE**”) and the OCP, due to the risk faced by the oil infrastructure as a result of the advance of erosion in the Piedra Fina river in the province of Napo.

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador’s operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace (see “—*Summary Information and Recent Developments Regarding Ecuador*” above).

In October 2022, the Government launched the ‘Intracampos II Round’ with the objective of attracting U.S.\$2,000 million for the exploration and operational stages of six hydrocarbon blocks: Tamyá, Saywa, Tetete Sur, Lumbaqui, VHR Este and VHR Oeste, in the province of Sucumbíos. It is estimated that with the award of the six blocks an additional 18,000 to 24,000 bpd of oil can be obtained. By May 2024, Ecuador secured approximately U.S.\$333 million in private investment for the operation of three blocks: Saywa, VHR Este, and VHR Oeste. The companies involved include PCR – Ecuador and Petrobell S.A.

In December 2022, Repsol’s contractual rights to explore and conduct production activities in Blocks 16 and 67 expired. In January 2023, Petroecuador took over Repsol’s operation in Blocks 16 and 67, which have a combined daily production of 13,533 bpd. Both blocks are in the Amazonian province of Orellana (east) and occupy part of the Yasuni National Park, a world biosphere reserve and home to indigenous communities.

On February 23, 2023, the Ministry of Energy and Mines (through Resolution No. MEM-VH-2023-0006-RM) declared a state of *force majeure* for activities involving the exploration, exploitation and transportation of hydrocarbons following the closure of the SOTE, OCP and Shushufindi Quito polyduct systems after a bridge collapsed near the pipelines in the Napo province. This *force majeure* was lifted in March 2023.

On March 19, 2023, Petroecuador declared a *force majeure* over operations in Block 12 (Orellana province) in the Eden Yuturi field following disruption related to protests in the area by the Kichwa indigenous community. This *force majeure* was lifted in April 2023 following an agreement reached between Petroecuador and the Kichwa indigenous community.

On March 21, 2023, Petroecuador declared a *force majeure* over three oil blocks (Block 16-67, Block 43- ITT (Ishpingo, Tiputini, and Tambococha) and Block 61) located in the Orellana province following protests from local communities which impeded the normal functioning of hydrocarbon activities in those oil blocks. In March 2023, Petroecuador announced that Block 61 and Block 43-ITT would resume normal operations. In April 2023, Petroecuador announced that an agreement had been reached with local communities resulting in the lifting of the *force majeure* over oil Blocks 16-67 and 61.

In 2023, Block 43, which includes the ITT fields recorded oil production of approximately 54,466 bpd compared to 50,613 bpd in 2022. This figure reflects adjustments in production levels, including a decline in Tambococha and Tiputini output, but a significant increase in the Ishpingo output. Despite fluctuations, the overall production remained strong, making it a significant contributor to Ecuador’s oil output. For the eight months ended on August 31, 2024, Block 43’s production was recorded at about 49,806 bpd, compared to 53,576 bpd during the same period in 2023. The Ishpingo field maintained its high production levels with a significant increase from 2023, but Tambococha’s and Tiputini’s output decreased in 2024.

In March 2024, operations at the OCP pipeline were halted following a leak detected in the system in the Napo province. This pipeline is crucial for transporting crude oil from the Amazon region to the Pacific coast and is a significant source of revenue for the country. The leak raised environmental concerns and highlighted vulnerabilities within Ecuador's oil infrastructure. Authorities initiated investigations and repair work to address the situation and prevent further economic impact.

In March 2024, Petroecuador began a relocating project for two LPG storage tanks. Initially built in Cuenca, these storage tanks will be moved to Chorrillos. The structures, which are part of the Pascual – Cuenca pipeline in Azuay, stopped working in 2018 when the soil of the field where they were constructed began sinking. The project is expected to cost U.S.\$20.6 million and to be executed within 510 days. Once the relocation is completed, both tanks will collectively store up to 6,400 metric tons of LPG.

In August 2024, Ecuador began shutting down oil drilling operations in the Yasuní National Park, a biodiversity hotspot in the Amazon rainforest. This action followed a landmark referendum held in August 2023, where nearly 60% voted to halt oil extraction in the biodiverse Amazon region, which includes Yasuní National Park's ITT block. Petroecuador initiated the dismantling of infrastructure, starting with the closure of the Ishpingo B-56 well. However, on August 21, 2024, the Government requested a five-year extension from the constitutional court to complete the shutdown, citing the complex nature of the task and its economic implications. In August 2024, the Committee reviewed a report detailing the environmental and economic impacts of early closure, estimating that a phased production reduction over five years (2024–2029) would result in a revenue loss of approximately U.S.\$2.46 billion, with an additional U.S.\$1.345 billion required through 2034 for well closures and facility dismantling. Since the referendum, Ecuador has not entered into new contracts for further oil extraction in the ITT block.

Exports

In 2018, Petroecuador reached an agreement with Petrochina, Unipet, PTT Public Company Limited and PTT International in order to amend each crude oil supply agreement between Petroecuador and each of these companies. The amendments became effective as of May 1, 2018. In September 2022, Petroecuador, Petrochina and Unipet renegotiated long-term export sales of crude oil by the Ecuadorian State-oil company PetroEcuador to Chinese oil companies PetroChina and Unipet, and entered into three new contracts extending the term of at least 192 cargoes until 2027, a new agreement with a market price and releasing crude oil for "spot" sale.

In 2021, 85% of the value of oil exports was crude oil and 15% was oil derivatives. In 2022, 86.6% of the value of oil exports was crude and 13.4% oil derivative products. In 2023, 87.39% of the value of oil exports was crude and 12.6% oil derivative products. As of July 31, 2024, 89.1% of the value of oil exports was crude oil and 10.9% oil derivative products.

In 2021, 82% of oil exports were exported to the United States, Panama and Chile (28%, 45% and 8%, respectively). In 2022, 87% of oil exports were exported to the United States, Panama and Chile (40%, 39% and 8%, respectively). In 2023, 89% of oil exports were exported to Panama, the United States and Chile (49%, 33% and 6.6%, respectively). As of July 31, 2024, 62.4% of oil exports were exported to Panama, the United States and Peru (41.7%, 22.1% and 0.4%, respectively).

In 2021, crude oil exports totaled U.S.\$7,278 million, a 55.34% increase from U.S.\$4,685 million in 2020. This increase was due to an increase in the average international price of petroleum per barrel from U.S.\$35.62 in 2020 to U.S.\$61.97 in 2021, despite a decrease in the exported volume of 131.52 million barrels in 2020 to 117.45 million barrels in 2021.

In 2022, crude oil exports totaled U.S.\$10,034 million, a 37.87% increase from U.S.\$7,278 million in 2021. This increase was due to an increase in the average international price of petroleum per barrel from U.S.\$61.97 in 2021 to U.S.\$85.84 in 2022, despite a decrease in export volume of 117.5 million barrels in 2021 to 116.6 million barrels in 2022.

In 2023, crude oil exports totaled U.S.\$7,823 million, a decrease of 22% compared to U.S.\$10,034 million in 2022. This decrease was due a decrease in the average international price of petroleum per barrel from U.S.\$85.84 in 2022 to U.S.\$68.01 in 2023 and a decrease in export volume from 116.6 million barrels in 2022 to 115 million barrels in 2023.

As of June 30, 2024, crude oil exports totaled U.S.\$4,471 million, an increase of 29.87% compared to U.S.\$3,442 million in the same period in 2023. This increase was primarily due to an increase in the average international price of petroleum per barrel from U.S.\$57.9 in June 2023 to U.S.\$71.7 in June 2024 and an increase in exported volume from 54.9 million barrels in June 2023 to 62.5 million barrels in June 2024.

Transportation

Ecuador has two major oil pipelines, the SOTE and the OCP. Most of Ecuador's crude oil production is transported through the SOTE, which links Lago Agrio in the Oriente region to the Balao export terminal on the Pacific coast and has a capacity of approximately 360,000 bpd. Crude oil production has increased in the last ten years with the opening of the OCP, which removed a chokepoint on heavy crude oil transportation in Ecuador. In 2021, the SOTE transported 109.4 million barrels, averaging 299.8 thousand bpd. In 2022, the SOTE transported 116.5 million barrels, averaging 319.0 thousand bpd, and the OCP transported 55.0 million barrels, averaging 150.6 thousand bpd. In 2023, the SOTE transported 109.2 million barrels, averaging 304 thousand bpd, and the OCP transported 57.8 million barrels, averaging 162 thousand bpd. In June 30, 2024, the SOTE transported 51.7 million barrels, averaging 293.5 thousand bpd, and the OCP transported 33.6 million barrels, averaging 162.7 thousand bpd.

In June 2001, Ecuador awarded the construction and operation contract for its second pipeline, the OCP heavy crude oil pipeline, to Oleoducto de Crudos Pesados Ecuador S.A., a consortium of domestic and foreign oil companies, which at the time had seven members: Occidental Petroleum Corporation, Alberta Energy Corp., Kerr McGee Corporation, Agip S.p.A. – Eni S.p.A., Pérez Companc S.A., Repsol YPF S.A., as well as the construction firm Techint Engineering & Construction (at the time owner of Tecpetrol operating the Bermejo block in the Amazon region and which is crossed by OCP). In August 2024, Pampa Energía S.A. became the owner of 100% of the shares of Oleoducto de Crudos Pesados Ecuador S.A. The OCP was constructed at a cost of U.S.\$1.4 billion, all of which was paid by the consortium. Construction was completed in September 2003, and operations began the same month. The contract for the operation of the OCP had a duration of twenty years and was due to expire in January 2024, at which time the OCP would become state property. The contract did not expire upon reaching its expiration date due to several extensions. In January 2024, the Government extended the contract's transfer date and duration for the construction and operation of the OCP pipeline until July 31, 2024. Subsequently, on July 29, 2024, the Government further extended the end date 19 days through August 19, 2024. On August 6, 2024, the consortium submitted a proposal for extension of the OCP pipeline operation contract, which included a 10-year extension from the original contract termination date, a commitment to invest approximately U.S.\$120 million in constructing a new pipeline variant, an additional estimated U.S.\$100 million for maintenance tasks over the 10-year period, a preliminary 10-year work program including evaluations of maritime monobuoys and storage tanks, control system updates, SCADA systems and major maintenance of rotating equipment. On August 26, 2024, the Ministry of Energy and Mines and the consortium signed a public deed extending the contract until the earlier of November 30, 2024, or the execution of its definitive extension, giving the Government time to analyze the proposal and obtain a risk assessment from the Ministry of Economy and Finance. However, on October 28, 2024, the Government announced its decision not to extend the OCP contract citing that both the contract and Ecuadorian law precluded the extension and require, instead, that ownership and operations of the pipeline must be transferred to Ecuador. The Government announced that the transfer will take place on November 30, 2024.

The Ministry of Energy and Mines oversaw the construction of the OCP, and now oversees its operation. The OCP is made up of two sections, the largest of which was designed to transport a maximum of 517,300 bpd and has a sustainable transportation rate of 450,000 bpd of crude oil of 18o to 24o American Petroleum Institute degrees.

During 2022, the SOTE and OCP suffered a rupture due to the erosion of the Coca River, requiring cleaning and environmental remediation work as well as repair of the oil pipelines, which affected their operations. This incident led to the declaration of *force majeure* by the energy ministry, with oil flows normalizing after several weeks.

On June 17, 2024, OCP was forced to suspend pipeline operations due to erosion concerns following heavy rainfall and the rising Coca River. This disruption lasted for 16 days, with operations resuming on July 3, 2024. This disruption resulted in significant economic losses for Ecuador, with estimates suggesting a loss of approximately U.S.\$6.5 million per day, or a total loss of approximately U.S.\$104 million (approximately 0.1% of the country's GDP for 2023). The OCP and SOTE intend to build alternative branches of their pipelines to prevent soil erosion affecting their operations in the future.

In July 2024, Ecuador and Peru announced a joint effort to, among others, integrate their oil infrastructure, potentially leading to shared pipelines and refineries.

Refining

Following Decree 1221, Petroecuador is the only company that conducts refining activities in Ecuador. Petroecuador owns three refineries in Ecuador (Esmeraldas, La Libertad and Shushufindi) with processing capabilities of 110,000, 45,000 and 20,000 bpd, respectively. Petroecuador also owns one associated gas processing plant (Shushufindi), which has a processing capacity of 637.8 million barrels of LPG and average production of 1,747.6 bpd.

In March 2019, the Minister of Energy and Mines announced that Ecuador would launch an international bid for an estimated U.S.\$6,500 million investment in building and operating a new refinery capable of handling up to 300,000 bpd, the location of which was to be determined. The bid would also include a concession to improve the facilities in the Esmeraldas refinery. In August 2019, the Ministry of Energy and Mines made a public call for potential investors to express their interest in designing, building and operating the new refinery. In March 2020, a public bid for the concession of the projects was launched and subsequently suspended as a result of the COVID-19 crisis. In May 2024, through Ministerial Resolution No. MEM-MEM-2024-0004-RM, the public tender was declared void. The resolution instructed the Manager of Petroecuador and the Vice Ministry of Hydrocarbons to review and update the pre-contractual documents for the initiation of a new process within 90 days and to present a report recommending the start of a new bidding process once the pre-contractual documents were reviewed and updated. As of the date of this Annex, Petroecuador is expected to engage a technical consultancy to update the technical bases for the rehabilitation and repowering of the Esmeraldas refinery. In 2021, Petroecuador's oil-derivatives production amounted to 75.5 million barrels, including gasoline, diesel, fuel oil, jet fuel, LPG and fuel blends in terminals, which represented an increase of 25.2% compared to the 60.3 million barrels of oil derivatives produced in 2020. This increase was mainly due to economic activity recovery after the COVID-19 lockdown. In 2022, Petroecuador's production of petroleum derivatives amounted to 78.4 million barrels, including gasoline, diesel, fuel oil, jet fuel, LPG and fuel mixtures in terminals, representing an increase of 3.8% compared to the 75.5 million barrels of petroleum derivatives produced in 2021. In 2023, Petroecuador's production of petroleum derivatives amounted to 76.4 million barrels, including gasoline, diesel, fuel oil, jet fuel, LPG and fuel mixtures in terminals, representing a decrease of 2.5% compared to the 78.4 million barrels of petroleum derivatives produced in 2022. In the first seven months of 2024, Petroecuador's production of petroleum derivatives amounted to 42.9 million barrels, including gasoline, diesel, fuel oil, jet fuel, liquefied petroleum and fuel mixtures in terminals, representing a decrease of 4.6% compared to the 45.0 million barrels of petroleum derivatives produced during the same period in 2023.

During 2021, the domestic consumption of petroleum derivatives was 90.7 million barrels, a 22.1% increase compared to 74.3 million barrels during 2020. In 2022, the domestic consumption of petroleum derivatives was 99 million barrels, a 9.14% increase compared to 90.7 million barrels during 2021. In 2023, the domestic consumption of petroleum derivatives was 104.1 million barrels, a 5.12% increase compared to 99 million barrels during 2022. For the first eight months of 2024, the domestic consumption of petroleum derivatives was 69.2 million barrels, a 1.5% increase compared to 68.2 million barrels during the same period of 2023. In the first eight months of 2024, Ecuadorian refineries only produced sufficient oil derivatives to meet approximately 70% of domestic demand.

Esmeraldas' production of oil derivatives increased from 99,336 average bpd in 2021 to 106,191 average bpd in 2022 and 105,523 average bpd in 2023. In 2021, 2022 and 2023, oil derivatives production at the Esmeraldas refinery totaled 35.2, 38.8 and 38.5 barrels, respectively. In the first six months of 2024, oil derivatives production at the Esmeraldas refinery totaled 23.2 barrels.

Domestic Fuel Distribution

In 1993, the Government implemented a free market in domestic fuel distribution, which has led to a rapid modernization of distribution facilities. The price at which gasoline is sold to domestic distributors is fixed by an executive decree of the President in accordance with the Hydrocarbons Law and set according to variables such as domestic demand and the impact of the price on public finances. Since 2003, the fixed margin has been determined in cents per gallon. In 2005, the margin increased to U.S.\$0.71 per gallon of regular gasoline and to U.S.\$0.137 per gallon of diesel. These margins were set by Executive Decree 338, which was issued in August 2005, and as subsequently modified. Any future change to the profit margin would require a new executive decree.

Decree 338 also regulated the sales price of consumer petroleum derivatives and set the price for consumers for gasoline and diesel products. The price of gasoline (net of value-added taxes) sold to consumers was fixed at U.S.\$1.689 per gallon for gasoline and at U.S.\$0.8042 per gallon for diesel. On August 23, 2018, former President Moreno enacted Decree 490, which provided that from August 27, 2018, the final price to consumers of high-octane gasoline “super” was fixed at U.S.\$2.98.

On March 9, 2020, international oil prices dropped to their lowest levels since the Gulf War in 1991. The WTI price per barrel of crude oil, which is the benchmark reference for Ecuadorian crude oil, hit a low of U.S.\$29.78 on that day. The WTI price per barrel of crude oil continued to decline, reaching U.S.\$12.41 at close of trading on April 20, 2020. As a result of the ongoing decline in international crude oil prices, on May 19, 2020, former President Moreno issued Decree 1054, which allowed the price of oil derivatives (i.e., gasoline) in Ecuador to fluctuate based on the price in the international market of the WTI, while placing a price cap that would not allow price fluctuations greater than 5% at service stations. Decree 1054 also repealed the fixed margins that had been established by Decree 338 for diesel 2, premium diesel, extra gasoline without ethanol and extra gasoline with ethanol. In May 2020, the price for diesel 2 and premium diesel was fixed at U.S.\$1.00 per gallon and the price for extra gasoline with ethanol and extra gasoline without ethanol was fixed at U.S.\$1.75 per gallon. On July 1, 2020, these prices became subject to the pricing cap established pursuant to Decree 1054. On January 11, 2021, Decree 1222, which modified the fluctuation diesel price cap from 5% to 3%, was issued by the executive power. On October 22, 2021, Decree 230 was published, which allowed the President to establish, in exceptional situations, fixed prices for oil derivatives. However, on October 22, 2021, Decree 231 was issued by the executive power to suspend the application of the price cap mechanism and instead set maximum retail prices in the automobile sector of U.S.\$2.55 per gallon of extra and eco gasoline and U.S.\$1.90 per gallon of diesel 2 and premium, effective as of October 23, 2021.

In June 2022, oil production was impacted by a national strike called by CONAIE, which forced the suspension of Petroecuador’s operations as the facilities did not have optimal or adequate technical or security coverage. On June 19, 2022, the Minister of Energy and Mines declared a *force majeure* event for all exploration and exploitation operators after protestors entered oil fields. As a result, on June 26, 2022, former President Lasso issued Decree 462, which set maximum retail prices in the automobile sector of U.S.\$2.45 per gallon of extra and eco gasoline and U.S.\$1.80 per gallon of diesel 2 and premium. This *force majeure* declaration was lifted on July 12, 2022 and the national strike ended when the Government signed the Agreement for Peace. On June 30, 2022, former President Lasso issued Decree 467, which established new maximum retail prices in the automobile sector of U.S.\$2.40 per gallon of extra and eco gasoline and U.S.\$1.75 per gallon of diesel 2 and premium. On June 26, 2024, President Noboa issued Executive Decree 308, which established the Codified Regulation of Prices for Hydrocarbon Derivatives. This decree set the price for the automotive segment at U.S.\$1.797 per gallon for diesel. For extra and eco gasoline, a price stabilization mechanism was established where the cost is set monthly based on international oil and gasoline prices and setting a 5% increase ceiling and a 10% decrease floor.

Several private multinational petroleum companies have established service stations in Ecuador. Petroecuador maintains a network of service gas stations of its own and affiliate stations.

Oil revenues

In 2021, revenues from non-petroleum sources in the non-financial public sector totaled U.S.\$25,356 million, a 7.4% increase from U.S.\$23,609 million in 2020. In 2022, revenues from non-petroleum sources in the non-financial public sector totaled U.S.\$28,346 million, an 11.8% increase from U.S.\$25,356 million in 2021. In 2023, revenues from non-petroleum sources in the non-financial public sector totaled U.S.\$29,100 million, a 2.7% increase from U.S.\$28,346 million in 2022. During the six months ended June 30, 2024, revenues from non-petroleum sources in the non-financial public sector totaled U.S.\$16,466 million, a 5.9% increase from U.S.\$15,538 million for the same period in 2023.

In 2021, Central Government oil revenues represented 2.54% of GDP and 14.9% of Central Government revenues and non-petroleum revenues represented 14.49% of GDP and 85.0% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 12.2% of GDP and 34.1% of non-financial public sector revenues and non-petroleum revenues represented 23.6% of GDP and 65.9% of non-financial sector revenues. Central Government oil revenues reached U.S.\$2,733 million in 2021, which an increase from U.S.\$626.1 million in 2020.

In 2022, Central Government oil revenues represented 3.19% of GDP and 18.4% of Central Government revenues and non-petroleum revenues represented 14.08% of GDP and 81.5% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 14.5% of GDP and 37.3% of non-financial public sector revenues and non-petroleum revenues represented 24.3% of GDP and 62.7% of non-financial sector revenues. Central Government oil revenues reached U.S.\$3,714.4 million in 2022, an increase from U.S.\$2,733.5 million in 2021.

In 2023, Central Government oil revenues represented 1.59% of GDP and 10.5% of Central Government revenues and non-petroleum revenues represented 13.53% of GDP and 89.5% of Central Government revenues. In the same year, oil revenues for the non-financial public sector represented 12.2% of GDP and 33.3% of non-financial public sector revenues and non-petroleum revenues represented 24.5% of GDP and 66.7% of non-financial sector revenues. Central Government oil revenues reached U.S.\$1,890.5 million in 2023, which is a decrease from the U.S.\$3,714.4 million in 2022.

Central Government oil revenues were U.S.\$729.2 million for the six months ended June 30, 2024, a decrease from U.S.\$961.3 million for the same period in 2023. Central Government non-petroleum revenues were U.S.\$9,963 million for the six months ended June 30, 2024, an increase from U.S.\$9,922 million for the same period in 2023. During the six months ended June 30, 2024, revenues from non-petroleum sources in the non-financial public sector totaled U.S.\$16,466.3 million, a 4.9% increase from U.S.\$15,538 million during the same period in 2023. During the six months ended June 30, 2024, oil revenues for the non-financial public sector represented 6.1% of GDP and 31.2% of non-financial public sector revenues and non-petroleum revenues represented 13.4% of GDP and 69% of non-financial sector revenues.

For more information on Central Government revenues, see “*Public Sector Finances—Central Government Revenues and Expenditures.*” For more information on revenues of the non-financial public sector, see “*Public Sector Finances—Non-Financial Public Sector Revenues and Expenditures.*”

Natural and Liquefied Petroleum Gas

An important part of Petroecuador’s commercial strategy includes the distribution of natural gas to southern Ecuador in order to reduce the consumption of LPG, the replacement of gasoline use with LPG for taxis and the creation of a network of service stations in order to compete in quality, service and price with private oil companies.

In 2021, Ecuador had approximately 149,113 million cubic feet of proven natural gas reserves, and 160,291 million cubic feet of probable natural gas reserves. As of December 2023, the certified reserves, including proven and probable, of the Amistad Field, Ecuador’s sole non-associated natural gas field, located in the Gulf of Guayaquil and producing approximately 21 million cubic feet per day, amounted to 167.3 billion cubic feet of natural gas, with prospective resources of 241.0 billion cubic feet.

In January 2023, Petroecuador announced that Termogas Machala would be supplied with one million cubic feet of natural gas per day. On September 16, 2024, the Government announced an increase in energy production at the Termogas Machala power plant to address the nation’s energy crisis. CELEC stated that production would rise from 991 megawatt-hours to 1,591 megawatt-hours. To facilitate this increase, Petroecuador redirected gas from its Bajo Alto production plant, ceasing its use for liquefied natural gas production and allocating it to meet Termogas Machala’s energy generation needs. Consequently, the plant’s gas intake grew from 13.5 million to 19.5 million cubic feet, enabling an additional 600 megawatt-hours of electricity generation.

The natural gas platform at the Amistad field in the bay of Guayaquil was previously operated by the U.S. Company Energy Development Corp. Ecuador Ltd. and then managed by Petroecuador. In 2022 and 2023, Petroecuador produced approximately 1.45 and 1.3 million oil equivalent barrels, respectively, in the Amistad field. As of August 30, 2024, Petroecuador had produced approximately 0.9 million oil equivalent barrels of natural gas in the Amistad field. On September 10, 2024, Petroecuador launched a bidding process for a contractor to operate the offshore Amistad gas field for 15 years, with the goal of maximizing its production in the short term.

Mining

The *Ley de Minería* (the Mining Law) enacted in 2009 establishes norms for the exercise of the Government's rights to manage and control the mining sector, in accordance with the principles of sustainability, precaution, prevention and efficiency. The law provides that it is the Government's responsibility to oversee all aspects of the mining process, such as exploration, development, industrialization and marketing and authorizes the Republic to invest directly or through joint ventures with domestic or foreign private sector entities. In addition, it authorizes the Republic to both hire and grant licenses and concessions to wholly owned private entities to conduct all phases of development. However, the Republic cannot grant ownership rights in the soil and subsoil mineralogical wealth to entities that are not controlled by State entities.

While the mining sector represents a small portion of GDP (6.6% in 2023, 6.8% in 2022 and 6.2% in 2021), it is an important source of potential resources for the development of the Republic.

Mining Projects

Ecuador has a strategic focus on fostering sustainable and competitive development in the mining sector by actively diversifying its mining portfolio through the development of large-scale projects, significant private and public investment, and partnerships with renowned global mining companies. Less than 10% of Ecuador's territory has been explored, leaving approximately 3.17 million hectares available for future licensing and exploration. Ecuador has strategic partnerships with globally recognized mining companies. For instance, Tongling Nonferrous Metals, one of the world's largest copper smelters, and Lundin Gold, which operates mines in countries such as Brazil, Chile, and Portugal. Other key players in Ecuador's mining landscape include Dundee Precious Metals, Solaris Resources, Salazar Resources, and Lumina Gold.

The Mirador Project and the Fruta del Norte Project are Ecuador's flagship mining projects. The Mirador Project, operated by Ecuacorriente S.A., a joint venture between China Railway Construction Corporation ("CRCC") and Tongling Nonferrous Metals Group, is Ecuador's largest copper mine. As of 2023, the project has received an executed investment of U.S.\$1,659 million. Similarly, the Fruta del Norte Project, a gold and silver mine operated by Lundin Gold, has attracted an executed investment of U.S.\$1,599 million from 2003 to 2023. Both projects are in full production. The Republic has also advanced the development of several new mining projects referred to as the "Second Generation Mining Projects." These include Cascabel, Llorimagua, Ruta del Cobre, Cangrejos, La Plata, and Curipamba. Together, they represent a total executed investment exceeding U.S.\$7.1 billion. These projects are expected to transition into their exploitation phases in the short to medium term.

The Loma Larga project, located in the Azuay Province, is a gold, silver, and copper deposit owned by Dundee Precious Metals Ecuador S.A. (the former concessionaire was a subsidiary of INV Metals Inc.) The project began construction in 2023, with production expected in the third quarter of 2024. On November 29, 2018, the then Minister of Energy and Mines confirmed the project's technical and economic feasibility, citing the results of a study performed on the project by an international consortium led by the firm DRA Americas Inc. On February 1, 2019, the CNE approved public consultations to be held on March 24, 2019, in the Girón Canton, Azuay province, to approve or reject mining activities in Girón. In response, the Ministry of Energy and Mines lodged a complaint with the Constitutional Court to enjoin the consultations alleging the CNE lacked legal authority to approve them. On March 13, 2019, a judge temporarily suspended the public consultations until the Constitutional Court ruled on the matter. On March 24, 2019, the consultations were held, resulting in the rejection of mining activity in Girón by 87.79% of the votes. Following the vote, INV Metals, Inc. (as it was formerly known) announced that it was considering relocating its processing and waste facilities outside of Girón, as Loma Larga's mineral resources and reserves are already located outside the canton. In April 2020, INV Metals Inc. (as it was formerly known) announced the results of an updated feasibility study on the project incorporating the relocation of the plant and tailings facility. The April 2020 feasibility study showed that the capital and operating costs of the project had not changed materially since the previous feasibility study conducted in 2019. Loma Larga's environmental exploitation license application was halted due to the precautionary measure presented by the environmental activist Yaku Pérez Legal Protective Action, which was accepted by the Constitutional Court. The appeal hearing on the protection action was held on October 14, 2022. However, as of the date of this Annex, there has been no judgment by the Constitutional Court. Once the judgment is obtained, and if the precautionary measure is lifted, Loma Larga's environmental exploitation licensing process will resume and it must comply with the social participation process of the environmental impact assessment.

The San Carlos Panantza project, located in Morona Santiago Province, is a copper deposit owned by CRCC with an expected life cycle of 25 years from the start of production. The San Carlos Panantza project is currently suspended as a result of protests by the Shuar-Achuar Nankints community based on the allegation that the project is being constructed on ancestral lands. As of the date of this Annex, there is no estimated date for the lifting of the suspension of the project and the resumption of operations.

The mining potential of Ecuador's main projects is evidenced by their substantial reserves and projected revenues. Key projects include Fruta del Norte, Mirador, Cascabel, and Cangrejos, each of which contributes notable quantities of minerals. Fruta del Norte holds reserves of 142.30 metric tons of gold and 186.80 metric tons of silver. The Mirador project contributes 113.30 metric tons of gold, 564.95 metric tons of silver, and 3,460,000 metric tons of copper, making it a significant source of copper production. Cascabel features reserves of 759.70 metric tons of gold, 2,588.30 metric tons of silver, and 10,700,000 metric tons of copper. Cangrejos adds 327.70 metric tons of gold, 407.60 metric tons of silver, and 644.101 metric tons of copper to the sector's portfolio. Together, these projects account for a total of 1,343 metric tons of gold, 3,747.65 metric tons of silver and 11,344.101 metric tons of copper in reserves.

Projected revenues from these resources, based on the average value of commodities over the past decade (2014 to 2024), total U.S.\$198.151 billion. This includes U.S.\$70.085 billion from gold, U.S.\$2.705 billion from silver and U.S.\$125.360 billion from copper.

Ecuador has also substantial amounts of mining 'resources,' that are not counted towards the 'reserves' described above. Reserves are defined as minerals that are economically feasible to extract and have been validated by feasibility studies. Resources, on the other hand, refer to minerals that can potentially be extracted and processed, supported by scientific and technological knowledge, though they lack a defined feasibility study. Curipamba, La Plata and Warintza are classified as resources, with contributions of 21.15 metric tons of gold, 403.38 metric tons of silver, and 189,400 metric tons of copper from Curipamba alone. La Plata offers 6.94 metric tons of gold, 91.97 metric tons of silver and 15,000 metric tons of copper, while Warintza stands out for its 28.93 metric tons of gold and 2,700,000 metric tons of copper. Combined, these resources represent an additional 57.02 metric tons of gold, 495.35 metric tons of silver, and 2,889,415 metric tons of copper.

Mining exports have become an increasingly vital component of Ecuador's economy. In 2023, the sector contributed 9.49% of total exports, with revenues exceeding U.S.\$2.149 billion. The Mirador Project alone accounted for U.S.\$859.77 million in copper exports, while the Fruta del Norte Project contributed U.S.\$703.62 million from gold and silver exports.

Mining Policy

COVID-19

The outbreak of the COVID-19 pandemic in 2020 affected the normal operations of the mining industry in Ecuador. Following the State of Emergency declared by former President Moreno in March 2020, various mining projects such as the Fruta del Norte Project and the Mirador Project halted normal production and switched to a maintenance phase. Other parts of the sector worked on a similarly limited basis, while a portion completely detained operations. According to the MEM, as of May 6, 2020, the COVID-19 crisis, and in particular the constraints to mobility and other restrictions resulting from the State of Emergency, had prevented the export of minerals valued at approximately U.S.\$72.5 million with 70% of such losses coming from the copper and gold operations at Mirador and Fruta del Norte. The mining sector has since recovered with registered exports increasing between 2020 and 2024. According to data from the Central Bank, the mining industry registered exports of U.S.\$2,092 million in 2021, U.S.\$2,775 million in 2022, U.S.\$3,324 million in 2023 and U.S.\$1,642 million in the six months ended June 30, 2024.

The Constitutional Court

In 2018, local authorities of the town of Cotacachi filed a protective action against the Minister of the Environment and the manager of *Empresa Nacional Minera ENAMI EP* in relation to the Río Magdalena mining project carried out in partnership with Canadian mining company Cornerstone Capital Resources in the Los Cedros protected forest and the mining concessions and environmental permits granted to *Empresa Nacional Minera ENAMI EP* by the Ministry of Environment, Water and Ecological Transition (the "MAATE") (formerly the Ministry of Environment). The protective action sought to stop all mining activity in Los Cedros and claimed that the rights of nature had been violated

and that communities in the area had not been consulted prior to the granting of such concessions and permits. The court of first instance denied the action deciding that constitutional rights had not been violated and that it was a strictly administrative matter. However, after an appeal, the court of second instance partially accepted the claim and in particular declared a violation of the right to participation pursuant to Article 61.4 of the 2008 Constitution and ordered that all mining activity in Los Cedros cease until an assessment of the rights of nature was conducted. Local authorities filed an additional remedy against the lower court's decision, resulting in an appeal to the Constitutional Court to seek express determination on whether the rights of nature had been violated. In December 2021, following their review, the Constitutional Court declared that the mining concessions and environmental permits previously granted had violated the 2008 Constitution in relation to: (i) the right of the Los Cedros; (ii) the right to water and a healthy environment; and (iii) the right of local communities to prior consultation. As a result, the Constitutional Court revoked the environmental license, water permits and mining concessions granted and prohibited any extractive activity that may be harmful to the Los Cedros. It also ordered the MAATE to take all necessary measures to preserve Los Cedros and its rights, and to draft new regulations imposing stricter environmental standards for permits for extractive activities.

Local authorities in the Andean city of Cuenca proposed that the Constitutional Court approve five questions for a referendum, which sought to gauge public opinion on whether large scale mining in areas surrounding the five rivers that supply Cuenca's water (the Tomebamba river, the Yanuncay river, the Machángara river, the Tarqui river and the Norcay river) should be allowed. On January 12, 2022, the Constitutional Court upheld the constitutional right of communities (not only those in Cuenca) to have prior consultation before the Government moved forward with any mining or other extractive projects. The Constitutional Court also clarified that if the community does not consent to the proposed extractive activities in the referendum, the result would apply to future mining projects to uphold the principle of legal certainty.

Also in 2018, the indigenous community of the Sinangoe area brought a constitutional action alleging that mining concessions granted and in process violated their constitutional right to prior consultation, the right to live in a healthy environment, the right to clean water, health and food and the rights of nature. The court of first instance and appellate court determined that the rights of the indigenous communities had been violated and, as a result, 52 mining concessions in the areas of the Cofanes, Chingual and Aguarico rivers in Sinangoe were revoked. The MEM, among others, appealed the judgment of the appellate court and the matter was heard by the Constitutional Court. On January 27, 2022, the Constitutional Court upheld the decision of the appellate court. As part of their decision, the Constitutional Court clarified that the constitutional right to prior consultation is not limited to plans or projects within indigenous lands, but also to those that may affect indigenous lands. The decisions made by the Constitutional Court in respect of Los Cedros and Sinangoe were issued in accordance with the review authority of the Constitutional Court and therefore are not subject to appeal.

On March 24, 2019, a referendum was held regarding mining activities in the Canton Giron in the Azuay province. The decision was against mining activities taking place. This referendum took place as the previous Constitutional Court failed to issue a decision within the required term. On February 7, 2021, a local referendum was held in Cuenca, where 86.7% voted to prohibit large scale metallic mining exploitation in the hydric recharge zones of four rivers.

On August 18, 2020, an Ecuadorian subsidiary of INV Metals Inc. (which subsidiary currently belongs to Dundee Precious Metals), which operates the mining project Loma Larga, filed a constitutional lawsuit before the Constitutional Court against the resolution enacted by the *Consejo Nacional Electoral* (the "**National Electoral Council**") by which the referendum regarding mining activities in the Canton Giron was carried out. The principal arguments of the lawsuit were that: (i) in a Constitutional State of Rights and Justice, such as Ecuador, a referendum that will be submitted to popular consultation cannot become constitutional by the mere passage of time; (ii) the challenged resolution would affect the right to legal certainty and third-party legitimate rights (such as for Loma Larga); and (iii) the referendum was neither effective nor enforceable, due to a lack of formalities in the question asked to the local electorate and more generally that the referendum did not comply with the Constitution and applicable legislation. On July 28, 2021, the defendant filed its defense before the Constitutional Court and claimed that it had acted in accordance with the Constitution and the law, and rejected the company's arguments. As of the date of this Annex, the Constitutional Court has not ruled on this case. If the unconstitutionality is declared, the referendum, as well as the results of rejecting mining activities in the Quimsacocha hydric zone, would contravene the Constitution. The Constitutional Court has ruled in other cases that referendums aiming to prohibit mining activities may only affect future mining projects and cannot be used as a means to cancel existing concessions.

Executive Decree

In August 2021, former President Lasso issued Decree 151, which contained the ‘Action Plan for the Mining Sector’. The Action Plan for the Mining Sector sought to facilitate: (i) the achievement of efficient and environmentally and socially responsible mining; (ii) the determination of the local geological potential for domestic and foreign investment; and (iii) the introduction of the best practices for the exploitation of such resources. However, Decree 151 was repealed after strikes led by CONAIE in June 2022 following which the Government signed the Agreement for Peace with CONAIE (see “—*Summary Information and Recent Developments Regarding Ecuador*”).

The Republic issued Decree 468 in June 2022, which specified that: (i) the President would not exercise the exceptional power provided in the 2008 Constitution that allows the President to request the extractive activity of non-renewable natural resources in protected areas, areas declared as intangible, in ancestral territories and archaeological zones in accordance with the law; (ii) the President had instructed the Ministry of Energy and Mines not to present or approve new projects for the extraction of non-renewable natural resources in protected areas, intangible zones, ancestral territories and archaeological zones; and (iii) the President had requested the development of the law relating to free and informed consultation with the indigenous communities in affected areas, prior to the execution of any new natural resource extraction projects.

The mining cadaster, which grants new licenses and concessions for mining areas in accordance with the law, has remained closed since 2018 while a re-organization is conducted by the Republic with a view to providing greater transparency. The Ministry of Energy and Mines signed a contract to develop a new mining management system (the “SGM”) with the Canadian company Pacific Geotech Systems Ltd, which includes 33 processes aimed at re-opening the cadaster system and proper mining management. The SGM is expected to launch between November 2024 and January 2026, and the final product delivered no later than March 2026. Currently, work is underway on a preliminary Phase I of the mining cadaster system, which is expected to be launched in the coming months.

Electricity and Water

In November 2021, President Lasso issued the Electricity Sector Policies through Decree 238. Among other things, this decree sought to promote the implementation of the necessary institutional and regulatory framework to guarantee the sustained increase of the installed capacity of electric power generation in Ecuador. It also asked for public tenders for, among others, the concession of the 500 ERNC, the Northeastern Transmission System and the 400 CCGN. In January 2023, with respect to the 500 ERNC tender, ten companies were awarded with concession contracts for having filed bids below the reserve price. These projects, which totaled 511,31MW, include six solar photovoltaic projects, three hydro-electric projects and a wind project.

In 2023, the 400 CCGN project and the Northeastern Transmission System finalized their respective public bidding process with no bids submitted prior to the deadline. Through the 400 CCGN project as originally presented, the power plant will use gas thermoelectric generation units, based on conventional combined cycles with gas turbines or internal combustion engines. The concession will have a 25-year term and will require an estimated investment of U.S.\$600 million. The awarded bidder and subsequent concessionaire will be responsible for ensuring the supply of natural gas in the quantity, quality, and timeliness required to operate the power plant. The Northeastern Transmission System will provide transmission infrastructure to connect the National Interconnected System with the Oil Interconnected Electric System, located in northeastern Ecuador, which will provide clean energy to the oil industry. Its construction will require an estimated investment of U.S.\$386 million and a concession term of 30 years. It includes the construction of three transmission sub-systems, six new substations with a transformation capacity of 539.5 mega volt-amperes MVA and 290 km of transmission lines, energized at 230, 138 and 69 kilovolts, which will supply around 300 megawatts of SEIP demand. As of the date of this Annex, the Government is working on new public offer for the 400 CCGN project, but no such efforts have yet been made as of the date of this Annex in connection with the Northeastern Transmission System project.

Hydroelectric

As of December 31, 2021, 2022 and 2023 and June 30, 2024, hydroelectric plants supplied approximately 25,556 GWh (89.55%), 24,624 GWh (83.96%), 25,339 GWh (77.95%) and 15,462 GWh (79.17%), respectively, of the power in Ecuador.

The increase in power supplied by hydroelectric plants is due to the development of a matrix of hydroelectric plants built throughout Ecuador, notably the Delsitanisagua plant in 2020 and the Minas San Francisco plant in 2021. Ecuador's objective in developing this matrix is to reduce its consumption of oil through oil based generators, thereby increasing oil imports and electric energy imports and improving energy independence. Ecuador also plans to replace household oil-based consumption (for cooking and heating as further described below) with electricity-based consumption through the hydroelectric power grid, with the goal of eliminating the need for a liquified petroleum gas subsidy.

The Santiago hydroelectric project is located at the Morona Santiago province and has a 3,600 MW capacity expected to generate approximately an average of 15.060 GWh per year. The required investment for the Santiago hydroelectric project is U.S.\$2,590 million. The Cardenillo hydroelectric project is located at the Azuay province, and has a 596 MW capacity expected to generate an average of approximately 3.356 GWh per year. The required investment for the Cardenillo hydroelectric project is U.S.\$1,050 million.

The 1,500 MW Coca Codo Sinclair plant was inaugurated on November 18, 2016. As of December 2022, it could generate an average of 6.83 GWh per year; however, as of the date of this Annex, generation has been affected by significant operational limitations due to reduced water levels of the Coca River, its main water source (see "*The Republic of Ecuador— Ecuador's Power Sector Crisis*"). On September 27, 2024, the plant generated up to 1,100 MW, accounting for approximately 50% of the nation's hydroelectric energy that day. Between November 1 and November 10, 2024, amidst the crisis in Ecuador's electric power sector, the plant delivered an average of 479 megawatts, representing approximately 32% of its maximum capacity of 1,500 megawatts. On November 10, generation dropped to 324 megawatts, just 20% of its capacity.

In November 2016, all eight turbines in the plant became operational, each generating 187.5 MW and a total of 1,500 MW of power, or 30% of Ecuador's electricity needs. However, due to lower-than-expected demand in 2017, the plant supplied 25% of Ecuador's electricity needs, or 5.838 GWh. The plant is expected to reduce 3.5 million tons of carbon emissions per year and replace oil energy consumption for domestic purposes such as cooking and water heating. The plant joined the existing infrastructure of hydroelectric plants that include the 21 MW Mazar plant in the Azuay province, the 1,075 MW Paute-Molino plant near Cuenca, the 270 MW Minas San Francisco plant, the 50 MW Quijos plant, and the 487 MW Sopladora and Cardenillo plants planned along the Paute River. On November 5, 2018, the German multinational TÜV SÜD was selected to diagnose the state of the structure and establish a viable plan of action for any necessary repairs, after a draft report by the Government found certain structural deficiencies in the project. In March 2023, more than 7,000 cracks have been repaired by Sinohydro, a Chinese construction company, in the Coca Codo Sinclair plant and during the first quarter of 2023 an investigation was commenced in respect of alleged bribes in respect of this plant during the administrations of former President Moreno and former President Correa.

Many of these hydroelectric projects are financed through agreements with bilateral lenders, including (i) China Exim Bank, which provided U.S.\$1,700 million to finance the Coca Codo Sinclair project, U.S.\$571 million to finance the Sopladora hydroelectric project and U.S.\$313 million to finance the Minas San Francisco hydroelectric project; (ii) the Brazilian National Economic and Social Development Bank, which provided U.S.\$90.2 million to finance the Manduriacu hydroelectric power plant project near Quito; and (iii) Société Générale and Deutsche Bank, which in April 2014 committed to together provide an additional U.S.\$50 million to finance the Manduriacu hydroelectric power plant.

Construction on a new line of hydroelectric plants commenced in 2016, including the 180 MW Delsitanisagua hydroelectric plant and the 254 MW Toachi Pilaton hydroelectric plants, as well as the construction of a reservoir in the Minas San Francisco project. The construction of these hydroelectric plants was as a result of enhanced efforts by the Government to invest in the sector. The Minas San Francisco power station was completed and inaugurated on January 15, 2019 and was expected to benefit 220,000 families in Southern Ecuador. The Delsitanisagua plant became operational in December 2018. Over its five years of service as of December 2023, it contributed approximately 4,276.34 GWh of renewable energy to the system. In October 2024, the Ministry of Energy announced that the Toachi Pilatón plant is nearing operational status after more than 14 years of development. The project, with a capacity of 204 megawatts, is expected to begin generating electricity by the end of December 2024.

In 2020, the Government increased investment in the water sector in order to alleviate flood conditions and access to potable water in various parts of Ecuador. Ecuador's national water authority, *Secretaría de Agua*, invested U.S.\$1,233

million out of U.S.\$1,560 million for six multi-purpose projects to improve flood control and irrigation. One of the most important projects in the water sector was the Multipropósito Chone project in the Manabí province. Financed by the Government and private partners, the U.S.\$168.4 million project built a dam to alleviate the flood conditions of the region. The project also built a drain system, which serves for irrigation purposes and provides a drinking water supply for Chone city. The cost of this project included mitigation costs of U.S.\$41.7 million in the surrounding areas to compensate inhabitants in those areas. Other water projects in 2020 included: (i) the Cañar project at a cost of U.S.\$360.5 million to protect approximately 40,000 hectares along the Cañar River and its adjoining streams through a system of levees, including a 24-kilometer bypass; (ii) four new bridges; (iii) a flood regulatory system and 173 km of dyke walls; (iv) the U.S.\$372.7 million Daule-Vinces project that redirects water from the Daule River and transports it along a 38.73 kilometer canal to dry farmlands; (v) the Naranjal project at a cost of U.S.\$181.7 million to protect approximately 44,000 hectares, seven new bridges and 158 km of dyke walls.

In 2021, water projects included: (i) construction of a project of technified irrigation system at the level of plots in crops in the community Colón-Quimis, Canton Portoviejo, province of Manabí at a cost of U.S.\$3,560.2 million; (ii) integral rehabilitation of the irrigation system Campana Malacatos, Malacatos parish, Canton Loja Etapa at a cost of U.S.\$5,903.3 million; and (iii) a project to improve the levels of agricultural production through the construction of a drainage channel and perimeter retaining wall of the southern zone of the city of Babahoyo, for the control of irrigation and drainage flows for the benefit of the agricultural sector of the irrigation and drainage boards Las Merceditas and Babahoyo, located in the Babahoyo Canton province of Los Ríos at a cost of U.S.\$1,216.9 million.

In 2022, water projects included: (i) construction of the Cacaloma-Chilcaplaya irrigation system at a cost of U.S.\$654.0 million; (ii) Construction of the main pipeline of the irrigation system Tarau Pungales, parishes Matriz, La Providencia and Guanado of the Canton Guano at a cost of U.S.\$3,054.4 million; (iii) construction of the San Pedro Irrigation System, El Guabo Canton-El Oro Province at a cost of U.S.\$793.6 million; and (iv) an irrigation system in the Guachal enclosure, Súa parish, Atacames Canton, province of Esmeraldas at a cost of U.S.\$668.8 million.

These flood control projects reduce the social and economic damage caused by floods in the winter season, allowing the Government to reallocate resources previously used to repair the damage to other projects. In 2022, the electric and water sectors contributed a total of U.S.\$2,070 million to the GDP, an increase compared to U.S.\$1,997 million in 2021. In 2023, the electric and water sectors contributed a total of U.S.\$2,239 million to the GDP, an increase compared to U.S.\$2,070 million in 2022. For the six months ended June 30, 2024, the electric and water sectors contributed a total of U.S.\$1,167 million to the GDP, an increase compared to U.S.\$1,123 million in the same period in 2023.

On October 26, 2023, Ecuador implemented of power cuts across the country due to the impact of El Niño weather patterns on its hydroelectric plants. The Ministry of Energy and Mines reported that drought conditions had significantly reduced water levels in reservoirs. These reservoirs feed hydroelectric plants, which supply a significant portion of the country's electricity. The power cuts, lasting up to two hours per day, were scheduled to begin on October 31, 2023. The Government stated that the cuts were necessary to prevent a more severe energy crisis and to ensure the stability of the national electrical system.

In 2024, Ecuador continued to face a severe energy crisis, driven primarily by the unprecedented drought that drastically reduced water levels in key reservoirs, particularly in the Paute and Mazar basins. The crisis resulted in widespread blackouts, with power outages lasting up to 14 hours a day, and had a significant financial impact, with estimated losses in the business sector of approximately U.S.\$12 million for every hour without electricity, according to the Ecuadorian Business Committee (*Comité Empresarial Ecuatoriano*). The Government declared multiple states of emergency throughout 2024 to address the energy crisis, deploying the military to protect critical infrastructure and fast-tracking efforts to boost domestic energy production by up to 1,430 megawatts in the coming years. By September 2024, the country had experienced 71 days without significant rainfall, severely impacting its hydroelectric power plants that supply about 70% of the country's electricity. In response to the crisis, the Government has declared a red alert in 19 provinces, including Quito, and imposed planned power outages across 12 of Ecuador's 24 provinces. The blackouts, initially scheduled for eight hours nightly from Monday to Thursday, were extended to include a nine-hour suspension on Sunday from 8:00 a.m. to 5:00 p.m. local time. Additionally, in September 2024, water rationing was implemented in 60 neighborhoods in Quito. The Government also deployed military personnel to key hydroelectric facilities, such as the Mazar plant, to support operations and ensure protection. On September 24, 2024, three of Ecuador's major hydroelectric dams became offline due to low water levels. This situation has exacerbated the

country's ongoing energy crisis. The affected dams, which normally provide about 30% of Ecuador's electricity, are expected to remain non-operational until water levels recover.

Geothermal

On October 1, 2019, CELEC authorized the entry into a U.S.\$60.1 million line of credit with the Government of Japan through the Japan International Cooperation Agency (the "JICA") to develop Ecuador's first geothermal project, the 50 MW Chachimbiro plant, which requires an estimated U.S.\$250 million investment and is located at the Urcuquí Canton of the Imbabura province. The project is part of the Government's long-term national policy to expand the electric power sector of Ecuador, and will be executed in two phases: the initial field development from 2024 to 2028, with an estimated investment of U.S.\$80 million, co-financed by the Japanese Government through an Official Development Assistance loan capped at approximately U.S.\$42.76 million, supplemented by CELEC's own funds; and the second phase, focused on plant construction, requiring U.S.\$170 million between 2029 and 2032. The signing of the credit agreement took place on October 3, 2024. CELEC is progressing with the procurement process for the comprehensive civil design for Phase 1, with adjudication pending, and has initiated preparations for consulting on water source identification for drilling. Additionally, an extended agreement with NOVOPAN secures access to the necessary land for the project's development.

Wind and Solar

The Republic has signed 11 concession contracts for renewable energy projects, representing a total capital expenditure investment of U.S.\$1.056 billion and annual operational and maintenance costs of approximately U.S.\$26.02 million. These projects will add 833 MW of renewable energy capacity to the national system and include a mix of wind and solar photovoltaic initiatives, aiming to reduce the country's reliance on non-renewable energy sources. The key projects include Villonaco III, El Aromo, and Conolophus.

The Villonaco III project is a wind power initiative located in the Loja Province with a nominal power of 110 MW and an investment of U.S.\$180 million. The El Aromo photovoltaic solar project, situated near Manta in the Manabí Province, has a nominal power of 200 MW and an investment of U.S.\$144.38 million. The Conolophus photovoltaic project, located in the Galápagos Islands, has a declared capacity of 21.3 MW and an investment of U.S.\$63 million. These projects have finalized concession contracts and are expected to contribute significantly to Ecuador's renewable energy capacity.

On March 31, 2023, the Huascachaca Wind Project, which cost approximately U.S.\$90 million, commenced operations. It is located in Saraguro, Loja province and is the largest wind project in Ecuador with a power of 50 MW. It is expected to supply 130 GWh to approximately 90,000 homes. This private project consists of 14 wind turbines, each of 3.571 MW.

Telecommunications

In 2021, the telecommunications sector accounted for U.S.\$2,292 million (2.1% of the GDP), a decrease of 0.8% compared to U.S.\$2,310 million (2.4% of GDP) in 2020. In 2022, the telecommunications sector accounted for U.S.\$2,431 million (2.1% of the GDP), an increase of 6.1% compared to U.S.\$2,292 million (2.1% of GDP) in 2021. In 2023, the telecommunications sector accounted for U.S.\$2,508 million (2.1% of the GDP), an increase of 3.1% compared to U.S.\$2,431 million (2.1% of the GDP) in 2022. For the six months ended June 30, 2024, the telecommunications sector accounted for U.S.\$1,239 million (2.0% of the GDP), a decrease of 2.4% compared to U.S.\$1,269 million (2.1% of GDP) in the same period in 2023.

In 2008, Ecuador granted Spain's Telefónica (currently operating in Ecuador as "Movistar") and Mexico's América Móvil (currently operating in Ecuador as "Claro") 15-year concession contracts to provide Ecuador with telephone and 3G services. The concessions are extensions of previous agreements both companies had with Ecuador and are expected to generate U.S.\$840 million in revenues for Ecuador over the course of the term of the concessions. In February 2015, Ecuador amended the concession to provide Ecuador with 4G services. Since 2021, the Government has engaged in protracted negotiations with telecommunications giants Claro and Movistar spanning multiple administrations to renew the concession contracts for both operators to continue providing mobile services in Ecuador.

These negotiations were initially set to conclude by May 2024, but faced delays due to a lack of agreement. The Government of President Noboa, as part of its 2024 budget proposal, anticipated receiving in revenue from these negotiations over 15 years U.S.\$410 million from frequency renewals and an additional U.S.\$150 million from concession contract renewals with these mobile operators. On June 6, 2024, Telecommunications Minister César Martín Moreno announced the resumption of negotiations, which had been suspended since May 2023. The latest round of talks aimed to discuss specific contract clauses, operators' obligations and the value of the radio spectrum. As of the date of this Annex, the negotiations were ongoing. The new contracts are expected to include terms and conditions related to service improvements, such as commitments to enhance connectivity and efforts to reduce the digital divide in Ecuador.

Telecommunications Policy

In February 2015, the National Assembly enacted the *Ley Orgánica de Telecomunicaciones* (the “**Telecommunications Law**”) as a means to improve access to quality telecommunications services and to increase the use of information technology in rural sectors.

In 2022, a new schedule of fees for telecommunication and broadcasting services and for use of radiospectrum was issued with the goal of reducing costs to final users and promoting greater access to the new technologies. The Government also established telecommunications reforms in 2022, including: (i) the reduction of the ICE for fiber optic cables; (ii) the elimination of tariffs for routers, satellite dishes and technological equipment; and (iii) the obligation to allocate 50% of the revenue from the universal service contribution and up to 50% of the rates for payment of the use of the radio spectrum to reinvest in order to meet the ‘Universal Service’ target, closing the digital divide and for the modernization of the State.

In February 2023, the *Ley Orgánica de Transformación Digital* (the “**Law for Digital Transformation**”) was enacted to promote the creation of opportunities by attracting and encouraging investments in the global digital economy. This law seeks to close the digital divide by encouraging the deployment of community networks in marginal and rural urban areas through self-management or help from natural or legal persons with open network design, without proprietary specifications for access and connection with other public networks, which will have a preferential tariff regime.

Other Sectors of the Economy

Agriculture

Before the discovery of petroleum fields in provinces of the Orient region in the 1970's, the agriculture sector had traditionally been the largest contributor to Ecuador's GDP. In 2023, of Ecuador's total 261 million hectares, 5.1 million were devoted to agriculture and livestock. Ecuador's diverse climatic conditions, varying altitudes and rich volcanic soil are well suited to tropical and subtropical agriculture. Ecuador's primary product from this sector, which is also the Republic's most significant non-oil export, is bananas. Ecuador also exports significant amounts of coffee, flowers, and cacao.

In 2022, the agricultural sector represented 5.96% of the GDP compared to 6.5% of the GDP in 2021. In 2023, the agricultural sector represented 6.49% of the GDP compared to 5.96% of the GDP in 2022. During the first seven months of 2024, the agriculture sector represented 6.6% of the GDP, compared to 6.7% of the GDP in the same period in 2023.

In 2022, banana and plantain exports totaled U.S.\$3,268 million, a 6.2% decrease from U.S.\$3,485 million in 2021 primarily due to the reduction of exports to Europe because of the war between Russia and Ukraine. In 2023, banana and plantain exports totaled U.S.\$3,771 million, a 15.4% increase from U.S.\$3,268 million in 2022 primarily due to a price increase of 14%. During the first seven months of 2024, banana and plantain exports totaled U.S.\$2,219 million, a 3.3% decrease from U.S.\$2,295 million during the same period of 2023, primarily due to a 10% reduction in the amount exported.

In 2022, cacao exports totaled U.S.\$866 million, a 5.9% increase from U.S.\$817 million in 2021 primarily due to the increase in exports to Malaysia, Canada and China. In 2023, cacao exports totaled U.S.\$1,171 million, a 35.2% increase from U.S.\$866 million in 2022 primarily due to the increase in the average international price of cocoa

(33.2%). During the first seven months of 2024, cacao exports totaled U.S.\$1,386 million, a 195% increase from U.S.\$470 million during the same period in 2023, primarily due to the higher average international price of cocoa (144.7%).

In 2022, flower exports totaled U.S.\$951 million, a 4.6% decrease from the U.S.\$997 million in 2021, primarily due to the increase in shipments to Kazakhstan, Chile and the Netherlands. In 2023, flower exports totaled U.S.\$987 million, a 3.85% increase from the U.S.\$951 million in 2022 primarily due to a 3.8% increase in the amount exported. During the first seven months of 2024, flower exports totaled U.S.\$603 million, a 1.5% increase from U.S.\$594 million during the same period in 2023, primarily due to a 4.1% increase in the international price per metric ton.

In February 2024, Russia imposed a partial ban on Ecuadorian banana imports in retaliation against Ecuador for its negotiations at the time of an arms deal with the United States. This action could have had significant economic implications for Ecuador, as Russia accounted for approximately 20% of Ecuador's banana exports in 2023. The Russian veto extended beyond bananas, with threats to restrict imports of Ecuadorian carnations as well. On February 23, 2024, the Government cancelled the planned arms exchange with the United States after learning that some of the weapons were intended to be sent to Ukraine. See "*The Republic of Ecuador—Recent Geopolitical Conflicts.*"

In addition, one of the main economic effects of the Russia/Ukraine war on Ecuador has been a shortage of fertilizers and grains, which led to an increase in international prices caused by the decrease in Russian and Ukrainian production from the international market. For Ecuador, this resulted in higher production costs for farmers. The Government responded by seeking alternative suppliers and implementing programs to support domestic fertilizer production. In 2023, Ecuador signed agreements with Morocco and Bolivia to secure fertilizer supplies, helping to stabilize prices for agricultural inputs. In the energy sector, the steady rise in oil and gas prices also affected the costs of fertilizers. In this context, Ecuador had to look for other agricultural supplies from different countries, such as the United States, China, Italy and Chile. The effect of the war on domestic prices has been largely contained by Government subsidies on fuel and urea, as well as the appreciation of the U.S. dollar. See "*The Republic of Ecuador—Recent Geopolitical Conflicts.*"

Fishing

Another important aspect of Ecuador's agriculture is its fishing exports. Ecuador exports significant amounts of tuna and other fish; however, its predominant fishing export is shrimp. Ecuador is the largest shrimp producer in the Americas, and one of the largest in the world. Since 2019, Ecuador's shrimp exports have grown significantly as a result of improvements in productivity, investment in research and development and innovation. Ecuador's success in the shrimp market has displaced traditional markets such as India and Thailand.

In 2022, shrimp exports totaled U.S.\$7,289 million, a 36.9% increase from U.S.\$5,323 million in 2021 primarily due to the demand rebound, reopening of markets and new sales channels and changes in consumption patterns following the lifting of social distancing and lockdown measures imposed in response to the COVID-19 pandemic. In 2023, shrimp exports totaled U.S.\$7,205 million, a 1.1% decrease from U.S.\$7,289 million in 2022 primarily due to lower international prices. During the first seven months of 2024, shrimp exports totaled U.S.\$4,113 million, a 6.45% decrease from U.S.\$4,397 million in the same period of 2023, primarily due to lower international prices associated with an economic slowdown in China.

In 2022, fishing exports, other than shrimp, totaled U.S.\$385 million, a 4.9% increase from U.S.\$367 million in 2021 primarily due to the demand rebound, reopening of markets and new sales channels and changes in consumption patterns following the lifting of social distancing and lockdown measures in response to the COVID-19 pandemic. In 2023, fishing exports, other than shrimp, totaled U.S.\$293 million, a 23.8% decrease from U.S.\$385 million in 2022, primarily due to the effect of heavy rains in the Costa region. During the first seven months of 2024, fishing exports, other than shrimp, totaled U.S.\$216 million, a 23.4% increase from U.S.\$175 million in the same period of 2023, primarily due to water cooling in the Pacific ocean after the rainy season.

Former President Lasso signed Decree 614 on December 2, 2022, eliminating a diesel subsidy for the shrimp industry for farms with more than 30 productive hectares (this was also a request from indigenous communities to focalize fuel subsidies). The Lasso Government estimated that this measure would allow yearly savings of approximately U.S.\$160 million. On January 23, 2023, several reforms were presented for the regularization of diesel commercialization for the industrial sector.

Manufacturing

Manufacturing, excluding petroleum products, is dominated by consumer products such as food, beverages, textiles, and paper, with a concentration of imported intermediate and capital goods. The manufacturing sector contributed 12.2%, 12.4% and 11.9% to GDP per year in 2021, 2022 and 2023, respectively.

In 2022, non-oil industrialized exports (canned fish, other metal manufactures, leather, plastic and rubber manufacture, and vegetable oil extracts) totaled U.S.\$2,315 million, an increase of 5.9% compared to U.S.\$2,185 million in 2021. In 2023, non-oil industrialized exports totaled U.S.\$2,096 million, a reduction of 9.4% compared to U.S.\$2,314 million in 2022. During the first seven months of 2024, the value of non-oil industrialized exports totaled U.S.\$1,411 million, an increase of 18% compared to the same period in 2023.

Ecuador's membership in international trade organizations and its status as a party to various multilateral agreements—such as partial scope agreements with Cuba, Mexico, Mercosur, Chile, Guatemala, Nicaragua and El Salvador under the Latin American Integration Association (“**ALADI**”), as well as an Agreement on Economic Integration with the European Free Trade Association (“**EFTA**”), its involvement in the Community of Latin American and Caribbean States (“**CELAC**”) and the Community of Andean Nations (“**CAN**”)—have contributed to the opening of new markets for the exports of Ecuador and challenged domestic manufacturers to gain competitiveness in the international market.

On December 12, 2014, representatives from Ecuador's Ministry of Foreign Commerce signed a trade agreement with the European Union. In 2023, 19% of Ecuador's non-petroleum exports, or U.S.\$4,270 million, were exported to the European Union, compared to 18.2%, or U.S.\$3,811 million, in 2022. On May 15, 2021, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union as a result of the United Kingdom's exit from the European Union. With this trade agreement, the Republic and the United Kingdom intended to replicate their trade commitments under the Multiparty Trade Agreement with the European Union. This agreement will not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. For more information, see “*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy.*”

Since the ratification of the ICSID Convention in 2021 under former President Lasso, Ecuador concluded foreign trade agreement negotiations with China and restarted foreign trade agreement negotiations with South Korea in March 2022 after a 6-year pause. As of the date of this Annex, the Government expects the trade agreement to come into effect by the first quarter of 2025. However, further procedural steps are pending within South Korea, which is currently processing the agreement through its relevant ministries. Once completed, the Government plans to submit the agreement to the Constitutional Court for approval, followed by ratification in the National Assembly. See “*Balance of Payments and Foreign Trade – Foreign Trade.*”

Construction

In 2021, 2022 and 2023, the construction sector accounted for 4.02%, 4.07% and 3.95% of GDP, respectively. In 2022, construction activity increased by 0.05% in nominal terms compared with 2021. In 2023, construction activity decreased by 0.12% in nominal terms compared with 2022.

Tourism

Between 2019 and 2023, tourism's participation in GDP showed an upward trend (except in 2020). This industry represented 1.4% of GDP in 2019 prior to the COVID-19 pandemic. In 2021, tourism represented 1.28% of GDP, 2.0% of household consumption and 4.8% of goods exports. In 2022, tourism represented 1.24% of GDP, 1.9% of household consumption and 4.0% of goods exports. In 2023, tourism represented 1.3% of GDP, 1.9% of household consumption and 4.3% of goods exports.

Between 2016 and 2019, foreign currency income from non-residents personal trips to Ecuador was approximately U.S.\$1.8 billion per year. Mobility restrictions during the pandemic reduced this inflow to U.S.\$590 million in 2020.

Transportation

The most significant road projects in Ecuador are the Manta (Ecuador)-Manaus (Brazil) road network, linking the Pacific Ocean with the Atlantic, and the Troncal-Amazonica road, which runs from north to south, linking the Colombian and Peruvian borders. The Troncal-Amazonica road was completed in early 2016 with the construction of the El Tigre bridge and a portion of the Manta-Manaus road network. Neither project is a toll road and both were financed by oil revenues and financing from CAF.

In the one-year period between May 2018 and May 2019, the Government invested approximately U.S.\$800 million in building, rebuilding and expanding 14 highways and five bridges, and started the Quito-Guayaquil super-highway connecting Ecuador’s two most important cities. During that period, the Government granted concessions for the construction of roads and highways connecting the cities of Machala and Salinas to Guayaquil, and started the process to grant a concession over the construction of a highway connecting Jujan, Quevedo and Santo Domingo.

In February of 2013, a new international airport opened in the suburbs of Quito. The airport cost U.S.\$700 million and was financed by Quiport S.A., an international consortium led by AECON Construction Group and HAS Development Corporation (“AECON”). The airport features the largest control tower and the longest runway of any international airport in Latin America. Phase 2 of the airport, which includes the expansion of the passenger terminal, new jet bridges, and the expansion of the shopping areas was financed by Quiport S.A. and cost U.S.\$70.5 million. Construction of Phase 2 of the airport was completed in 2015 and began operating as a passenger terminal in May of that year. A new road and bridge to reduce congestion from the previous single bridge and highway that led to the airport have also been completed.

In February 2014, the municipality of Cuenca began construction of the *Tranvía Cuatro Ríos*, a 21.4km tram system with 27 stations. The project planned to connect the airport and city-center to the outlying suburbs of the city. The project was estimated to cost U.S.\$232 million and was financed, in part, by a 15-year loan entered into in January 2013 pursuant to the French Government’s Emerging Country Reserve Loan program.

Construction of a subway system in Quito based on the Metro of Madrid, began in 2012. It was officially inaugurated in December 2022 and became fully operational in December 2023. This metro system connects the northern business and residential areas of Quito to Quito’s historic city center and consists of 22.5km of one subway line with 15 stations expected to serve approximately 400,000 daily passengers. The project’s cost exceeded U.S.\$2,009 million and was partially financed with loans from multilateral organizations such as the World Bank, the IDB, the European Investment Bank and CAF. Former President Lasso, during the celebration of the 48th anniversary of the founding of Quito, reaffirmed the Government’s commitment to assume 50% of the outstanding debt for the Quito Metro, which is equivalent to U.S.\$150 million, in addition to the U.S.\$750 million already assumed by the Central Government.

Employment and Wages

The National Council on Employment and Wages sets the minimum wage for workers in the private sector on an annual basis. The monthly minimum wage for a job in the private sector increased from U.S.\$400 for 2021 to U.S.\$460 for 2024. Public sector employee wages are based on the wage scale determined by the Ministry of Labor.

The following table shows the increase in minimum wage from 2021 to 2024:

	MINIMUM WAGE			
	2021	2022	2023	2024 ⁽²⁾
	<i>(in U.S.\$)</i>			
Monthly Minimum Wage ⁽¹⁾	400	425	450	460

Source: Republic of Ecuador, Ministry of Employment

(1) Minimum wages set annually.

(2) For 2024: Republic of Ecuador, Ministry of Employment, Ministerial Agreement MDT-2023-175.

Private employee salaries received a boost with the introduction of the ‘Living Wage’ concept into the Republic’s labor laws in December 2010. This law dictates that any company that generates a profit will distribute it among its

employees until their total income has risen to the level of the living wage. The value of the living wage is determined annually by INEC on the basis of the cost of living and the number of family members in each family unit.

The following table shows certain labor force and employment data at the end of the following years:

LABOR FORCE AND EMPLOYMENT

	As of December 31,		
	2021	2022	2023
	<i>(in thousands of persons, except percentages)</i>		
Total Population ⁽¹⁾	17,614	17,175	17,835
Labor Force ⁽²⁾	12,758	12,941	13,033
Labor Force Participation ⁽³⁾	8,603	8,358	8,434
Labor Force Participation Rate	67.4%	65.9%	64.7%
Employed Labor Force	8,246	8,091	8,110
Unemployed Labor Force	357	267	324
Unemployment Rate ⁽⁴⁾	4.1%	4.4%	3.8%

Source: Data based on figures from INEC, National Survey: Employment, Unemployment and Underemployment (ENEMDU) Labor Indicators, as of December 2023.

(1) Total population numbers based on INEC's yearly projections.

(2) Refers to population above minimum working age (15 years old), irrespective of employment status. Information available at: INEC, Evolution of the Variables Investigated in the Censuses in Population and Housing of Ecuador 1950, 1962, 1974, 1982, 1990, 2001, and 2010. https://www.ecuadorencifras.gob.ec/documentos/wb-mec/Publicaciones/Evolucion_variables_1950_2010_24_04_2014.pdf

(3) Also referred to as economically active population.

(4) As a percentage of economically active population.

From August 2021 to August 2024, the rate of unemployment decreased from 4.9% as of August 31, 2021 to 4.0% as of August 31, 2024. From August 31, 2023 to August 3, 2024, the rate of individuals who were unable to obtain full-time work to receive a salary meeting the official minimum wage, or underemployment remained at the same level.

The labor force participation rate of the Ecuadorian economy decreased by an aggregate of 0.1% from August 31, 2023 to August 31, 2024, unemployment increased by 0.5% and underemployment increased by 0.18% for that same period. In 2023, the labor force participation rate decreased to 64.7% from 65.9% in 2022, the underemployment rate decreased to 19.6% from 22.2% in 2022 and the unemployment rate decreased to 3.8% from 4.4% in 2022.

The following table sets forth information regarding the unemployment and underemployment rates for the periods indicated:

WAGE AND UNEMPLOYMENT

	As of December 31,		
	2021	2022	2023
	<i>(% of economically active population)</i>		
Unemployment rate ⁽¹⁾	4.1%	3.2%	3.8%
Underemployment rate ⁽²⁾	23.0%	22.2%	19.6%

Source: Data based on the INEC, Labor and Business Statistics, National Unemployment and Underemployment Rates. <https://www.ecuadorencifras.gob.ec/sistema-estadisticas-laborales-empresariales/>.

(1) Refers to population at or above the minimum working age that is not employed and is willing to work (even if not actively seeking work) as a percentage of the total labor force.

(2) Refers to individuals who are unable to obtain full-time work to receive a salary meeting the official minimum wage.

The Republic requested financial support from multilateral organizations such as CAF, the IDB, the IMF and the World Bank for assistance in combating unemployment and underemployment amounting to U.S.\$4,337 million for the year 2022, U.S.\$15 million for the year 2023 and U.S.\$250 million for the year 2024.

Poverty

The urban poverty rate decreased to 17.8% as of December 2022 from 20.8% as of December 2021, while the rural poverty rate decreased to 41% from 42.4% across the same period, resulting in an aggregate decrease of the poverty

rate from 27.7% as of December 2021 to 25.2% as of December 2022. Extreme poverty rates also decreased from 5.9% of all urban households as of December 2021 to 3.9% of all urban households as of December 2022, and 20.3% of all rural households as of December 2021 to 17.4% of all rural households as of December 2022, resulting in an aggregate decrease of the extreme poverty rate from 10.5% as of December 2021 to 8.2% as of December 2022.

The urban poverty rate increased to 18.4% as of December 2023 from 17.8% as of December 2022, while the rural poverty rate increased to 42.2% from 41.0% across the same period, resulting in an aggregate increase of the poverty rate from 25.2% as of December 2022 to 26.0% as of December 2023. Extreme poverty rates in turn decreased from 3.9% of all urban households as of December 2022 to 3.3% of all urban households as of December 2023, and increased from 17.4% of all rural households as of December 2022 to 23.7% of all rural households as of December 2023, resulting in an aggregate increase of the extreme poverty rate from 8.2% as of December 2022 to 9.8% as of December 2023.

The Republic believes that the significant expansion of the *Bono de Desarrollo Humano* (“**Human Development Bond**”) undertaken by the Government represents an important means of support for Ecuadorian households living in poverty. The Human Development Bond is a cash transfer program for those in the lower 40% of income distribution who are either representatives of households (preferably women who are listed as heads of households or spouses), mothers of children under the age of 16, persons above the age of 65 who are not affiliated with a social security system, or persons with 40% or more of a disability who are not affiliated with a social security system.

The following table shows the percentage of households in poverty for the periods indicated:

	PERCENTAGE OF HOUSEHOLDS IN POVERTY								
	Poverty Based on Income ⁽¹⁾			Extreme Poverty Based on Income ⁽²⁾			Poverty Based on Lack of Basic Necessities ⁽³⁾		
	Urban	Rural	Total	Urban	Rural	Total	Urban	Rural	Total
	(%)								
December 2020.....	25.4%	49.2%	33.0%	9.0%	29.1%	15.4%	22.3%	56.7%	33.2%
December 2021.....	20.8%	42.4%	27.7%	5.9%	20.3%	10.5%	22.0%	57.0%	33.2%
December 2022.....	17.8%	41.0%	25.2%	3.9%	17.4%	8.2%	21.3%	53.3%	31.4%
December 2023.....	18.4%	42.2%	26.0%	3.3%	23.7%	9.8%	21.0%	52.0%	30.8%
June 2024.....	17.2%	43.2%	25.5%	4.4%	24.1%	10.6%	n/a	n/a	n/a

Source: Data based on the INEC, Poverty Based on Income Results as of December 2020, 2021, 2022, 2023 and June 2024. <https://www.ecuadorencifras.gob.ec/pobreza-por-ingresos/>

(1) Persons whose income is below the poverty line. As of June 2024, the poverty line, as determined by Ecuador, is U.S.\$91.55/month, per person.

(2) As of June 2024, the extreme poverty line is U.S.\$51.60/month per person.

(3) This number is based on information taken at the census regarding the lack of availability of basic necessities. Variables considered in this figure include literacy rates and access to potable water, sewage systems and hygienic services, electricity, running water, telephone lines, doctors and hospital beds per 1,000 persons.

Social Security

The social security system in Ecuador is administered by the IESS, the ISSFA and ISSPOL. The Ecuadorian Social Security System is a trans-generational model where the current work force funds the benefits of those who are no longer in the work force and also permits retirees to make on-going contributions to their retirement fund.

Social security benefits are a constitutional right for all workers and their families, designed to protect the insured in case of illness, maternity, unemployment, disability, old age and death. The social security system also provides financing for workers’ housing. Ecuador’s social security system is financed by contributions from the Government, employers and employees. The level of employee contribution is based on an employee’s income. The monthly pension is based on a percentage of the insured’s average monthly earnings in his or her five highest years of earnings. The minimum monthly pension for retirees who contributed to the IESS is U.S.\$200 for ten or fewer years of contribution, U.S.\$240 for 11 to 20 years of contribution, U.S.\$280.20 for 21 to 30 years of contribution, U.S.\$320 for 31 to 35 years, U.S.\$360 for 36 to 39 years of contribution and U.S.\$400 for 40 or more years of contribution. Retirees benefit from the IESS system once they have left employment.

On May 31, 2022, after 21 years in which the State's debt to the IESS for health benefits had accrued, the Ministry of Economy and Finance entered into an agreement with IESS whereby the process of recognizing outstanding contributions was initiated, with an initial disbursement of U.S.\$140 million.

In the first quarter of 2024, IESS reported a lack of liquidity that prevented it from canceling the retirement pensions of its affiliates (U.S.\$1,638 million), which was covered by the IESS with the contribution of 40% by the State, which is fully budgeted for in the 2024 Budget at U.S.\$2.4 billion.

In 2022, total non-financial public sector contributions to social security were U.S.\$5,773 million, or 4.9% of GDP, a slight increase from U.S.\$5,305 million, or 4.9% of GDP in 2021. In 2023, total non-financial public sector contributions to social security were U.S.\$6,051 million, or 5.4% of GDP, compared to U.S.\$5,773 million, or 4.9% of GDP in 2022. As of August 31, 2024, the balance of non-financial public sector contributions to social security were U.S.\$4,009 million, or 3.3% of GDP, compared to U.S.\$4,053 million, or 3.4% of GDP for the same period of 2023.

Under Article 372 of the 2008 Constitution, the BIESS is responsible for channeling investments and managing public pension funds. Resolution JB-2009-1406, enacted in July 2009, sets the parameters for the types of investments allowed. Investments in real estate are only allowed in the long-term (over five years), investments in trusts are not allowed in the short-term (less than three years), and investments in public sector securities cannot exceed 75% of the market value of the fund. A risk committee must approve all investments. Investments must be rated by an approved rating agency, and no investment may be rated lower than specific thresholds set for that type of investment, as determined by the risk committee.

As of July 2024, BIESS was the largest holder of Government securities, with 45% of its portfolio investment, or U.S.\$11.183 billion, in Government holdings. BIESS held U.S.\$10.329 billion and U.S.\$9.775 billion in 2023 and 2022, respectively. The primary functions of the BIESS are, among others, the provision of different financial services such as mortgages, pledge-backed loans and unsecured credits. Additional services include portfolio re-discount operations for financial institutions and other financial services in favor of retirees and other affiliates of the IESS by means of direct operations or through the national financial system. Additional bank functions include investment in infrastructure projects that generate financial profitability, added value and new sources of employment, as well as investments in fixed and variable income securities through the primary and secondary markets.

On October 21, 2016, the *Ley de Fortalecimiento a los Regímenes Especiales de Seguridad Social de las Fuerzas Armadas y de la Policía Nacional* (Law to Strengthen the Social Security System of the Armed Forces and National Police) was published and became effective. The law is intended to make the national system of social security more sustainable over time by making adjustments and improvements to the pensions of public servants from Ecuador's Armed Forces and National Police.

On June 18, 2018, the Law Reforming the Social Security Law was published and became effective. The law increases social security payments to retirees who belong to the Rural Social Security from U.S.\$65 to U.S.\$100, retroactive from January 1, 2018. The law also provides for automatic increases consistent with those of the minimum wage.

Education

Education is mandatory in Ecuador until the age of 14. The literacy rate for adults over 15 years of age was 96.3% in 2022, and has been above 90% since 2004.

In 2011, the Government implemented the *Ley Orgánica de Educación Intercultural* (**Intercultural Education Law**). The law created a standardized curriculum for all high schools, consolidated school systems to eliminate single-teacher schools, created a stringent evaluation system for teachers and schools, and launched a nation-wide literacy program. Under the reform, students receive free medical attention, school lunches, and uniforms.

The 2022 Budget allocated U.S.\$4,861 million for Government education and other education initiatives. Education initiatives included the use of outside consultants to improve English education, the granting of scholarships to exceptional students for study in elite foreign universities, the inspection of Ecuador's universities to ensure that they meet a high standard quality, and various other projects administered by individual municipalities. The 2023 and 2024

Budgets allocated U.S.\$5,583 million and U.S.\$6,148 million for Government education and other education initiatives, respectively.

Health

The 2022, 2023 and 2024 Budgets allocated U.S.\$3,162 million, U.S.\$3,601 million and U.S.\$4,301 million for Ecuador's health sector, respectively.

LEGAL PROCEEDINGS

The Republic is involved in certain litigation and administrative arbitration proceedings described below. Some of the proceedings described below are conducted pursuant to the mandatory arbitration provisions contained in the U.S.-Ecuador Bilateral Investment Treaty and the Canada-Ecuador Bilateral Investment Treaty, as applicable. These treaties aim to protect investors of both nations in the other country. An unfavorable resolution of some of these proceedings could have a material adverse effect on the Republic. The Republic receives from time to time notifications of controversies from third parties with respect to contractual disputes and other disputes which may be covered by bilateral investment treaties. To the extent these controversies have not resulted in the initiation of a litigation or administrative arbitration proceedings they are not described below.

Chevron

In 2006, Chevron brought arbitration proceedings against the Republic under the UNCITRAL Rules alleging the Republic's breach under certain "denial of justice" provisions under the U.S.-Ecuador Bilateral Investment Treaty. In August 2011, the arbitral tribunal established that Ecuador had breached such treaty and should pay Chevron U.S.\$96 million plus compound interest calculated from September 1, 2011 until the date of payment. On July 27, 2012, Chevron filed a claim before the District Court of the District of Columbia (Washington, DC) seeking recognition and enforcement of the arbitral award. On June 6, 2013, the District Court confirmed the award in favor of Chevron.

On October 9, 2015, the United States Court of Appeals for the District of Columbia Circuit affirmed the District Court decision. Accordingly, the arbitral award granted to Chevron became due and payable in the United States with the same force and effect as a judgment in a judicial action. The total amount due under the award (U.S.\$96.4 million plus U.S.\$16.4 million in interest) was paid by Ecuador to Chevron in satisfaction of the arbitral award.

On a separate matter, in September 2009, Chevron filed an UNCITRAL arbitration claim against Ecuador for an undetermined amount. The claim seeks indemnification for claims brought by indigenous communities in Lago Agrio, Ecuador, against Chevron for environmental damages. In 2011, an Ecuadorian court ruled in favor of the Lago Agrio community, ordering Chevron to pay U.S.\$19 billion in damages. This amount was reduced to U.S.\$9.5 billion in November 2013. Chevron argued that Ecuador and Petroecuador should be solely responsible for any judgments arising from claims resulting from the Lago Agrio litigation because of "hold harmless" provisions of a 1995 settlement agreement ("**1995 Settlement**") between Chevron and the Republic and also claimed breach of the 1995 Settlement and the U.S.-Ecuador Bilateral Investment Treaty. Ecuador argued that it has not assumed any obligation to indemnify, protect, or defend Chevron from third party claims.

The arbitration tribunal divided the merits of the case into 3 tracks. Track 1 would decide issues relating to the 1995 Settlement and the obligation of Ecuador to indemnify Chevron from third party claims. Track 2 would decide issues relating to denial of justice claims by Chevron and the alleged breach of the U.S.-Ecuador Bilateral Investment Treaty. Once Tracks 1 and 2 had been decided on the merits, Track 3 would determine any monetary damages that resulted from the alleged breaches and would assess the monetary value of the environmental damage in the Lago Agrio community. On September 17, 2013 the arbitral tribunal issued a partial Track 1 award (Track 1A) where it agreed with the Republic that the 1995 Settlement did not preclude the Lago Agrio plaintiffs from asserting claims "in respect of their own individual rights."

On March 12, 2015, the arbitral tribunal issued a second Track 1 (Track 1B) decision in favor of Ecuador, holding that the initial pleading brought by the Lago Agrio plaintiffs qualified as an "individual rights" claim not barred by the 1995 Settlement.

On August 30, 2018, the tribunal issued a second partial award on Track 2 declaring that Ecuador was liable for denial of justice under the standards of fair and equitable treatment under the U.S.-Ecuador Bilateral Investment Treaty and under customary international law, and declaring that Ecuador was liable to make full reparation to Chevron. Specifically, the tribunal found a denial of justice with regard to the Lago Agrio proceedings and a violation of the 1995 Settlement.

On December 10, 2018, Ecuador filed a request to set aside the second partial award on Track 2 before the District Court of The Hague, in the Netherlands. On September 16, 2020, the District Court of The Hague rejected this request. The Republic filed an appeal against this judgment requesting: (i) that the first instance sentence be annulled by the

District Court of The Hague; and (ii) to partially annul the second partial award. The Hague Court of Appeal rejected the appeal on June 28, 2022. On September 27, 2022 the Republic filed a further appeal (*cassation*) before the Supreme Court of the Netherlands, which was rejected by the Court on November 17, 2023.

The amounts for compensation have been discussed in Track 3 of the arbitration since 2019.

On April 26, 2019, the arbitral tribunal issued Procedural Order No. 56, in which the tribunal established the procedural calendar for Track 3 of the arbitration. The hearing on Track 3 of the arbitration took place from August 18 to September 7, 2022.

In August 2024, the tribunal indicated that the final damages award will be issued before the end of 2024, after which time Track 4 will commence regarding costs.

On a separate matter, in October of 2013, a provincial court of Ecuador ordered the *Instituto Ecuatoriano de la Propiedad Intelectual* (the Ecuadorian Institute for Intellectual Property or “**IEPI**”) to place an embargo on 50 trademarks of Chevron in Ecuador as a result of the Ecuadorian verdict against Chevron in the Lago Agrio case. According to IEPI, the embargo was placed in order to guarantee the payment of the verdict amount by redirecting the revenues from the trademarks to Ecuador, as opposed to Chevron.

Perenco Ecuador Limited

On April 30, 2008, Perenco Ecuador Limited (“**Perenco**”) filed an ICSID arbitration claim against Ecuador seeking compensation of U.S.\$440 million plus costs and interest for alleged changes to its contracts for the development of Blocks 7 and 21 in Ecuador imposed by Ecuadorian law 42-2006.

Perenco argued that law 42-2006 modified the participation of Perenco under contracts for the development of Blocks 7 and 21 in Ecuador and that the unilateral modification of the contracts resulted in an expropriation of the blocks that Perenco was operating. On September 12, 2014, the tribunal decided the claim in favor of Perenco, finding the Republic liable for breach of contract and the bilateral investment treaty between the Republic and the Republic of France, pending parties’ submissions on damages.

On December 5, 2011, Ecuador filed two counterclaims against Perenco for environmental damages and failure to maintain the facilities of Blocks 7 and 21, in an approximate amount of U.S.\$2 billion. On August 11, 2015, in an interim decision, the tribunal held that contamination existed in Blocks 7 and 21 and that a third environmental expert was needed in order to determine if the contamination was caused by Perenco. After parties’ submissions commenting on the expert report and a hearing held on March 11 and 12, 2019, in which the expert was cross-examined and final allegations with regard to the counterclaims were argued, on September 27, 2019, the tribunal ordered the Republic to pay Perenco U.S.\$448.8 million in damages on the principal claim, and U.S.\$23 million as contribution to Perenco’s legal fees and costs, plus interest until full payment, and at the same time ordered Perenco to pay the Republic U.S.\$54.4 million in compensation for environmental damages, and U.S.\$6.3 million as contribution to the Republic’s legal fees and costs, plus interest until full payment. Both parties were ordered to cover the tribunal’s costs and independent expert fees. Perenco sought enforcement of that arbitral award in the U.S. District Court for the District of Columbia on October 1, 2019.

On October 2, 2019, the Republic requested before ICSID the suspension of the tribunal’s September 27, 2019 decision, as well as its annulment. Perenco’s enforcement proceedings in the U.S. District Court for the District of Columbia were stayed pending the outcome of that request. On November 18, 2019, an ad-hoc arbitral committee was formed to decide on the Republic’s request. After the parties filed their respective submissions, on January 13, 2020, the *ad-hoc* arbitral committee held a hearing on the suspension of the September 27, 2019 decision. On February 21, 2020, the tribunal ordered the suspension of that decision. In accordance with the procedural calendar, Ecuador presented its Annulment Memorial on April 16, 2020.

On May 28, 2021, the *ad hoc* arbitral committee issued a Decision on Annulment of the Award, whereby it partially annulled the award rendered on September 27, 2019 solely and exclusively with regard to the tribunal’s decision to award U.S.\$25 million to Perenco’s loss of opportunity to extend the Block 7 participation contract and the tribunal’s finding that the OCP ship-or-pay costs were fully tax deductible. The rest of the award remains unaffected, but as a result of the partial annulment the amount awarded to Perenco was U.S.\$412,182,000. In March 2023, the U.S. District

Court for the District of Columbia granted Perenco’s petition to enforce the arbitral award. The court further ordered the parties to confer and submit a joint proposed final judgment by March 30, 2023. After several extensions, the final judgment was submitted and approved on April 20, 2023, officially enforcing the arbitral award as a final judgment of the court. As of the date of this Annex, Ecuador has completed its payment to Perenco, and the enforcement process in connection with the arbitral award has been discontinued.

William and Roberto Isaiás Dassum

In 2009, Ecuador commenced an action against William and Roberto Isaias, who were the President and Executive Vice-President, respectively, of Filanbanco S.A., Ecuador’s largest bank at the time of its bankruptcy in 2001. Arguing before a Florida circuit court, Ecuador alleged that the defendants embezzled funds and forged financial statements thereby resulting in losses suffered by the *Agencia de Garantía de Depósitos* (the Deposit Guarantee Agency or “AGD”) in the amount of U.S.\$661.5 million. On May 30, 2013, the trial court granted summary judgment against Ecuador.

On December 27, 2017, the District Court of Appeals for the Third District of Florida reversed the October 15, 2015 decision in favor of William and Roberto Isaias. The case was remanded to the trial court to determine damages in favor of Ecuador.

Before the trial began, in response to a motion for summary judgment filed by the Isaiás brothers, the Judge decided to dismiss Ecuador’s claim on April 22, 2021, considering that their debt was satisfied. Ecuador appealed this decision on July 8, 2021. The hearing was held on May 10, 2022, and on August 3, 2022, the Court of Appeals for the Third District of Florida decided to reject the appeal, confirming the first instance judgment. In response, on August 18, 2022, the Republic of Ecuador filed a motion for a new hearing and certified it to the Supreme Court of Florida. The Court of Appeals, however, denied the request on October 10, 2022. After the presentation of review motions were rejected by the appeals court, the Republic of Ecuador submitted a request for the suspension of the order, which was subsequently rejected by the Court on October 26, 2022. As of October 31, 2024, the parties have engaged in discussions to initiate a mediation process to resolve the dispute.

Merck Sharp & Dohme

On February 2, 2011, Merck Sharp & Dohme (“**Merck**”) commenced an UNCITRAL arbitration against Ecuador alleging denial of justice for not having provided judicial guarantees in Ecuadorian court proceedings, which returned a judgement against Merck by the Ecuadorian company NIFA S.A. (currently “**PROPHAR, S.A**”) in violation of the U.S.-Ecuador Bilateral Investment Treaty.

On August 4, 2016, the National Court of Justice ordered Merck to pay U.S.\$42 million with respect to the Ecuadorian judgment initiated against Merck by NIFA S.A. On September 6, 2016, the arbitral tribunal ordered that Ecuador ensure that all proceedings and actions for the enforcement of that judgment be suspended pending the delivery by the tribunal of its final award. On September 16, 2016, the National Court of Justice enforcement judge suspended the enforcement proceeding pending the arbitral tribunal’s final award. This decision was constitutionally challenged by PROPHAR, S.A. On June 21, 2017, the Ecuadorian Constitutional Court granted the petition and set aside the suspension order. Subsequently, the parties reached an agreement to settle the constitutional claim. The settlement agreement covered the entire dispute between Merck and PROPHAR, S.A. and ended the litigation in local courts. The arbitration continued without prejudice.

On January 25, 2018, the arbitral tribunal issued a final partial award in which it held Ecuador liable for denial of justice and violation of fair and equitable treatment. As a result, the arbitral tribunal initiated a new phase for the determination of damages. On March 5, 2020, the arbitral tribunal made a final ruling ordering the Republic to pay Merck approximately U.S.\$44 million. Ecuador filed an annulment action with the Courts of The Hague against the arbitration award on June 10, 2020. On June 17, 2021, the District Court of The Hague issued its decision rejecting the request for annulment. On September 16, 2021, Ecuador filed an appeal. On April 25, 2023, the Court of Appeals of The Hague rejected Ecuador’s request for annulment of award and confirmed the award for approximately U.S.\$44 million, thereby concluding the case. As of October 31, 2024, the award had not been paid by the Republic.

Hutchison Port Investments Ltd.

In 2012, the Manta Port Authority (the “**APM**”) represented by Ecuador’s Attorney General (*Procuraduría General del Estado*) commenced an arbitration proceeding against Hutchison Port Investments Ltd. and Hutchison Port Holdings (“**Hutchison**”) in the *Centro de Arbitraje y Mediación de la Cámara de Comercio de Quito* (the “**Center for Arbitration and Mediation of Quito Chamber of Commerce**”) to recover U.S.\$141 million in damages. APM alleged that it suffered damages as a result of Hutchison’s unilateral abandonment of the facilities and other defaults under a concession agreement to operate the port at Manta. On November 30, 2015, the arbitration tribunal decided in favor of Ecuador for an amount of U.S.\$30 million.

The arbitral tribunal awarded APM U.S.\$34.9 million for consequential damages and lost profits. After deduction of the contractual guarantee entered into by APM, the indemnification amount totaled U.S.\$27.2 million (before adjusting current value). The tribunal also ordered the compensation of 50% of the arbitral costs to APM to be paid within thirty days from notification of the arbitral award.

On March 16, 2017, before the *Sala Cuarta de la Corte Suprema de Justicia*, APM presented its opposition to the annulment petition by Hutchison in Panama on December 30, 2015 against the award in favor of APM. On March 15, 2019, the Supreme Court of Panama partially annulled the award in favor of APM. Although the amount of the award was not affected by the decision, the entities Hutchison Investments Limited and Hutchison Port Holdings Limited were excluded from the award. On March 21, 2019, Ecuador’s Attorney General, in representation of APM, presented a request for clarification of the decision, which was denied on April 12, 2019. As of October 31, 2024, enforcement of the award is still being pursued by APM both in the British Virgin Islands and in Ecuador and the court has not yet set a date for a hearing.

Coca Codo Sinclair

From 2012 to March 2017, CELEC – *Unidad de Negocio Coca Codo Sinclair* (“**CCS**”), an Ecuadorian public enterprise, and Sinohydro Corporation (“**Sinohydro**”) were heard by the *Junta Combinada de Disputas* (the “**JCD**”), a pre-arbitral forum created under the engineering, procurement and construction contract (the “**EPC Contract**”) for the construction of the Coca Codo Sinclair hydroelectric plant.

Both parties presented, among others, claims relating to time extensions under the EPC Contract, declined payroll/tax return payments, supposed changes in tax laws, costs for changes in infrastructure design, indirect effects of the non-execution of a potential agreement between China and Ecuador relating to double taxation, and non-compliance with the national participation quota established in the EPC Contract for subcontracting of works. Sinohydro Corporation sought tax refunds for capital exit taxes, additional costs for engineering designs and a time extension required as a result of alleged extreme subsoil geological conditions. The JCD issued 22 mandatory decisions. Under the EPC Contract, the parties may resolve the underlying disputes definitively through arbitration before the International Chamber of Commerce by sending a notification of disagreement within 20 days after the JCD’s decisions. As of July 2020, both parties had stated their disagreement with the JCD’s 22 decisions, thus preserving their right to commence arbitral proceedings with respect to these disputes.

In April 2019, Sinohydro notified CCS of the existence of Dispute 2019-001, related to the amounts charged to CCS by ARCONEL for the unavailability of the Coca Codo Sinclair hydroelectric plant. Upon Sinohydro’s request, a new JCD was formed. On August 9, 2020, the new JCD issued 10 decisions, some of them favorable to CCS and others to Sinohydro. On September 7, 2020, CCS and Sinohydro filed their disagreement with the aforementioned decisions.

On May 17, 2021, CCS filed a Request for Arbitration under the Rules of Arbitration of the International Chamber of Commerce (“**ICC Rules**”). On August 17, 2021, Sinohydro filed its response to the notice of arbitration and its counterclaims. On May 5, 2022, the Arbitral Tribunal was constituted. On February 17, 2023, CCS submitted its Memorial on the Merits. On November 27, 2023, Sinohydro submitted its response to the complaint and a counterclaim brief. On February 26, 2024, CELEC submitted its response to the counterclaim. On August 19, 2024, both parties submitted their reply briefs, and on December 19, 2024, both parties are expected to submit their rejoinder briefs. The hearing is expected to be scheduled in March 2025.

Caribbean Financial International Corp v. Ecados – Corporación Azucarera Ecuatoriana Coázucar

On July 11, 2012, Caribbean Financial International (“CFI”) filed a breach of contract claim against Ecados S.A. (“**Ecados**”) in the *Juzgado Duodécimo de Circuito Civil del Primer Circuito Judicial de Panamá* (the “**Twelfth Court of the Civil Circuit in the First Circuit of Panama**”) for an amount of U.S.\$65.9 million plus costs, expenses and interests. The contract was originally entered into by CFI and TRAINSAINER S.A., a company absorbed by Ecados through merger (the “**CFI-TRAINSAINER contract**”). The CFI-TRAINSAINER contract called for CFI’s sale to TRAINSAINER S.A of all of its stock capital in DURCHES S.A. and Ecados. Through the CFI-TRAINSAINER contract, CFI granted TRAINSAINER S.A. a credit of U.S.\$60 million for a term of ten years. In turn, on October 29, 2000, TRAINSAINER S.A. issued a promissory note in favor of CFI due on October 27, 2010. The CFI-TRAINSAINER contract provided for the filing of a lawsuit if the payment became overdue. The Attorney General intervened as a result of an indemnity obligation in the CFI-TRAINSAINER contract. Ecados filed a response to the claim denying CFI’s allegations and challenging the contract. On April 18, 2018, the Twelfth Court of the Civil Circuit in the First Circuit of Panama held Ecados liable for U.S.\$106,183, 608, including costs and expenses. On May 31, 2018, Ecados appealed the decision of the Twelfth Court of the Civil Circuit in the First Circuit of Panama. On June 8, 2018, CFI presented its brief opposing Ecados’ appeal. By a judgment issued on March 29, 2022, notified on April 4, 2022, the First Superior Court of the First Judicial District of Panama accepted the appeal filed by Ecados. CFI filed a cassation appeal before the Supreme Court. On April 29, 2024, Ecuador filed its request to have the appeal declared inadmissible. As of October 31, 2024, the decision remained pending.

Notifications under Bilateral Investment Treaties

AECON

On January 19, 2018, Ecuador was notified of a controversy by AECON founded on Articles II, VIII, XII and XIII of the Bilateral Investment Treaty between Ecuador and Canada. AECON claimed that Ecuador had breached the guarantee of legal stability granted under certain investment agreements and, consequently, it had breached the fair and equal treatment standard in the relevant Bilateral Investment Treaty causing the expropriation of AECON’s investment. The amount of the claim is approximately U.S.\$12 million. A hearing was held in The Hague, the Netherlands in November 2022. In February 2023, Ecuador presented its post-hearing brief and the parties submitted their replies to the post-hearing briefs. As of the October 31, 2024, a final award had not been issued by the tribunal.

Junefield

On February 4, 2022, Junefield served upon the Republic a Request for Arbitration pursuant to Article 9(3) of the Agreement between the Government of the People’s Republic of China and the Government of the Republic of Ecuador Concerning the Encouragement and Reciprocal Protection of Investments. According to the Claimant, Ecuador (i) expropriated Junefield’s investments; (ii) failed to accord fair and equitable treatment to the investments of Junefield; and, (iii) failed to afford protection to the investments of Junefield. The Claimant sought damages in an amount of not less than U.S.\$160 million plus interest. Currently, the arbitral tribunal is being constituted by the parties and its co-arbitrators. In January 2024, the tribunal granted Ecuador’s request to bifurcate the proceedings to preliminarily address the jurisdictional objection raised regarding the tribunal’s jurisdiction. Ecuador submitted its final written submission in August 2024. Once the written phase is completed, the hearing is expected to be held from December 11 to 13, 2024.

Petrolia

On November 24, 2022, Ecuador received a notice of dispute and initiation of direct negotiations from Petrolia Ecuador S.A. under the modified contracts for the provision of services for the exploration and exploitation of petroleum in Blocks 16 and 67 of the Ecuadorian Amazonic Region. The dispute concerns alleged contractual breaches by the Ecuadorian State. According to Petrolia S.A., its damages are estimated to be no less than U.S.\$260,000,000, plus any accrued interest. If a negotiated solution is not reached, the company may initiate an international commercial arbitration.

Codelco

The Corporación Nacional del Cobre de Chile, Exploraciones Mineras Andinas S.A. and Inversiones Copperfield SPA (“CODELCO”) filed a notice of arbitration against Ecuador’s state-owned mining company, *Empresa Nacional Minera del Ecuador Empresa Pública* (“ENAMI EP”) and the Republic before the International Chamber of Commerce regarding a commercial dispute arising from an agreement between ENAMI EP and CODELCO to undertake a mining project related to Llurimagua. The hearing is scheduled for November 18 to 22, 2024. The amount of the claim is U.S.\$567,700,000.

In addition, CODELCO filed a Notice of Arbitration against the Republic before ICSID concerning an alleged investment dispute under the Agreement between the Government of the Republic of Chile and the Government of the Republic of Ecuador for the Reciprocal Promotion and Protection of Investments. This arbitration is currently suspended pending the issuance of the ICC Arbitration Award.

Proceedings in Connection with Ecuador’s Abolition of the Gaming Industry

Romero Family

In September 2022, Santiago Romero Barst and María Auxiliadora Rodríguez (the Romero family) filed a notice of arbitration against the Republic before the Permanent Court of Arbitration under UNCITRAL Arbitration Rules pursuant to the Agreement for the Promotion and Protection of Investments between Ecuador and Italy, alleging that Ecuador violated the agreement by banning the gambling industry in the country. The proceedings have been bifurcated to first address the jurisdictional objections raised by the Republic, and a jurisdiction hearing is set for March 2025. The amount of the claim is U.S.\$153 million.

Lynton Trading LTD.

Lynton Trading LTD., a United States company, filed a request for arbitration on June 17, 2022 against the Republic before the Permanent Court of Arbitration under UNCITRAL Arbitration Rules, alleging violations of the Bilateral Investment Treaty between Ecuador and the United States due to Ecuador’s 2011 ban on the gambling industry, which the company alleges resulted in, among other breaches, indirect expropriation and violated fair and equitable treatment standards. The proceedings have been bifurcated to preliminarily address the jurisdictional objections raised by the Republic of Ecuador, and a jurisdiction hearing is scheduled for February 2025. The amount of the claim is U.S.\$100 million.

BALANCE OF PAYMENTS AND FOREIGN TRADE

Balance of Payments

Given Ecuador’s dollarized economy, the balance of payments is important in determining money supply and the sustainability of the monetary system. A positive balance of payments strengthens the assets of the Central Bank and increases money supply while a negative balance of payments weakens the assets of the Central Bank and decreases support for the money supply.

Following the IMF’s recommendations to improve the quality and coverage of balance of payments, the Central Bank commenced the process of migrating from the fifth edition of the IMF’s Balance of Payments and International Investment Position Manual to the sixth edition as the basis for the calculation methodology of Ecuador’s balance of payments. In its Staff Report for the 2019 Article IV Consultation, the IMF observed that “*the authorities should strengthen compilation and dissemination and migrate to the sixth edition of the BPM6.*” In March 2020, the Central Bank announced it had finalized the implementation of this new methodology involving changes such as joining the goods and services accounts, introducing the concept of primary and secondary income, conforming the financial account to general accounting principles, and others. Under this new methodology, the Central Bank no longer releases an analytical bulletin of the balance of payments, and therefore does not show whether the balance of payments over a given period resulted in surplus or deficit.

In 2022, the balance of payments was positive. The current account registered a surplus of U.S.\$2,093.1 million, or 1.8% of GDP. The surplus was primarily due to the positive goods account (U.S.\$2,544.2 million), the positive secondary income account (U.S.\$4,109.7 million) and the reduction of the primary income deficit. The capital account increased. The financial account also showed a surplus (1.6% of GDP) primarily due to an increase in acquisition of financial assets. The surplus in the current account was primarily due to the goods account and the secondary income account.

In 2023, the balance of payments was positive. The current account registered a surplus of U.S.\$2,229.0 million, an increase of U.S.\$135.8 million compared to the U.S.\$2,093.1 million surplus in 2022. This increase in the surplus was primarily due to the positive goods account (U.S.\$2,207 million), the secondary income account (U.S.\$4,767 million) and the reduction of the services account deficit. The capital account increased. The financial account also showed a surplus (0.3% of GDP) associated with the decrease in net liabilities and reserve assets. The surplus result in the current account is mainly due to the goods account and the secondary income.

For the six months ended June 30, 2024, the current account registered a surplus of U.S.\$3,876.3 million, or 3.4% of GDP. This surplus was primarily due to the increase in export of goods (U.S.\$ 1,1784 million) and the decrease in imports of goods (U.S.\$821 million).

For the six months ended June 30, 2024, the primary income account recorded a deficit of U.S.\$1,472.5 million primarily due to higher debt interest payments. The secondary income account recorded a surplus of U.S.\$2,637.7 million primarily due to the greater flow of remittances received from Ecuadorians based in Europe and the United States.

The following table sets forth information regarding the Republic’s balance of payments for the periods indicated.

ANNUAL BALANCE OF PAYMENTS⁽¹⁾

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	<i>(in millions of U.S.\$)</i>				
Current Account	3,036.1	2,093.1	2,229.0	1,199.9	3,876.3
Goods ⁽²⁾⁽³⁾	2,992.6	2,544.2	2,206.8	1,216.0	3,821.1
Exports	26,967.6	33,033.3	31,484.0	15,320.9	17,105.2
Petroleum and Derivatives	8,607.3	11,587.0	8,951.6	3,989.6	4,989.6
Non-petroleum	18,085.9	21,065.3	22,168.9	11,166.5	11,959.5
Non-registered Commerce and Other Exports.....	274.4	381	363.5	164.9	166.1
Imports ⁽⁴⁾	23,975	30,489.1	29,277.2	14,104.9	13,284.0

	For the year ended December 31,			For the six months ended June 30,	
	2021	2022	2023	2023	2024
	(in millions of U.S.\$)				
Services	2,083.0	-2,652.8	-2,097	-934.2	-1,110.0
Exports.....	2,069.7	2,910.3	3,188.2	1,542.1	1,414.0
Transportation.....	622.6	654.1	685.6	333.03	334.6
Travel.....	1,054.8	1,793.2	1,986.6	974.7	838.5
Other.....	392.3	463.0	516.0	234.4	240.9
Imports.....	4,152.7	5,562.3	5,285.2	2,746.30	2,524.0
Transportation.....	2,029.1	3,008.1	2,096.0	1,080.1	938.7
Travel.....	808.0	1,071.5	1,371.2	594.4	714.0
Other Investments.....	1,315.6	1,482.8	1,818.0	801.8	871.2
Primary Income	-1,731.1,	-1,908.7	-2,647.7	-1,296.7	-1,472.5
Credit.....	27.3	204.3	405.9	146.6	129.4
Debit.....	1,758.4	2,113.1	3,053.6	1,441.7	1,601.9
Compensation of Employees.....	8.9	6.0	6.4	3.3	2.4
Direct Investment Income.....	299.2	345	319.4	149.3	110.1
Portfolio investment Income.....	107.6	317	474.2	248.34	288.3
Other.....	1,342.7	1,445.0	2,238.5	1,042.4	1,201.1
Secondary Income	3,857.6	4,109.7	4,766.9	2,214.8	2,637.7
Credit.....	4,820.1	5,259.6	5,934.4	2,762.4	3,257.8
General Government.....	200.9	234.4	209.8	94.9	108.4
Other.....	4,619.2	5,025.2	5,724.6	2,667.4	3,149.4
Debit.....	962.5	1,149.8	1,167.5	547.7	620.1
General Government.....	30.9	67.7	11.2	8.4	2.9
Other.....	931.6	1,082.1	1,156.4	539.2	617.3
Capital Account	-223.6	85.5	81.9	36.2	39.6
Credit.....	162.9	96.7	93.1	41.8	45.2
Debit.....	386.5	11.2	11.2	5.60	5.6
Financial Account	3,034.2	1,889.0	599.9	233.8	4,421.7
Acquisition of Financial assets, net	3,530.8	4,729.7	3,981.9	819.8	953.4
Direct Investment.....	0.0	0.0	0.0	0.0	0.0
Portfolio Investment.....	-306.8	453.8	1,479.1	704.5	966.1
Other Investments.....	3,837.6	4,275.9	2,502.8	115.3	-12.7
Liabilities, net	1,444.2	3,408.8	-903.0	-1,010.0	1,045.2
Direct Investment.....	648.6	880.3	380.3	136.7	120.1
Portfolio Investment.....	-222.4	-727.6	-676.5	-639.3	-87.4
Other Investments.....	1,018.0	3,256.2	-386.4	-507.5	-1,077.9
Reserve Assets	947.7	568.2	-4,285.0	1,596.0	2,423.1
Errors and Omissions	221.7	-289.7	-1,558.3	-1,002.3	505.8

Source: Data based on figures from the Central Bank 2024 Quarterly Balance of Payments Bulletin for the Second Quarter of 2024. Balance of payments data is published by the Central Bank on an annual and quarterly basis.

- (1) Provisional data
- (2) Includes goods acquired in port by means of transportation.
- (3) Includes unregistered trade. See methodological note on balance of payments.
- (4) Includes imports by the Directorate of Strategic Goods.

QUARTERLY BALANCE OF PAYMENTS ⁽¹⁾

	December 2022	March 2023	June 2023	September 2023	December 2023	March 2024	June 2024
	(in millions of U.S.\$)						
Current Account	160.06	410.5	789.4	617.7	411.4	1,469.3	2,407.1
Goods	239.6	493.4	727.7	729.0	261.7	1,752.4	2,068.7
Exports.....	7,887.9	7,551.3	7,769.6	8,370.8	7,792.2	8,157.9	8,947
Imports.....	7,648.3	7,058.0	7,046.9	7,641.8	7,530.5	6,405.4	6,878.6
Services	-629.1	-438.1	-496.1	-609.9	-552.9	-576.5	-535.5
Exports.....	822.5	786.5	755.6	801.0	845.1	685.9	728.0
Transportation.....	166.5	168.7	164.3	175.6	177.0	169.4	165.2
Travel.....	522.4	490.6	484.1	508.8	503.1	396.5	442.0
Other.....	133.5	127.2	107.2	116.6	165.0	120.0	120.8
Imports.....	1,451.6	1,224.6	1,251.7	1,410.9	1,398.1	1,262.5	1,261.5
Transportation.....	690	556.2	523.9	510.8	505.1	448.4	490.3
Travel.....	331.4	269.6	324.9	403.1	373.7	344.0	370.0
Other.....	430.2	398.9	402.9	497.0	519.3	470.0	401.2

	December 2022	March 2023	June 2023	September 2023	December 2023	March 2024	June 2024
	<i>(in millions of U.S.\$)</i>						
Primary Income	-496.4	-666.5	-630.2	-715.2	-635.8	-891.6	-580.9
Credit	77.9	74.7	71.9	130.5	128.8	60.1	69.3
Debit.....	574.4	741.2	702.1	845.7	746.6	951.7	650.3
Compensation of Employees.....	1.6	1.6	1.6	1.7	1.5	1.1	1.3
Direct Investment Income	65.8	72.7	76.6	101.7	68.3	57.3	52.8
Portfolio Investment Income	1.3	247.1	1.3	224.7	1.2	287.1	1.3
Other Investments	505.6	419.8	622.6	517.6	693.7	606.2	594.9
Secondary Income	1,045.9	1,021.7	1,193.0	1,213.7	1,338.4	1,184.9	1,452.8
Credit	1,422.1	1,294.0	1,468.5	1,526.0	1,646.0	1,511.1	1,746.7
General Government	87.7	45.2	49.7	55.7	59.2	47.1	61.4
Other	1,344.4	1,248.8	1,418.8	1,407.3	1,586.8	1,464.0	1,685.4
Debit.....	376.2	272.2	275.4	312.2	307.6	326.2	294.0
General Government	2.8	1.2	7.2	1.5	1.2	0.7	2.1
Other	373.4	271.0	268.2	310.7	306.5	325.4	291.8
Capital Account	22.8	16.6	19.7	23.3	22.4	21.1	18.5
Credit	25.6	19.4	22.5	26.1	25.2	23.9	21.3
Debit.....	2.8	2.8	2.8	2.8	2.8	2.8	2.8
Financial Account	-930.8	305.0	-71.2	-15.1	158.1	1,678.4	2,743.3
Acquisition of Financial Assets, net ...	370.3	384.1	-435.7	1,198.3	1,963.8	64.9	888.5
Direct Investment Portfolio							
Investment.....	-361.3	841.2	-136.7	465.6	309.0	684.4	281.7
Other Investments	731.5	-457.1	572.4	732.7	1,654.8	-619.6	606.9
Liabilities, net.....	1,230.9	-371.3	-638.8	-605.0	-274.9	-882.3	-163.0
Direct Investment	-21.8	30.7	106.0	160.8	85.4	78.2	41.8
Portfolio Investment.....	-11.1	-24.1	-663.3	-35.3	-1.9	-32.2	-55.1
Other Investments	1,266.3	-426.1	-81.4	-479.4	-358.3	-928.2	-149.7
Reserve Assets	-77.5	-450.4	-1,145.7	-608.5	-2,080.5	731.3	1,691.8-
Errors and Omissions	-1,120.9	-122.1	-880.3	-656.1	-275.7	188.0	317.7

Source: Data based on figures from the Central Bank 2024 Quarterly Balance of Payments Bulletin for the first half of 2024. Balance of payments data is published by the Central Bank on an annual and quarterly basis. <https://contemdo.bce.fin.ec/documentos/Estadisticas/SectorExterno/BalanzaPagos/mdice.htm>.

(1) Provisional data

(2) Includes goods acquired in port by means of transportation.

(3) Includes unregistered trade. See methodological note on balance of payments.

(4) Includes imports by the Directorate of Strategic Goods.

Current Account

In 2022, the current account registered a surplus of U.S.\$2,093.1 million, a decrease of U.S.\$943.0 million compared to the U.S.\$3,036.1 million surplus in 2021. This decrease was primarily due to the increase in imports of goods and services associated with higher international prices of energy, food, raw materials like fertilizers, and freights as a result of the war in Ukraine. In 2023, the current account registered a surplus of U.S.\$2,229.0 million, an increase of U.S.\$135.8 million compared to the U.S.\$2,093.1 million surplus in 2022. This increase was primarily due to the surplus in trade balance of goods and secondary income account as well as the reduction of the services account deficit.

For the six months ended June 30, 2024, the current account registered a surplus of U.S.\$3,876.3 million, compared to a surplus of U.S.\$1,199.9 for the same period in 2023. This surplus was mainly explained by an increase in exports of goods, particularly oil exports, and a decrease in imports associated with non-oil products.

In 2023, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.\$29,277.2 million compared to U.S.\$30,489.1 million in 2022. This decrease in the level of imports was primarily due to lower international prices, as well as an economic slowdown. For the six months ended June 30, 2024, according to the Central Bank's balance of payments statistical bulletin, imports totaled U.S.\$13,284.0 million compared to U.S.\$14,104.9 million for the same period in 2023. This decrease in the level of imports was primarily due to the reduction in the purchase of raw materials and capital goods.

The trade balance for 2023 resulted in a surplus of U.S.\$1,995.0 million, as compared to a U.S.\$2,324.5 million surplus in the same period of 2022. This decrease in the surplus was primarily due to the reduction in oil exports by 22.7% and tuna and other fish exports by 23.8%. The trade balance from January 1, 2024 to June 30, 2024 resulted in a

surplus of U.S.\$3,738.7 million, as compared to a U.S.\$1,129.5 million surplus in the same period of 2023. This increase in the surplus was primarily due to the recovery in oil (25%), fish and tuna exports (20%) and the increase in cocoa exports (188%) associated to the upward trend in international prices of cocoa beans.

Exports in 2023 decreased to U.S.\$31,126.5 million, as compared to U.S.\$32,658.3 million 2022. This decrease was primarily due to the reduction in oil exports by 22.7% and tuna and other fish exports by 23.8%. Exports from January 1, 2024 to June 30, 2024 increased to U.S.\$16,952.1 million, as compared to U.S.\$15,159.0 million during the same period of 2023. This increase in exports was primarily due to the recovery in oil (25%), tuna and other fish exports (20%) and the increase in cocoa exports (188%) associated to the upward trend in international prices of cocoa beans.

Imports in 2023 decreased to U.S.\$29,131.6 million, as compared to U.S.\$30,333.8 million 2022. This decrease was primarily due to lower international prices, as well as an economic slowdown. Imports from January 1, 2024 to June 30, 2024 decreased to U.S.\$13,213.4 million, as compared to U.S.\$14,029.5 million during the same period of 2023. This decrease in imports was primarily due to the reduction in the purchase of raw materials and capital goods.

The services balance in 2023 resulted in a deficit of U.S.\$2,097 million, a decrease as compared to the U.S.\$2,652.8 million deficit in 2022. This decrease was primarily due to the increase in the exports of travel, related to the recovery of tourism, and the lower cost of transport services tied to imported goods. The services balance for the six months ended in June 30, 2024 resulted in a deficit of U.S.\$1,110.0 million, an increase as compared to the U.S.\$934.2 million deficit during the same period of 2023. This increase in the deficit was primarily due to an increase in imports of travel and other services.

The primary income balance in 2023 resulted in a deficit of U.S.\$2,647.7 million, an increase as compared to the U.S.\$1,908.7 million deficit in 2022. This increase was primarily due to the rise in interest payments. The primary income balance for the six months ended June 30, 2024 resulted in a deficit of U.S.\$1,472.5 million, an increase in the deficit as compared to U.S.\$1,296.7 million deficit during the same period of 2023. This increase in the deficit was primarily due to increase in imports of travel and other services.

Remittances, which are primarily denominated in U.S dollars and Euros, are an important source of net transfers to Ecuador's current account. In 2022, remittances totaled U.S.\$4,743.5 million, an increase compared to the U.S.\$4,362.6 million in 2021. This increase in remittances was due to the economic recovery in the United States. In 2023, remittances totaled U.S.\$5,447.5 million, an increase compared to the U.S.\$4,743.5 million in 2022. This increase in remittances was primarily due to an increase in remittances from the United States and Spain. For the six months ended June 30, 2024, remittances increased to U.S.\$1,611.1 million, as compared to U.S.\$1,353.4 million during the same period in 2023. This increase was primarily due to greater flows, particularly from the United States.

Capital and Financial Accounts

The capital and financial account measures valuations in Ecuador's assets and liabilities against those of the rest of the world (other than valuations from exceptional financings). In 2022, the balance of the capital and financial accounts registered a surplus of U.S.\$1,974.5 million compared to the U.S.\$2,810.6 million surplus in 2021. This decrease in the surplus was primarily due to the increase in net liabilities incurred and the reduction in reserve assets. Other investment assets increased from U.S.\$3,837.6 million to U.S.\$4,275.9 million and liabilities related to portfolio investments decreased from U.S.\$-222 million to U.S.\$-727 million. Furthermore, intentional reserve assets in 2021 were U.S.\$947.7 million and in 2022 were U.S.\$568.2 million.

In 2023, the balance of the capital and financial accounts registered a surplus of U.S.\$2,311 million compared to the U.S.\$2,179 million surplus in 2022. This decrease in the surplus was primarily due to the decrease in net liabilities incurred and reserve assets. Other investment assets decreased from U.S.\$4,276 million in 2022 to U.S.\$2,503 million in 2023 and liabilities related to the portfolio investments decreased from U.S.\$3,256.2 million in 2022 to U.S.\$-386.4 million in 2023. In addition, reserve assets decreased from U.S.\$568.2 million in 2022 to U.S.\$-4,285 million in 2023.

For the six months ended June 30, 2024, the capital and financial accounts resulted in a surplus of U.S.\$3,916 million, compared to the U.S.\$1,236 million surplus for the same period in 2023. This increase in the surplus was primarily due to the increase in portfolio investment from the net acquisition of financial assets and from the decrease in other investment from net incurred liabilities.

In 2023, FDI totaled U.S.\$380.3 million, a decrease compared to the FDI of U.S.\$880.3 million in 2022. This decrease was primarily due associated to a transaction (recorded in the second quarter of 2022) that did not involve an effective flow of foreign currency but rather a transfer of fiduciary rights. In 2022, FDI totaled U.S.\$880.3 million, an increase compared to the foreign direct investment of U.S.\$648.6 million in 2021.

For the six months ended June 30, 2024, FDI totaled U.S.\$120.1 million, a decrease compared to the FDI of U.S.\$136.7 million for the same period in 2023. This decrease was primarily due to a reduction in reinvested earnings and an increase in liabilities with direct investors.

As of June 30, 2024, the net value of foreign transfers made by households and companies stood at U.S.\$2,637.7 million.

International Reserves

According to Article 137 of the Monetary and Financial Code (as amended by the Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization), Ecuador’s international reserves (“**International Reserves**”) are defined as the total foreign currency assets and financial instruments held by the Central Bank against non-residents, denominated in currencies that are considered convertible, liquid and freely available. The International Reserves are comprised of the following assets:

1. gold held by the Central Bank;
2. banknotes and coins denominated in freely convertible currencies at the Central Bank;
3. net short-term deposits in financial institutions and international financial organizations;
4. liquid, negotiable debt securities denominated in freely convertible currencies and issued by, or endorsed by, foreign governments, central banks, or international financial organizations;
5. collection rights to international financial organizations;
6. special drawing rights (“**SDRs**”) maintained by the Republic in the IMF accounts;
7. the Republic’s reserve position in the IMF; and
8. any other negotiable financial asset abroad as determined by the Monetary Policy and Regulation Board.

INTERNATIONAL RESERVES

	As of December 31,			As of September 30,	
	2021	2022	2023	2023	2024
	<i>(in million U.S.\$)</i>				
International Reserves	7,897.9	8,458.7	4,454.4	6,312.2	8,577.5

As of December 31, 2022, Ecuador’s International Reserves totaled U.S.\$8,458.7 million, an increase U.S.\$7,897.9 million as of December 31, 2021. This increase was primarily due to disbursements received from multilaterals and increase in hydrocarbon exports due to higher international prices.

As of December 31, 2023, Ecuador’s International Reserves totaled U.S.\$4,454.4 million, a decrease from U.S.\$8,458.7 million as of December 31, 2022. The decrease was primarily due to a higher external debt service, an increase in the import of derivatives and in transfers abroad from public and private sectors, and a decrease in public debt disbursements.

As of September 30, 2024, Ecuador’s International Reserves totaled U.S.\$8,577.5 million, an increase U.S.\$6,312.2 million as of September 30, 2023. This increase was primarily due to international financing from multilaterals and transfers from abroad to the private sector.

Foreign Trade

Merchandise and Services Trade

Ecuador has historically been an exporter of primary goods, and an importer of raw materials, capital, intermediate goods and manufactured products. The Republic's main exports are relatively limited in terms of sectors and export markets. Traditionally, the United States, the European Union and the Andean community have been the primary destinations for the majority of Ecuador's exports. Ecuador continues to seek to expand the types of goods it exports as well as its trading partners through engaging with and obtaining funding from development banks and other strategic initiatives.

Since 1972, petroleum and petroleum derivatives have comprised the majority of Ecuadorian export products. According to exports (FOB) data, in 2021, 2022 and 2023, exports of petroleum and petroleum derivatives accounted for approximately 30% of total exports, respectively.

According to exports (FOB) data, overall exports have increased from U.S.\$26,699.3 million in 2021 to U.S.\$32,658.3 million in 2022 and U.S.\$31,126.5 million in 2023. Overall exports also increased during the six months ended June 30, 2024 to U.S.\$16,952.1, as compared to U.S.\$15,159.0 during the same period in 2023.

The following table shows the overall balance of trade for the periods indicated:

OVERALL BALANCE OF TRADE⁽¹⁾

	Exports	Imports	Balance
	<i>(in millions of U.S.\$)</i>		
Year ended December 31, 2021.....	26,699.3	23,831.0	2,868.3
Year ended December 31, 2022.....	32,658.3	30,333.8	2,324.5
Year ended December 31, 2023.....	31,126.5	29,131.6	1,995.0
Six months ended June 30, 2023.....	15,159.0	14,029.5	1,129.5
Six months ended June 30, 2024.....	16,952.1	13,213.4	3,738.7

Source: Data from the Ministry of Economy and Finance, Investor Relations, Trade Balance/Exports. <https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/IEMensual/m2070/IEM-322-i.xlsx>

(1) Data for exports and imports reflect Balance of Payments figures.

OVERALL BALANCE OF TRADE⁽¹⁾

	Exports	Imports	Balance
	<i>(in millions of U.S.\$)</i>		
First Quarter of 2023.....	7,461.7	7,019.3	443.4
Second Quarter of 2023.....	7,697.3	7,010.2	687.2
Third Quarter of 2023.....	8,253.7	7,605.5	648.2
Fourth Quarter of 2023.....	7,713.8	7,496.6	217.2
First Quarter of 2024.....	8,075.9	6,369.7	1,706.3
Second Quarter of 2024.....	8,876.1	6,843.7	2,032.4

Source: Data from the Ministry of Economy and Finance, Investor Relations, Trade Balance/Exports. <https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/IEMensual/m2070/IEM-322-i.xlsx>

(1) Data for exports and imports reflect Balance of Payments figures.

Trade Policy

Ecuador's trade policy has focused on protecting dollarization, avoiding a decrease in the money supply, integrating into the international economy, increasing the access of Ecuadorian goods and services to new markets and, until recently, reducing non-tariff barriers to trade.

Until the late 1980s, Ecuador used tariff barriers to protect its domestic industry against foreign competition. Import duties ranged from 0% to 290%, with up to 14 different rates. The Republic has been a member of the World Trade Organization ("WTO") since January 21, 1996.

In the early 1990s, the Government began to significantly liberalize its foreign trade policy. As a result of those reforms, the tariff structure was simplified and currently consists of a seven-tiered structure (0%, 3%, 5%, 10%, 15%, 20% and 35%), with levels of 5% for most raw materials and capital goods, 10% or 15% for intermediate goods, and 20% for most consumer goods. A small number of products, including planting seeds, are subject to a tariff rate of 0%, while the 35% tariff is exclusively applied to the automobile industry. Average tariff levels were reduced from 29% in 1989 to 6% in 2004.

In 2007, Ecuador introduced the ISD, an exit tax of 0.5% on any currency leaving Ecuador, which was subject to a number of exemptions. Since December 2007, Ecuador has progressively increased the ISD as a measure to support a positive balance of trade. The tax acts as a devaluation of the U.S. dollar in Ecuador, thereby making imports more expensive and fostering local production. In 2008, Ecuador increased the ISD to 1% and eliminated the applicable exemptions. In December 2009, the ISD increased from 1% to 2% and included an exemption for the first U.S.\$500 per transaction. In November 2011, the ISD increased from 2% to 5% and included an exemption for the first U.S.\$1,000 in a 15-day period as long as no debit or credit card is used in the transaction. Payments of external public debt and dividends paid to foreign shareholders are also exempt from this tax. From January 1, 2022, a lower rate of 4.75% was applied, with a progressive decrease to 3.5% by March 31, 2024. Since April 1, 2024, the rate returned to 5%. Additionally, the exempt amount for purchases abroad with credit or debit cards evolved over time. In 2016, the exemption was raised to U.S.\$1,098 and U.S.\$5,000 if a debit or credit card was used, respectively. For the fiscal years 2022, 2023, and 2024, this exemption increased to U.S.\$5,109.79 per year. In November 2024, this value has increased based on the CPI for the month of November of 2024.

In January 2009, the Republic, through the *Consejo de Comercio Exterior e Inversiones* (“**Foreign Commerce and Investment Council**”) (now the Committee on Foreign Trade), imposed tariffs of general applicability on some consumer goods imports, including products imported from countries with which Ecuador has commercial treaties honoring preferential status. Ecuador enforced these tariffs for one year in order to restore its trade balance.

On December 12, 2014, representatives from Ecuador’s Ministry of Foreign Commerce signed a trade agreement with the European Union for Ecuador’s accession to the Multiparty Trade Agreement entered between the European Union and Colombia and Peru on June 26, 2012. The agreement was intended to provide expanded access to the European market for Ecuadorian exports and lower tariff duties on European imports into the Ecuadorian market. As part of the agreement reached in 2014, Ecuador was allowed to benefit from the European Union’s Generalized Scheme of Preferences Plus program until 2016 or until the trade agreement was in place. This benefit allowed Ecuador to not pay tariffs on exports of Ecuadorian products into the European Union.

On November 11, 2016, Ecuador signed the accession agreement to the Multiparty Trade Agreement with the European Council. The trade agreement required the approval of each of the National Assembly, the European Parliament, and the legislatures of the 28 European Union member countries in order to be effective. In January 2017, both the European Union and Ecuador implemented the trade agreement on a provisional basis pursuant to Article 3 of the European Council’s decision (EU) 2016/2039 with the exception of Articles 2, 202(1), 291 and 292 of the trade agreement. The agreement allows Ecuadorian products (including fishing products, bananas, flowers, coffee, cocoa, fruits, and nuts) to have greater access to the European market. Through an evaluation of the trade agreement by the European Union in 2020, Ecuador was identified as the country that had experienced the greatest economic impact since the trade agreement with the European Union entered into force in 2017, ahead of Colombia and Peru— countries that also share the same free trade agreement.

On November 13, 2017, the *Servicio Nacional de Aduana del Ecuador* (the National Customs Service of Ecuador, “**SENAE**”) imposed a custom control service tariff of ten cents of a dollar per imported unit (with certain exceptions) in order to fight against smuggling and fraud. On June 7, 2018, the SENAE eliminated the custom control service tariff following the instructions of the General Secretariat of the Community of Andean Nations.

On May 15, 2019, Ecuador, together with Peru and Colombia, signed a trade agreement with the United Kingdom to preserve their mutual trade commitments should the United Kingdom exit the European Union. With this trade agreement, the Republic and the United Kingdom intended to replicate trade commitments under the Multiparty Trade Agreement with the European Union. This agreement did not enter into force while the Multiparty Trade Agreement continues to apply to the United Kingdom. On July 27, 2020, Ecuador ratified the Trade Agreement with the United Kingdom of Great Britain and Northern Ireland.

In September 2020, the Foreign Trade Committee temporarily extended customs tax payments for commercial activities that promote the productive development of Ecuador. In addition, the Foreign Trade Committee reduced the national tax for the promotion of agriculture, aquaculture and weighing.

In September 2021, the Foreign Trade Committee approved a reduction of the customs tax for raw materials and capital goods to promote production and competitive improvement.

In order to alleviate the effects of the COVID-19 crisis on the population and on Ecuador's healthcare system and the resulting economic situation, the Government, among other measures, temporarily reduced import duties to 0% for certain medical supplies and equipment, and temporarily increased other import duties to boost revenue.

Regional Integration

Ecuador's trade integration policy consists of entering new markets strategically, promoting the growth of non-traditional exports, and encouraging investment. Ecuador has intensified its efforts to strengthen trade arrangements with its primary partners, including:

- Removing regional trade restrictions as a member of ALADI (a regional external trade association comprised of Ecuador, Argentina, Bolivia, Brazil, Chile, Colombia, Cuba, Mexico, Panama, Paraguay, Peru, Uruguay and Venezuela).
- Reducing or eliminating tariff barriers to trade as a member of the Andean community, except with respect to measures taken to increase the Republic's balance of payments in 2009 as a result of the global recession.
- Entering into bilateral trade agreements with Colombia, Venezuela and Bolivia that are aimed at levying uniform tariffs on goods from third parties.
- Entering into a bilateral trade agreement with Chile in 1994, which was expanded in 2008.
- Negotiating a bilateral association agreement with Paraguay.
- Maintaining preferential access to the European Union through preferential trade status.
- Entering into the *Sistema Unitario de Compensación Regional* (“**Regional Payment Compensation Unitary System**” or “**SUCRE**”) with the governments of Bolivia, Ecuador, Cuba, Honduras, Nicaragua and Venezuela in 2009, which sets forth an account unit and function as a means of payment, intended to be used by national banks and to eliminate the use of currency for international trade transactions.
- Signing a trade agreement with the European Union in July 2014 that expands access to the European market for Ecuadorian exports and lowers tariff duties on European imports into the Ecuadorian market.
- Requesting in July 2018 to be considered as an Associate State of the Pacific Alliance. During the XXI Summit of the Pacific Alliance, the members voted to allow Ecuador to join the Alliance as an Associated State. Ecuador has begun bilateral negotiations with Chile and Mexico. Negotiations with Chile ended in February 2020; the terms of the agreement are still being negotiated with Mexico. Once Ecuador has finalized the negotiation with Mexico, Ecuador will continue its process to join the Pacific Alliance as a State Party. As of September 2024, Ecuador's process of joining the Pacific Alliance appears to be at a standstill as a result of stalled negotiations with Mexico on a free trade agreement (as described below), which would be required to join the alliance.
- Entering into a trade agreement with the United Kingdom in January 2021 to preserve their mutual trade commitments as a result of Brexit.
- Starting negotiations in 2022 with Mexico on a free trade agreement. Negotiations for a free trade agreement between Ecuador and Mexico began in 2022, but soon encountered major obstacles. Key issues included the rules of origin for tuna and market access for Ecuadorian shrimp and bananas—critical sectors for Ecuador. Mexico refused to open these markets, which was unacceptable to Ecuador. By January 2023, former

President Lasso announced that trade talks with Mexico had reached a “dead end.” Negotiations remain stalled as of the date of this Annex.

- Launching in November 2022 exploratory discussions toward a potential Canada-Ecuador free trade agreement, which could potentially impact Ecuador’s negotiations with Mexico. On December 13, 2023, Canada’s Minister of Export Promotion, International Trade and Economic Development tabled a Notice of Intent to initiate negotiations for a Canada-Ecuador free trade agreement. On March 19, 2024, Canada’s objectives for negotiations with Ecuador were tabled in the House of Commons.
- Joining on May 15, 2023 the Global Trade and Gender Arrangement (GTAGA), which aims to promote gender-responsive trade policies and advance gender equality in trade. On the same date, Ecuador also joined the Inclusive Trade Action Group (ITAG) to work on making international trade policies more inclusive.
- Restarting foreign trade agreement negotiations with South Korea in March 2022 after a six-year pause. An agreement was pre-signed in October 2023, but as of the date of this Annex, it has not been ratified by either country. The Government expects the trade agreement to come into effect by the first quarter of 2025. However, further procedural steps are pending within South Korea, which is currently processing the agreement through its relevant ministries. Once completed, the Government plans to submit the agreement to the Constitutional Court for approval, followed by ratification in the National Assembly.
- Concluding a foreign trade agreement with China in May 2023. This agreement was subsequently ratified by the National Assembly in February 2024.
- Concluding negotiations on a free trade agreement with Costa Rica. This agreement became effective on October 1, 2024.

Composition of Trade

In 2022, according to the Central Bank’s balance of payments statistical bulletin, exports amounted to U.S.\$32,658 million, an increase of 22% compared to U.S.\$26,699.3 million in 2021. This increase in exports was mainly related to the increase in oil exports, due to higher international prices and volume exported and to the good performance of shrimp, coffee and cocoa export sectors.

In 2023, according to the Central Bank’s balance of payments statistical bulletin, exports amounted to U.S.\$31,126.5 million, a decrease of 5% compared to U.S.\$32,658.3 million in 2022. This decrease was primarily due to a decrease in oil, tuna and fish exports.

During the six months ended June 30, 2024, according to the Central Bank’s balance of payments statistical bulletin, exports amounted to U.S.\$16,952.1 million, an increase of 10.6% compared to U.S.\$15,159.0 million during the same period of 2023. This increase was primarily due to the recovery in oil, fish and tuna exports and the increase in cocoa exports associated with an upward trend in international prices of cocoa beans.

In 2022, according to the Central Bank’s balance of payments statistical bulletin, imports amounted to U.S.\$30,333.8 million, an increase of 21.4% compared to U.S.\$23,831.0 million in 2021. This increase was primarily due to the overall increase in prices related to the war in Ukraine.

In 2023, according to the Central Bank’s balance of payment statistical bulletin, imports totaled U.S.\$29,131.6 million, a 4% decrease compared to U.S.\$30,333.8 million in 2022. This decrease was primarily due to lower international prices and a general economic slowdown.

During the six months ended June 30 2024, according to the Central Bank’s balance of payments statistical bulletin, imports amounted U.S.\$13,213.4 million, a decrease of 5.8% compared to U.S.\$14,029.5 million during the same period of 2023. This decrease was primarily due to the lower international prices and the economic slowdown.

The following table sets forth information regarding exports for the periods indicated:

Exports - (FOB)⁽¹⁾
(in millions of U.S.\$ and as a % of total exports)

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Crude oil	7,278.2	27.3%	10,034.5	30.7%	7,823.4	25.0%	3,441.6	22.7%	4,470.6	26.4%
Bananas and plantains	3,485.5	13.1%	3,267.6	10.0%	3,770.7	12.1%	1,990.2	13.1%	1,932.2	11.4%
Petroleum derivatives ⁽²⁾	1,329.1	5.0%	1,552.5	4.8%	1,128.3	3.6%	547.9	3.6%	518.9	3.1%
Shrimp	5,323.3	19.9%	7,289.3	22.3%	7,205.2	23.0%	3,835.8	25.3%	3,551.8	21.0%
Cacao	817.5	3.1%	865.8	2.7%	1,170.8	3.7%	371.9	24.5%	1,156.7	6.8%
Coffee	14.9	0.1%	23.7	0.1%	11.3	0.0%	4.8	0.0%	4.1	0.0%
Tuna ⁽³⁾ and other fish	367.2	1.4%	385.2	1.2%	294.6	0.9%	151.5	1.0%	182.1	1.1%
Flowers	927.2	3.5%	950.5	2.9%	987.1	3.2%	521.5	3.4%	530.6	3.1%
Metal manufacturing ⁽³⁾	532.0	2.0%	523.4	1.6%	470.7	1.5%	223.4	1.5%	253.5	1.5%
Other products*	6,624.4	24.8%	7,765.8	23.8%	8,405.4	26.9%	5,187.3	95.2%	4,605.1	27.2%
Total	26,699.3	100.0%	32,658.3	100.0%	31,267.5	100.0%	19,101.5	100.0%	16,952.1	100.0%

Source: Based on figures from the Central Bank June 2024 Monthly Bulletin (Table 3.1.1).

(1) The data is definitive until 2020, and from 2021 it is provisional; the reprocessing is carried out in accordance with the receipt of source documents related to foreign trade operations. As of 2021, it includes re-export figures, in accordance with the recommendations of the international methodology.

(2) Includes private sector exports of fuels, lubricants and other oil by-products.

(3) Includes whole tuna fish, tuna fillets, and other fillets.

(4) Includes vehicles and their components.

Other products consist of non-traditional primary and manufactured products, including abaca, wood, other primary products, processed coffee, processed cacao products, fish flour, other canned seafood, chemicals and pharmaceutical products, hats, textile manufactured products and other industrialized products.

The following table sets forth information regarding imports for the periods indicated:

Imports – (CIF)
(in millions of U.S.\$ and as a % of total imports)

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Consumer goods	5,5521.9	21.6%	6,587.2	19.9%	6,924.1	17.4%	3,242.1	21.7%	3,020.1	21.6%
Non-durable goods	3,144.6	12.1%	3,625.5	11.0%	3,892.8	9.8%	1,799.8	12.0%	1,743.5	12.5%
Durable goods	2,107.8	7.1%	2,598.9	7.9%	2,638.6	6.6%	1,256.0	8.4%	1,082.3	7.7%
Postal traffic	299.5	2.1%	362.7	1.1%	392.7	1.0%	186.3	1.2%	194.4	1.4%
Fuel and combustibles	4,805.7	18.7%	8,001.8	24.2%	7,444.5	18.7%	5,239.7	35.0%	3,503.0	25.0%
Primary materials	9,916.9	38.6%	11,962.5	36.2%	10,078.7	25.3%	3,288.6	22.0%	4,546.4	32.5%
Agriculture	2,044.3	8.0%	2,667.6	8.1%	2,457.1	6.2%	1,323.1	8.8%	1,153.7	8.2%
Industrial	7,309.2	28.5%	8,478.3	25.7%	6,917.3	17.3%	3,570.8	23.9%	3,085.0	22.0%
Construction materials	563.4	2.2%	816.5	2.5%	704.3	1.8%	345.7	2.3%	307.7	2.2%
Capital goods	5,298.2	20.6%	6,356.9	19.2%	6,357.5	15.9%	3,139.4	21.0%	2,884.5	20.6%
Agriculture	164.9	0.6%	177.0	0.5%	160.0	0.4%	84.8	0.6%	76.2	0.5%
Industrial	3,668.3	14.3%	4,276.3	12.9%	4,414.2	11.1%	2,147.9	14.4%	2,058.6	14.7%
Transportation equipment	1,466.0	5.7%	1,902.8	5.8%	1,783.3	4.5%	906.7	6.1%	749.7	5.4%
Other	116.9	0.5%	140.5	0.4%	96.9	0.2%	47.8	0.3%	37.5	0.3%
Total	25,689.7	100.0%	33,049.0	100.0%	30,901.7	100.0	14,957.6	100.0	13,991.5	100.0%

Source: Based on figures from the Central Bank June 2024 Monthly Bulletin (Table 3.1.7)

The following table sets forth information regarding the country of destination of the Republic's exports for the periods indicated:

Exports - (FOB) by Destination Country⁽¹⁾
(in millions of U.S.\$, and as a % of total exports)

	For the Year Ended December 31,						For the Six Months Ended June 30,			
	2021		2022		2023		2023		2024	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Americas										
United States ⁽²⁾	6,402.8	24.0%	9,028.1	27.6%	7,402.7	23.8%	4,277.0	24.1%	4,637.2	23.5%
Peru.....	618.7	2.3%	936.0	2.9%	974.9	3.1%	427.0	2.4%	532.8	2.7%
Colombia.....	851.9	3.2%	976.4	3.0%	775.9	2.5%	462.1	2.6%	523.6	2.7%
Chile.....	1,120.5	4.2%	1,288.9	3.9%	978.4	3.1%	500.8	2.8%	74.1	0.4%
Panama.....	3,969.5	14.9%	4,575.3	14.0%	4,472.9	14.4%	2,284.4	12.9%	3,279.5	16.6%
Other (Americas).....	1,171.3	4.4%	1,519.2	4.7%	1,671.9	5.4%	944.2	5.3%	1,526.7	7.7%
Total Americas	14,134.7	52.9%	18,323.9	56.1%	16,276.7	52.3%	8,895.5	50.2%	10,573.9	53.7%
Europe										
European Union (EU).....	3,768.2	14.1%	3,882.5	11.9%	4,269.6	13.7%	2,451.5	13.8%	3,192.1	16.2%
Italy.....	550.1	2.1%	557.2	1.7%	629.3	2.0%	379.8	2.1%	437.0	2.2%
Germany.....	363.5	1.4%	318.1	1.0%	415.8	1.3%	323.9	1.8%	408.8	2.1%
Spain.....	732.0	2.7%	946.0	2.9%	854.0	2.7%	494.0	2.8%	548.4	2.8%
Other (EU).....	2,122.6	8.0%	2,061.2	6.3%	2,370.5	7.6%	1,253.8	6.8%	1,797.9	7.1%
United Kingdom.....	287.8	1.1%	253.4	0.8%	283.0	0.9%	161.9	0.9%	181.7	0.9%
Rest of Europe.....	1,483.8	5.6%	1,316.4	4.0%	1,325.6	4.3%	807.5	4.6%	771.2	3.9%
Total Europe	5,539.8	20.7%	5,452.3	16.7%	5,878.2	18.9%	3,420.9	19.3%	4,145.0	21.0%
Asia										
Taiwan.....	145.5	0.5%	86.0	0.3%	102.5	0.3%	70.0	0.4%	94.2	0.5%
Japan.....	260.5	1.0%	404.5	1.2%	227.1	0.7%	121.0	0.7%	262.7	1.3%
China.....	4,074.9	15.3%	5,809.7	17.8%	5,672.9	18.2%	3,601.5	20.3%	3,014.7	15.3%
South Korea.....	260.5	1.0%	404.5	1.2%	227.1	0.7%	121.0	0.7%	262.7	1.3%
Other countries.....	1,895.7	7.1%	2,068.9	6.3%	2,479.4	8.0%	1,321.9	7.5%	1,320.5	6.7%
Total Asia	6,582.6	24.7%	8,565.2	26.2%	8,562.1	27.5%	5,160.2	29.1%	4,767.7	24.2%
Africa	348.8	1.3%	197.9	0.6%	313.3	1.0%	193.6	1.1%	154.4	0.8%
Oceania	53.7	0.2%	48.3	0.1%	56.2	0.2%	32.1	0.2%	38.2	0.2%
Other countries	39.7	0.1%	70.7	0.2%	40.1	0.1%	24.1	0.1%	27.6	0.1%
Total	26,699.3	100.0%	32,658.3	100.0%	31,126.5	100.0%	17,726.4	100.0%	19,706.8	100.0%

Source: Based on figures from the Central Bank 2024 Jan-July Monthly Bulletin (Table 3.1.5)

- (1) The data is definitive until 2020, and from 2021 it is provisional. The reprocessing is carried out in accordance with the receipt of source documents related to foreign trade operations
- (2) Includes Puerto Rico.

The following table sets forth information regarding the country of origin of the Republic's imports for the periods indicated:

Imports (CIF) by Country of Origin⁽¹⁾
(in millions of U.S.\$)

	For the Year Ended December 31,						For the Nine Months Ended September 30,			
	2021		2022		2023		2023		2024	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Americas⁽²⁾										
Mexico.....	715.6	823.4	738.7	440.2	354.8	715.6	823.4	738.7	440.2	354.8
United States ⁽³⁾	5,670.6	8,568.8	8,290.2	4,581.1	4,135.8	5,670.6	8,568.8	8,290.2	4,581.1	4,135.8
Central America	160.3	197.3	212.0	133.0	109.5	160.3	197.3	212.0	133.0	109.5
South America and the Caribbean										
Argentina.....	563.1	816.1	553.7	382.2	488.8	563.1	816.1	553.7	382.2	488.8
Brazil.....	994.9	1,328.2	1,232.3	714.7	603.4	994.9	1,328.2	1,232.3	714.7	603.4
Bolivia.....	365.6	483.4	485.0	276.1	196.1	365.6	483.4	485.0	276.1	196.1
Colombia.....	1,791.9	2,055.1	2,288.6	1,187.5	1,147.5	1,791.9	2,055.1	2,288.6	1,187.5	1,147.5
Chile.....	538.9	590.3	572.3	339.4	300.0	538.9	590.3	572.3	339.4	300.0
Panama.....	119.3	89.0	107.8	54.9	90.9	119.3	89.0	107.8	54.9	90.9

	For the Year Ended December 31,						For the Nine Months Ended September 30,				
	2021		2022		2023		2023		2024		
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	
Peru	862.2	1,168.0	1,075.4	668.7	554.6	862.2	1,168.0	1,075.4	668.7	554.6	
Rest of Americas and Caribbean.....	705.40	1,042.90	896.70	482.40	453.80	705.40	1,042.90	896.70	482.40	453.80	
TOTAL AMERICA	12,487.8	17,162.5	16,452.7	9,260.2	8,435.2	12,487.8	17,162.5	16,452.7	9,260.2	8,435.2	
Europe											
Germany	578.5	666.1	632.1	368.8	350.1	578.5	666.1	632.1	368.8	350.1	
Italy.....	432.4	785.6	819.6	403.4	601.8	432.4	785.6	819.6	403.4	601.8	
Spain.....	605.7	796.1	739.7	508.8	337.6	605.7	796.1	739.7	508.8	337.6	
Rest of European Union(4)	986.6	1,432.7	1,198.8	699.0	766.1	986.6	1,432.7	1,198.8	699.0	766.1	
United Kingdom	157.3	141.2	223.6	156.8	92.6	157.3	141.2	223.6	156.8	92.6	
Rest of Europe ⁽⁵⁾	653.10	568.50	305.90	204.20	258.70	653.10	568.50	305.90	204.20	258.70	
TOTAL EUROPE	3,413.6	4,390.2	3,919.7	2,341.0	2,406.9	3,413.6	4,390.2	3,919.7	2,341.0	2,406.9	
Asia											
China	6,036.9	7,280.5	6,401.1	3,603.3	3,490.3	6,036.9	7,280.5	6,401.1	3,603.3	3,490.3	
Japan.....	581.9	656.5	778.2	376.9	339.7	581.9	656.5	778.2	376.9	339.7	
Taiwan	216.5	287.0	342.6	116.6	121.5	216.5	287.0	342.6	116.6	121.5	
South Korea.....	914.7	1,217.2	855.3	488.7	646.2	914.7	1,217.2	855.3	488.7	646.2	
Rest of Asia ⁽⁶⁾	1,854.80	1,915.70	1,964.30	1,119.60	893.10	1,854.80	1,915.70	1,964.30	1,119.60	893.10	
TOTAL ASIA	9,604.8	11,356.9	10,341.5	5,705.1	5,490.8	9,604.8	11,356.9	10,341.5	5,705.1	5,490.8	
Postal Traffic and regions excluding the Americas, Europe and Asia⁽⁷⁾	183.5	139.4	187.7	136.0	56.1	183.5	139.4	187.7	136.0	56.1	
Total	25,689.7	33,048.9	30,901.6	17,442.3	16,389.1	25,689.7	33,048.9	30,901.6	17,442.3	16,389.1	

Source: Based on figures from the Central Bank 2024 Jan-July Monthly Bulletin (Table 3.1.9)

- (1) The data is definitive until 2020, and from 2021 it is provisional; the reprocessing is carried out in accordance with the receipt of source documents related to foreign trade operations. As of 2021, it includes re-imports data, in accordance with the recommendations of the international methodology. The data does not include adjustments for imports from the Ministry of National Defense and National Police. (Ministerio de Defensa Nacional and Policía Nacional). Beginning with IEM No. 2064, it is published by country of origin in accordance with the recommendations of the international methodology.
- (2) Canada included in Rest of Americas and Caribbean.
- (3) Includes Puerto Rico.
- (4) Includes Belgium, France, Holland and other countries in the European Union.
- (5) Includes the European Free Trade Association and other countries in Europe.
- (6) Includes Hong Kong and other countries in Asia.
- (7) Includes Africa, Oceania, other countries and international postal traffic.

Foreign Direct Investment

The 2008 Constitution contains certain principles relating to foreign investment, including promoting national and international investment, with priority being given to national investment and a complementary role being attributed to international investment; subjecting foreign investment to Ecuador's national legal framework and regulations; prohibiting expropriation without indemnification; limiting access to strategic sectors, which will remain under State control; providing for disputes relating to international agreements to be resolved in a regional (Latin American) forum; and preventing disputes between the Republic and private companies from becoming disputes between sovereigns. These principles are materialized in the enactment of the Production Code (see "*Economic and Social Policies—Tax Reforms*") and Article 422 of the 2008 Constitution, which sets parameters for disputes relating to international agreements.

Ecuador's FDI policy is governed largely by national implementing legislation for the Andean community's Decisions 291 of 1991 and 292 of 1993. Generally, foreign investors enjoy the same rights Ecuadorian national investors have to form companies. Foreign investors may own up to 100% of a business entity in most sectors without prior Government approval and face the same tax regime.

Currency transfers overseas are unrestricted with respect to earnings and profits distributed abroad resulting from registered foreign investment; provided that obligations relating to employee revenue sharing and relevant taxes, as well as other corresponding legal obligations, are met.

Certain sectors of the Ecuadorian economy are reserved for the State. All foreign investment in petroleum exploitation and development in Ecuador must be carried out under contracts with the MEM.

In 2022, FDI totaled U.S.\$880.3 million, an increase compared to the U.S.\$648.6 million in 2021. This increase was primarily due to a transaction (recorded in the second quarter of 2022) that did not involve an effective flow of foreign currency but rather a transfer of fiduciary rights, with services provided to companies representing the largest percentage of FDI (93%), followed by the manufacturing sector.

In 2023, FDI totaled U.S.\$380.3 million, a decrease compared to the U.S.\$880.3 million of FDI in 2022. This decrease was primarily due to the services provided to companies and manufacturing. In 2023, the mining and oil sectors represented the largest percentage of FDI with 51.7% of all investment; commerce, services rendered to community, social and personal services, and transportation and storage followed representing 18.5%, 9.7% and 10% of FDI, respectively.

In the six months ended June 30, 2024, FDI totaled U.S.\$120.1 million, a decrease compared to the U.S.\$136.7 million of FDI for the same period in 2023. This decrease was primarily due to a reduction in reinvested earnings and an increase in liabilities with direct investors.

The following table sets forth information regarding FDI by sector for the periods indicated:

Foreign Direct Investment by Sector
(in millions of U.S.\$, and as a % of total foreign direct investment)

	For the Year Ended December 31				For the Three Months Ended March 31,			
	2021		2022		2023		2024	
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	U.S.\$
Agriculture, forestry, hunting and fishing	7,259.1	1.1%	61,323.7	7.0%	12,274.4	3.2%	1,154.2	929.2
Commerce ⁽¹⁾	55,436.1	8.5%	69,022.7	7.8%	70,774.5	18.5%	41,759.7	18,728.5
Construction	93,566.5	14.4%	6,739.4	0.8%	-2,59.4	-0.07%	-1728.9	210.41
Electricity, gas and water	1,227.4	0.2%	7,819.7	0.9%	-1,313.0	-0.3%	-1,148.9	-4,177.4
Petroleum ⁽²⁾	108,664.2	16.8%	-178,292.6	-20.3%	198,068.2	51.7%	70,118.9	40,698.9
Manufacturing	194,368.7	30.0%	83,441.9	9.5%	7,008.5	1.8%	22,450.1	20,000.1
Social and personal services.....	7,371.3	1.1%	-8,321.1	-0.9%	37,026.8	9.7%	1,149.3	3,223.3
Services rendered to businesses.....	135,462.3	20.9%	820,951.0	93.3%	21,142.0	5.5%	-20,846.5	9,587.6
Transportation, storage and communications.....	45,211.6	7.0%	17,610.2	2.0%	38,284.4	10.0%	23,815.5	30,847.9
Total	648,567.2	100.0%	880,294.8	100.0%	380,006.3	100.0%	136,723.4	120,054.6

Source: Based on Figures from the Central Bank Balance of Payments Quarterly Bulletin for the First Quarter of 2024

(1) Commerce includes investment in commercial infrastructure and real estate.

(2) Includes mining and natural gas.

MONETARY SYSTEM

The Central Bank

The role of the Central Bank is to promote and contribute to the economic stability of Ecuador. It acts as the manager of the public sector's accounts and provides financial services to all public sector institutions that are required to hold their deposit accounts in the Central Bank. Management of these accounts primarily involves transfer operations between entities, including from the Government to other entities, and transfers to accounts in other banks, both foreign and domestic. The Central Bank is also the central coordinator of the payment system. All domestic banks conduct their clearing operations through the Central Bank, and also use the bank to hold their liquidity reserves. In addition, the Central Bank monitors economic growth and economic trends. To accomplish this task, it has developed statistical and research methodologies to conduct analyses and policy recommendations on various economic issues.

In January 2000, following several weeks of severe exchange-rate depreciation, the Republic announced that it would dollarize the economy. In March 2000, the National Assembly approved the Economic Transformation Law, which made the U.S. dollar legal tender in Ecuador (the “**Dollarization Program**”). Pursuant to the Economic Transformation Law, all sucre-denominated deposits were converted into U.S. dollars effective January 1, 2000, and the U.S. dollar became the unit of account in the financial system.

The functions of the Central Bank were sharply reduced as a result of the Dollarization Program. It no longer sets monetary policy or exchange rate policy for Ecuador. Instead, the Ecuadorian economy is currently directly affected by the monetary policy of the United States, including U.S. interest rate policy. The *Ley para la Transformación Económica del Ecuador* (the “**Economic Transformation Law**”), which made the U.S. dollar legal tender in Ecuador, provided for the Central Bank to exchange, on demand, sucres at a rate of 25,000 sucres per U.S.\$1. The law also prohibited the Central Bank from incurring any additional sucre-denominated liabilities and required that the Central Bank redeem sucre coins and bank notes for U.S. dollars.

Pursuant to the 2008 Constitution, the authority and autonomy of the Central Bank further decreased. Currently, the main functions of the Central Bank are to execute Ecuador's monetary policy, which involves managing the system of payments, investing International Reserves, managing the liquidity reserve, and acting as depository of public funds and as a fiscal and financial agent for the Republic. The Central Bank also sets policy and strategy design for national development, executes the Republic's macroeconomic program, and maintains financial statistics, which it publishes in monthly bulletins.

On August 12, 2015, after the Monetary and Financial Code abolished the position of president of the Central Bank, the Central Bank named Diego Martínez as its General Manager. On May 23, 2017, former President Moreno named Verónica Artola Jarrín as General Manager of the Central Bank. On June 9, 2021 Guillermo Avellán Solines replaced Ms. Artola Jarrín as General Manager of the Central Bank.

The Monetary and Financial Code created the Monetary and Financial Policy and Regulation Board to oversee and regulate the execution of monetary, foreign exchange, financial, insurance, and securities policies of Ecuador in September 2014. The Monetary and Financial Policy and Regulation Board replaced existing regulatory bodies, and also serves as an overall supervisory body to oversee the activities of the Republic's financial entities, including supervisory agencies such as the Superintendence of Banks. The Board is comprised of delegates from the Ministry of Economy and Finance (formerly the Ministry of Finance and the Ministry of Economic Policy), the Ministry of Production, Foreign Trade, Investments and Fisheries (formerly the Ministry of Production and Industrialization), the National Secretary of Planning and Development, and a delegate appointed by the President. The principal functions of the Monetary and Financial Policy and Regulation Board included:

- the oversight and monitoring of the liquidity requirements of Ecuador's financial system, with the objective of ensuring that liquidity remains above certain levels (to be determined by the Monetary and Financial Policy and Regulation Board);
- the auditing and supervision of the Central Bank and the Superintendent of Banks;
- the establishment of regulations for the Republic's electronic payment system; and

- the oversight of borrowing requirements for private loans.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador’s financial laws and regulations to, among other objectives, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank’s autonomy. In November 2019, the National Assembly rejected the draft Law on Economic Development; in response, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. After a partial Presidential veto, the Organic Law on Tax Simplification became effective in December 2019.

In April 2021, the National Assembly passed the Organic Law Reforming the Organic Monetary and Financial Code for the Defense of Dollarization submitted by former President Lasso. This law aimed for the independence, reorganization and strengthening of the institutional basis of the Central Bank.

In May 2021, the National Assembly enacted the Law for the Defense of Dollarization. This law: (a) established that the Monetary and Financial Policy and Regulation Board was replaced by two new independent entities with their own powers: (i) the Financial Policy and Regulation Board and (ii) the Monetary Policy and Regulation Board (both within the executive branch); (b) established that the Central Bank is not permitted to provide the Central Government, any governing body of public finances, any Decentralized Autonomous Government or any public sector institutions or entities owed by the Government or public entities with direct or indirect financing, or to make investments, including the purchase of shares or having an interest in privately and publicly companies, the purchase of securities issued by such companies, providing aid, donations or financial contributions to individuals and entities; and (c) re-established the Central Bank four-balance sheet hedging system. The goal of the law was to gradually accumulate resources in the readily available International Reserve of Free Availability to support the liabilities of the Central Bank within five years.

The Monetary Policy and Regulation Board is comprised of three members appointed by the National Assembly suggested by the President of the Republic. The Monetary Policy and Regulation Board is responsible for the formulation of monetary policy, including: (i) establishing the policies of the Central Bank and supervising their implementation; (ii) overseeing compliance with the functions of the Central Bank; (iii) formulating policy and regulating the management of physical means of payment; (iv) evaluating risks to financial stability and issuing macroprudential regulations in consultation with the Financial Policy and Regulation Board; (v) regulating the central payment system, as well as the regulation, permission, registration, oversight and supervision of auxiliary payment systems; (vi) defining the investment policy of International Reserves; and (vii) approving the annual financial statements of the Central Bank.

The Financial Policy and Regulation Board is responsible for (i) formulating credit and financial policies, including insurance policy, prepaid health care services and securities; (ii) issuing regulations that permit sustainability and stability of the financial systems; (iii) standardizing the criteria and protocols to determine the existence of a systemic crisis to issue and implement decisions and direct the actions to address it; (iv) issuing the regulatory framework and regulating the creation, constitution, organization, activities, operation and liquidation of financial, securities, insurance and prepaid health care services; (v) regulating the financial activities carried out by entities of the national social security system; (vi) evaluating risks for financial stability and issuing regulations in consultation with the Monetary Policy and Regulation Board; (vii) establishing the system of maximum interest rates for lending and borrowing operations of the national financial system and other interest rates required by law; (viii) preventing and seeking to eradicate fraudulent practices, including money laundering; and (ix) regulating the constitution, operation and liquidation of funds and trust businesses related to the securities market.

The Ecuadorian Development Bank

The Monetary and Financial Code also established the role and structure of public banks, including the Government-owned Ecuadorian Development Bank (the “**EDB**”), formerly the *Banco del Estado*. Since 1979, the role of the EDB has been to finance Government investment and infrastructure projects through loans to municipalities and provinces and to grant loans to municipalities and provinces.

In 2022, the EDB granted over U.S.\$460 million in disbursements to Ecuador’s Autonomous Decentralized Governments and disbursed U.S.\$554 million for projects relating to (i) roads and road equipment (37%); (ii) water and environmental sanitation (27%); and (iii) urban equipment (10%).

In 2023, the EDB granted over U.S.\$350 million in disbursements to Ecuador’s Autonomous Decentralized Governments and disbursed U.S.\$233 million for projects relating to (i) roads and road equipment (55%); (ii) risk and flood control (5%); and (iii) environmental sanitation (27%).

As of June 30, 2024, the EDB had granted over U.S.\$248.58 million to Ecuador’s Autonomous Decentralized Governments and disbursed U.S.\$172.84 million for 357 projects related to: (i) viability 48.2%; (ii) environmental sanitation 33.4%; (iii) institutional strengthening 1.8%; (iv) urban equipment 8.4%; (v) risk and flood control 0.4%; (vi) multiple development 3.7%; (vii) education and culture 0.2%; (viii) social housing 1.1%; (ix) tourism 0.2%; (x) transportation and communication 0.8%; (xi) environment and natural disasters 0.9%; (xii) energy and mines 1.0% and (xiii) agriculture, livestock and fisheries 0%.

The Financial Safety Net

Former President Correa’s administration determined that the financial safety net in place when he took office was insufficient, as there was no lender of last resort. In many countries, the central bank acts as the lender of last resort. Due to Ecuador’s Dollarization Program, however, the Republic’s lending capacity was limited to the *Fondo de Liquidez del Sistema Financiero Ecuatoriano* (the “**Liquidity Fund**”). Former President Correa’s administration believed that the lack of a strong lender of last resort increased the risks to the financial system and decreased liquidity within the system.

In light of these perceived deficiencies, the Government passed the Financial Safety Net Law in December 2008. The new law created a four-tiered framework for the banking sector, as described below:

Lender of Last Resort

The *Ley de Creación de la Red de Seguridad Financiera* (the “**Financial Safety Net Law**”), enacted in 2008, was designed to strengthen the Liquidity Fund, which acts as the lender of last resort for private financial institutions. The Liquidity Fund is overseen by the Superintendent of the Banks and administered by the Central Bank. The assets of the Liquidity Fund are subject to sovereign immunity and cannot be subject to attachment of any kind.

Banking Resolution System

The second tier of the Financial Safety Net Law was the creation of a banking resolution scheme called *Exclusión y Transferencia de Activos y Pasivos* (the Exclusion and Transfer of Assets and Liabilities or the “**ETAP**”). Under ETAP, healthier labor contingencies, deposits and assets can be excluded from the balance sheet of a troubled banking institution and transferred to a newly created entity or to one or more healthier banking institutions. This policy was intended to separate good assets from non-performing assets and create an efficient and orderly banking resolution process.

Deposit Insurance

The third tier of the Financial Safety Net Law consisted of the establishment of COSEDE. The COSEDE is the successor to the Deposit Guarantee Agency (“**AGD**”), which was previously responsible for insuring the accounts of depositors in Ecuador’s banking systems. In December 1998, the AGD was created as a response to the banking crisis by the *Ley de Reordenamiento en Materia Económica en el Área Tributario-Financiera* (the “**Law Reorganizing Economic Matters in the Tax and Finance Areas**”). The AGD had a dual role: to oversee the amounts the Republic deposited with the Central Bank in order to protect depositors, and to help restructure banks in liquidation. In December 2009, the AGD closed. The net assets of the AGD were then temporarily transferred to the Ministry of Economy and Finance to COSEDE and thereafter transferred to the Corporación Financiera Nacional (“**CFN**”), a separate Government institution.

In accordance with the Monetary and Financial Code, COSEDE administers the private financial institutions insurance deposit system, which does not include any public banking institution. COSEDE insures deposits of up to U.S.\$32,000

per account, whereas the AGD guaranteed accounts with public resources without limit. Pursuant to the Monetary and Financial Code, banks are required to contribute to COSEDE an amount determined annually in accordance with the total amount of deposits held. Under the Monetary and Financial Code, assets administered in connection with the deposit insurance (the “**Deposit Insurance**”) administered by COSEDE are public assets, are not reflected in the General State Budget, are subject to sovereign immunity and cannot be subject to attachment of any kind. The Deposit Insurance had assets of U.S.\$2,960 million, U.S.\$3,339 million and U.S.\$3,658 million as of December 31, 2021, 2022 and 2023, respectively.

Since 2014, the Financial Policy and Regulation Board determines the contributions to Deposit Insurance and when financial institutions must make contributions. Contributions to Deposit Insurance are comprised of fixed and variable premiums, differentiated by the risk of the entity in connection with the Monetary and Financial Code. The amount protected by the Deposit Insurance for each individual or legal entity will be differentiated for each insured financial sector. The insured amount of deposits in private and popular and solidarity financial entities, segment 1, equals twice the basic fraction exempt from income tax in force, but in no event less than U.S.\$32,000. The insured amounts of deposits in the rest of the segments of the popular and solidarity financial sector are defined by the Financial Policy and Regulation Board.

The deposits of public entities and the resources of the Deposit Insurance Corporation, Liquidity Fund and Private Insurance Fund in the Central Bank or in their accounts, both in Ecuador and abroad, are unseizable, enjoy sovereign immunity and may not be subject to any type of seizure or preventive or precautionary measure.

Superintendent of Banks

Under the fourth tier of the Financial Safety Law, the Superintendent of Banks is authorized to increase the capital and reserves requirement of banking institutions.

The Law for the Defense of Dollarization also established that financial entities must maintain appropriate levels of capital requirements and expand the competence for the Superintendent of Banks to comply with liquidity reserves and reserve requirements.

The Financial Sector

The financial sector consists of various financial institutions and insurance companies and the securities markets. In accordance with the Monetary and Financial Code, the Monetary and Financial Policy and Regulation Board regulates: (1) all private sector financial institutions including banks and credit card issuers; (2) public sector and private financial institutions, with respect to their solvency, liquidation, financial prudence and other administrative matters; (3) insurance and re-insurance companies; and (4) the securities markets. In addition, the Monetary and Financial Policy and Regulation Board provides general oversight and regulation for the financial system, including the Central Bank, COSEDE, the Liquidity Fund, and private banks.

The Monetary and Financial Code permits the establishment of universal banks (i.e., banks that can offer all types of banking services), and provides for the equal treatment of foreign and domestic financial institutions. Ecuadorian financial institutions may, with authorization from the Superintendent of Banks, establish foreign offices and invest in foreign financial institutions. Foreign subsidiaries of Ecuadorian financial institutions must also conform to the guidelines established by the Monetary and Financial Code in order to promote prudent banking and investment policies and ensure financial solvency. Each year, external auditors must provide opinions regarding capital adequacy, concentration of loans, interested debtors, and asset classifications on both unconsolidated and consolidated bases for all Ecuadorian banks. The Republic has structured its guidelines under the Monetary and Financial Code so as to be consistent with the banking supervision guidelines established by the Basel Committee on Banking Supervision.

The Monetary and Financial Code designates the Superintendence of Banks as the principal entity for auditing, intervention, control and supervision of financial activities by public and private entities of the Republic’s financial system. The Superintendence of Banks is tasked primarily with prudential matters including capital adequacy, liquidity earnings, management risks, and the solvency and risk asset quality of financial institutions.

Since the crisis in the banking system during the late 1990s, during which a number of banks became insolvent, the Superintendent of Banks has worked to improve banking supervision standards. Since 2001, the Superintendent of

Banks has reformed the regulatory framework for banking supervision. As part of the reforms, the Superintendent of Banks implemented measures that included the following:

- programs for regulatory on-site audits and periodic reporting requirements. These are published in national newspapers, with the intention of ensuring that banks comply with regulatory standards;
- uniform accounting risks for the financial system;
- liquidity risk, which derives from the incapacity of financial institutions to cover their liabilities and other obligations when due, in both local and foreign currency;
- evaluation of market risk based on interest rate risk, which refers to the potential losses of net income or in the capital base, due to the incapacity of the institution to adjust the return on its productive assets (loan portfolio and financial investment) with the fluctuations in the cost of its resources produced by changes in interest rates; and
- evaluation of credit risk based on a detailed method for classifying financial assets in terms of risk.

This method increased the amounts which financial institutions are required to reserve in order to mitigate potential losses arising from their loans (the “**Loan-loss Reserve**”). With respect to Loan-loss Reserve, current regulations impose reserve requirements based on risk categories and type of financial assets. These requirements have been introduced to bring them in line with international standards and to increase the average quality of the financial system’s loan portfolio. As of September 30, 2024, Ecuador’s solvency rules for financial institutions correspond to Basel I. Currently, the private financial system maintains a solvency level of 12.8%, exceeding the required minimum of 9%. No time limit exists for banks in Ecuador to become compliant with Basel II or Basel III.

The following table sets forth information regarding the risk categories and Loan-loss Reserve requirements currently in force pursuant to Resolution No. 209-2016-F, of February 12, 2016 promulgated by the Committee of Monetary and Financial Policy and most recently updated by Resolution No. JPRF-F-2022-030, of June 29, 2022.

RISK CATEGORIES AND REQUIRED LOAN-LOSS RESERVE

Category ⁽¹⁾	Productive ⁽²⁾	Consumer	Mortgage	Small Business ⁽³⁾	Educative Credit	Loan-loss Reserve
<i>(in number of days past due, except for percentages)</i>						
A1	0	0	0	0	0	1.00% - 1.99%
A2	1 - 15	1 - 15	1 - 30	1 - 15	1 - 15	2.00% - 2.99%
A3	16 - 30	16 - 30	31 - 60	16 - 30	16 - 30	3.00% - 5.99%
B1	31 - 60	31 - 45	61 - 120	31 - 45	31 - 60	6.00% - 9.99%
B2	61 - 90	46 - 60	121 - 180	46 - 60	61 - 90	10.00% - 19.99%
C1	91 - 120	61 - 75	181 - 210	61 - 75	91 - 120	20.00% - 39.99%
C2	121 - 180	76 - 90	211 - 270	76 - 90	121 - 180	40.00% - 59.99%
D	181 - 360	91 - 120	271 - 450	91 - 120	181 - 360	60.00% - 99.99%
E	+360	+120	+450	+120	+360	100%

Source: Data based on the Resolutions of the Board of Monetary and Financial Policy Regulations, Resolution No. JPRF-F-2022-030. https://jprf.gob.ec/resoluciones_jprf/resolucion-jprf-f-022-030/

- (1) Ecuador subdivides Categories A, B, and C into sub-categories.
- (2) For commercial loans, in addition to the number of days due, three factors are considered for classification among risk categories: (a) debtor payment capacity and financial situation; (b) experience of payment (risk information from the system, debtor’s credit history); and (c) risk of the economic environment.
- (3) Classified, with respect to (a) retail microcredit, as loans up to U.S.\$1,000, (b) microcredit simple accumulation, as loans from U.S.\$1,000 to U.S.\$10,000, (c) microcredit extended accumulation, as loans in excess of U.S.\$10,000 and (d) agricultural microcredit. Persons with annual sales equal to or less than U.S.\$100,000, or groups of lenders guaranteeing or financing small scale production or commercialization are eligible for microcredit loans.

In 2021, the Superintendence of Banks adopted the Risk-Based Supervision (“RBS”) approach, which involves a continuous and dynamic analysis and evaluation of the likelihood and severity of risks tied to the core business activities of regulated entities. The RBS approach also includes assessing the effectiveness of risk management and mitigation controls (i.e., the quality of risk management systems) both at the level of key business activities and across the entire entity (global assessment). The RBS approach results in the creation of a risk profile for each entity, enabling the development of efficient supervision strategies that prioritize resources on areas with higher risk levels within the regulated entities.

The following table sets forth, by type, the number of financial institutions in the Ecuadorian financial system as of the dates indicated:

NUMBER OF FINANCIAL INSTITUTIONS

	As of December 31,		As of September 30,	
	2021	2022	2023	2024
Banks.....	24	23	23	23
National banks.....	23	23	23	23
Private.....	22	22	22	22
Government-owned banks.....	1	1	1	1
Foreign banks.....	1	0	0	0
Other financial entities.....	38	50	52	51
Savings and loans associations.....	31	43	45	44
Small lending institutions.....	4	4	4	4
Financial institutions.....	0	0	0	0
Public banks.....	3	3	3	3
Insurance companies.....	31	n/a	n/a	27
Insurance companies.....	30	n/a	n/a	26
Reinsurance companies.....	1	n/a	n/a	1
Credit-card issuing entities.....	0	0	0	0
Total.....	93	73	75	101

Source: Superintendent of Banks, Superintendent of Companies and SEPS.

As of October 31, 2024, the Ecuadorian banking system had a total of 24 banking institutions, of which one was a State-owned commercial bank.

As of December 31, 2022, the assets of the banking system totaled U.S.\$56.9 billion, an increase of 8.6% from U.S.\$52.4 billion as of December 31, 2021. As of December 31, 2023, the assets of the banking system totaled U.S.\$60.8 billion, which increased from U.S.\$56.9 billion as of December 31, 2022. As of June 30, 2024, the assets of the banking system totaled U.S.\$63.2 billion, an increase of 9.9% from U.S.\$57.5 billion as of June 30, 2023.

The following table sets forth the total assets of the Ecuadorian private banking sector and the percentage of non-performing loans over total loans as of the dates indicated:

BANKING SYSTEM

	As of December 31,			As of Jun 30,	
	2021	2022	2023	2023	2024
	<i>(in billions of U.S.\$, and as a % of total loans)</i>				
Total assets.....	52.4	56.9	60.8	57.5	63.2
Non-performing loans.....	1.3%	2.2%	3.2%	3.3%	3.6%

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2021, 2022, 2022 and June 2023 and 2024. <https://www.superbancps.gpb.ec/estadisticas/portalestudips/bancps/>

Private Bank Deposits

The following table sets forth deposit information for the private banking system as of the dates indicated:

PRIVATE BANK DEPOSITS

	<u>Demand Deposits</u>	<u>Time Deposits</u>	<u>Total Time and Demand Deposits</u>	<u>Annual growth rate of Time and Demand Deposits</u>
	<i>(in millions of U.S.\$, except for percentages)</i>			
December 31, 2021.....	24,659.1	15,188.7	39,847.8	10.3%
December 31, 2022.....	24,479.1	17,599.7	42,078.8	5.6%
December 31, 2023.....	24,575.5	19,884.4	44,459.9	5.7%
June 30, 2023.....	23,482.4	18,751.6	42,234.0	6.9%
June 30, 2024.....	23,936.5	22,286.2	46,222.7	9.4%

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2021, 2022, 2023 and June 2023 and 2024. <https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/>

Banking deposits, primarily comprised of demand deposits and time deposits, constitute the principal source of financing for the Ecuadorian banking system. As of December 31, 2022, time and demand deposits totaled U.S.\$43,643 million, an increase of 5.9% from U.S.\$39,847.7 million as of December 31, 2021. As of December 31, 2023, time and demand deposits totaled U.S.\$44,459.9 million, an increase of 5.7% from U.S.\$42,078.8 million as of December 31, 2022. As of June 30, 2024, time and demand deposits totaled U.S.\$42,234.0 million, an increase of 9.4% from U.S.\$42,234.0 million as of June 30, 2023.

The majority of funding for the Ecuadorian banking system is comprised of demand deposits, which decreased 0.3% from U.S.\$24,659.1 million in 2021 to U.S.\$24,575.5 million in 2023.

Time deposits increased 30% from U.S.\$15,188.7 million in 2021 to U.S.\$19,884.4 million in 2023. As of December 31, 2022, time deposits totaled U.S.\$17,599.7 million, an increase of 16% from U.S.\$15,188.7 million as of December 31, 2021. As of December 31, 2023, time deposits totaled U.S.\$19,884.4 million, an increase of 13.0% from U.S.\$17,599.7 million as of December 31, 2022. As of June 30, 2024, time deposits totaled U.S.\$22,286.2 million, an increase of 18.8% from U.S.\$18,751.6 million as of June 30, 2023.

Foreign Liabilities

Foreign banks and financial institutions are also a source of liquidity in the Ecuadorian banking system. As of December 31, 2022, the balance of foreign liabilities in the banking sector totaled U.S.\$ 2,953.4 million, an increase of 23.66% from U.S.\$ 2,388.4 million as of December 31, 2021. As of December 31, 2023, the balance of foreign liabilities in the banking sector totaled U.S.\$3,163.7 million, an increase of 7.1% from U.S.\$2,953.4 million as of December 31, 2022. As of June 30, 2024, the balance of foreign liabilities in the banking sector totaled U.S.\$3,439.7 million, an increase of 13.2% from U.S.\$3,055.9 million as of June 30, 2023.

The following table sets forth information regarding the principal sources of financing with respect to total liabilities as of the dates indicated:

CLASSIFICATION OF THE MAIN FINANCING ACCOUNTS WITH RESPECT TO LIABILITIES

	<u>Demand deposits</u>	<u>Time deposits</u>	<u>Foreign financing</u>
	<i>(as % of total liabilities)</i>		
December 31, 2021.....	52.6%	32.4%	4.25%
December 31, 2022.....	48.2%	34.6%	5.2%
December 31, 2023.....	45.47%	36.8%	5.1%
June 30, 2023.....	45.8%	36.5%	5.2%
June 30, 2024.....	42.4%	39.5%	5.2%

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2021, 2022, 2023 and June 2023 and 2024. <https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/>

The following table sets forth information regarding the allocation of principal asset accounts with respect to total assets of the banking system as of the dates indicated:

ALLOCATION OF THE PRINCIPAL ASSET ACCOUNTS WITH RESPECT TO TOTAL ASSETS OF THE BANKING SYSTEM

	Portfolio of current loans	Investments
	<i>(as a % of total assets)</i>	
December 31, 2021	59.8%	15.7%
December 31, 2022	63.2%	13.1%
December 31, 2023	64.7%	14.1%
June 30, 2023	65.2%	13.4%
June 30, 2024	64.4%	14.5%

Source: Data from Superintendent of Banks, Private Banks Monthly Financial Bulletin for December 2021, 2022, 2023 and June 2023 and 2024. <https://www.superbancos.gob.ec/estadisticas/portalestudios/bancos/>

As of December 31, 2022, the banking system represented 72% of the total assets of the private financial system. For the year ended December 31, 2022, the banking system generated a profit of U.S.\$663.7 million, which according to data from the Superintendent of Banks represented 5.69% of Ecuador's nominal GDP and an increase from U.S.\$387.4 million for the year ended December 31, 2021. The banking system strengthened between 2021 and 2022, and its assets expanded by 8.5% due to a 15% increase in the loan portfolio. For the year ended in December 31, 2023, the banking system generated a profit of U.S.\$737.5 million compared to U.S.\$663.7 million for the year ended December 31, 2022.

As of June 30, 2024, the banking system represented 72% of the total assets of the private financial system. For the six months ended June 30, 2024, the banking system generated a profit of U.S.\$292.3 million compared to U.S.\$390.3 million for the same period in 2023. Ecuador's banks use their resources primarily to extend loans. Between 2022 and 2023, the Ecuadorian private banking system's total loan portfolio increased 9.2% from U.S.\$38,589.5 million to U.S.\$42,129.3 million and past due loans increased 59.9% from U.S.\$843.9 million to U.S.\$1,349.4 million. This increase in past due loans was primarily due to the regulatory change issued by the Financial Policy and Regulation Board, which reconstructs the category and days of delinquency for determining the risk rating.

Financial entities may not carry out active and contingent operations with the same natural or legal person for an amount that exceeds, in aggregate, 10% of the technical equity of the entity. This limit will be raised to 20% if what exceeds 10% corresponds to obligations secured by guarantee. In no case may the appropriate guarantee have a value lower than the total value of the excess. The set of operations of the previous subparagraph may not in any case exceed 200% of the patrimony of the subject of credit, unless there are adequate guarantees that cover, in excess of at least 120%.

The following table identifies the loans made to the private sector from the private banking sector and the deposits of the private banking sector as of August 31, 2024:

LOANS TO THE PRIVATE SECTOR AND PRIVATE BANK DEPOSITS

	As of August 31, 2023	As of August 31, 2024
	<i>(in millions of U.S.\$)</i>	<i>(in millions of U.S.\$)</i>
Loans		
Commercial, ⁽¹⁾ Productive and Consumer Loans	34,754.4	37,831.1
Microenterprise Loans	3,329.7	3,454.7
Education Loans	266.0	221.7
Real Estate and Public Housing Loans	2,586.7	2,679.1
Total	40,936.8	44,186.5
Deposits		
Demand Deposits	23,473.6	24,517.7
Time Deposits	19,341.3	23,161.8
Guarantee Deposits	1.1	1.0

	As of August 31, 2023	As of August 31, 2024
	<i>(in millions of U.S.\$)</i>	<i>(in millions of U.S.\$)</i>
Others	1,652.7	1,880.3
Total	44,468.7	49,560.8

Source: Superintendent of Banks as of June 2024.

(1) Commercial loans refers to both the priority and ordinary loan portfolios under Ecuadorian banking regulation.

Total current loans to the private sector from the private banking sector increased from U.S.\$32,941.5 million as of December 31, 2021 to U.S.\$37,745.5 as of December 31, 2022. Total current loans to the private sector from the private banking sector increased from U.S.\$37,745.5 million as of December 31, 2022 to U.S.\$40,779.9 million as of December 31, 2023. Total current loans to the private sector from the private banking sector increased from U.S.\$39,042.2 million as of June 30, 2023 to U.S.\$42,094.3 million as of June 30, 2024.

As of December 31, 2022, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.\$43,643.1 million, an increase from U.S.\$41,205.6 million as of December 31, 2021. As of December 31, 2023, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.\$46,232.4 million, an increase from U.S.\$43,643.1 million as of December 31, 2022. As of June 30, 2024, banking deposits, including guarantee deposits and restricted deposits, totaled U.S.\$48,185.9 million, an increase from the U.S.\$43,865.6 million as of June 30, 2023.

The following table sets forth information regarding the banking system's loan portfolio as of the dates indicated:

BANKING SYSTEM LOAN PORTFOLIO BALANCES

	Current loans	Past-due loans ⁽¹⁾	Total loan portfolio	Current loans as a percentage of the total loan portfolio	Past-due loans as a percentage of the total loan portfolio
	<i>(in millions of U.S.\$, except for percentages)</i>				
December 31, 2021.....	32,941.5	718.8	33,660.3	97.9%	2.1%
December 31, 2022.....	37,745.5	843.9	35,589.5	97.8%	2.2%
December 31, 2023.....	40,779.9	1,349.4	42,129.3	96.8%	3.2%
June 30, 2023.....	39,042.2	1,319.5	40,361.7	96.7%	3.3%
June 30, 2024.....	42,094.3	1,551.1	43,645.4	96.5%	3.5%

Source: Superintendent of Banks as of June 2024.

(1) Past-due loans are classified by economic sector. Commercial past-due loans are classified as loans 31 days overdue, consumer past-due loans are classified as loans 16 days overdue, real estate past-due loans are classified as loans 61 overdue, and microcredit past-due loans are classified as loans 16 days overdue. Non-interest accruing loans are also included in past-due loans.

As of December 31, 2022, the delinquency rate increased to 2.2% compared to 2.1% as of December 31, 2021. As of December 31, 2023, the delinquency rate increased to 3.2% compared to 2.2% as of December 31, 2022. This increase was primarily due to regulatory change issued by the Financial Policy and Regulation Board, which reconstructs the category and days of delinquency for determining the risk rating. As of June 30, 2024, the delinquency rate increased to 3.6% compared to the 3.3% as of June 30, 2023. This increase was primarily due to an increase in financial difficulties among microcredit borrowers, which led to more late or missed loan repayments.

The following table sets forth information regarding the number of past-due loans in different sectors of the economy as of the dates indicated:

PAST DUE LOANS BY SECTOR OF THE ECONOMY

	As of December 31,						As of June 30,			
	2021		2022		2023		2023		2024	
	<i>(in millions of U.S.\$, and as a percentage of past due loans)</i>									
	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%	U.S.\$	%
Commercial.....	143.8	20.0%	158.4	18.7%	202.1	15.0%	210.5	15.9%	253.7	16.4%

	As of December 31,				As of June 30,					
	2021		2022		2023		2023		2024	
	<i>(in millions of U.S.\$, and as a percentage of past due loans)</i>									
Consumer.....	388.9	54.1%	453.7	53.8%	834.5	61.9%	789.8	59.8%	947.2	61.1%
Real estate.....	72.2	10.0%	73.4	8.6%	76.1	5.6%	85.9	6.5%	85.2	5.5%
Microcredit.....	99.5	13.8%	146.5	17.3%	224.5	16.7%	216.8	16.4%	255.4	16.4%
Education.....	14.4	1.9%	12.1	1.4%	12.2	0.9%	16.5	1.2%	2.8	0.2%
Total.....	718.8	100.0%	843.9	100.0%	1,349.4	100.0%	1,319.5	100.0%	1,551.1	100.0%

Source: Superintendent of Banks as of June 2024.

The Banking Sector

The first, second and third largest banks by asset value in Ecuador are Banco del Pichincha, Banco de Guayaquil and Produbanco respectively. As of December 31, 2023, the three banks accounted for approximately 58.2% of the reported combined income (total income) and 52.4% of Ecuador’s private banking assets. Return on equity for these three banks averaged 14.3% as of December 31, 2023, a decrease of 0.8% compared to 15.0% as of December 31, 2022, while net profit for these three banks increased from U.S.\$342 million as of December 31, 2022 to U.S.\$372 million as of December 31, 2023.

Banco del Pacífico is 100% owned by the Republic after it was taken over from private shareholders during the banking crisis in 1999 and its shares were transferred to the Central Bank. In 2022, the Republic and CFN attempted to privatize Banco de Pacifico, but the privatization did not occur. As of December 31, 2023 and 2022, its assets totaled U.S.\$7,005.3 million and U.S.\$6,990.6 million, respectively. According to the Superintendent of Banks, Banco del Pacífico’s profits were U.S.\$122.6 million and U.S.\$108.2 million for each of the years ended December 31, 2023 and 2022, respectively. Its profits for the six months ended June 30, 2024 were U.S.\$76.1 million.

According to the Superintendent of Banks, as of December 31, 2023 and 2022, approximately 2.3% and 0.6%, respectively, of the profits in the banking sector came from Citibank N.A., Ecuador Branch, which was the only foreign bank operating in Ecuador. According to the Superintendent of Banks, as of June 30, 2024, approximately 2.1% of the profits in the banking sector came from Citibank N.A., Ecuador Branch.

Cooperative and Mutual Solidarity Financial Systems

In 2008, former President Correa created the *Programa de Finanzas Populares* (the “**Program for Public Finance**”) to expand lending to smaller financial cooperatives so that they could increase lending to small businesses. These cooperatives extend micro-loans to individuals and businesses that could otherwise not obtain loans from commercial banks. As of December 31, 2023 and June 30, 2024, cooperative loans totaled U.S.\$8,548 million and U.S.\$3,493 million, respectively.

Interest Rates and Money Supply

In July 2007, the *Ley del Costo Máximo Efectivo del Crédito* (Maximum Actual Credit Cost Law) established a new system for the calculation of interest rates and, among other things:

- prohibited charging commissions for credit operations and prepayments;
- prohibited imposing any fee that is not in the nature of compensation for the rendering of a service; and
- established that the maximum interest rate must equal interest rates of credit operations of private financial institutions in each relevant sector, multiplied by an amount determined by the Central Bank.

In April 2015, Resolution 043-2015-F established new categories of credits in the financial system, totaling 10. The purpose of the resolution was to promote socially and environmentally responsible consumption, encourage value generating investment and improve the efficiency of the financial system. The new categories of credit in the financial system established by this resolution included productive credits, ordinary commercial credits, priority commercial credits, ordinary consumption credits, priority consumption credits, education credits, public interest housing credits,

real estate credits, microcredits and public investment credits. Changes from the prior categorizations included the following:

- “productive credits” were defined as those credits for which at least 90% of funds are dedicated to acquisition of capital goods, construction of infrastructure projects and the purchase of industrial property rights;
- “consumer credits” were divided into “ordinary consumer loans” for the acquisition or commercialization of light fossil fuel vehicles and “priority consumer loans,” which are dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity;
- “commercial credits” were defined as “ordinary commercial credits,” which are available to persons whose annual sales are higher than U.S.\$100,000.00 that acquire or commercialize light fossil fuel vehicles and “priority commercial credits,” which are available for the acquisition of goods and services for commercial and productive activities to persons whose annual sales are higher than U.S.\$100,000; and
- “education credits,” were introduced, which are available to individuals and accredited institutions to finance education and vocational or technical training.

In addition to the new categorization of credit, the Committee of Monetary and Financial Policy Regulation fixed the maximum interest rates for each of these categories through Resolution No. 044-2015-F.

On September 22, 2020, the Financial Policy and Regulation Board issued Resolution No. 603-2020-F, which regulated the segmentation of the credit portfolio of the entities of the national financial system. The following is a description of the credit segments of the financial system that are in effect today:

1. *Productive Credit*: Credit granted to natural persons obliged to keep accounting notices or to legal entities that register annual sales over U.S.\$100,000.00 for the acquisition of goods and services for productive and commercial activities. The following are sub-segments of the Productive Credit:
 - *Corporate Productive*: Productive credit operations granted to natural persons obliged to keep accounting records or legal entities with annual sales in excess of U.S.\$5,000,000;
 - *Productive Corporate*: Productive credit operations granted to natural persons required to keep accounting records or legal entities with annual sales in excess of U.S.\$1,000,000 and up to U.S.\$5,000,000; and
 - *Productive SMEs*: Productive credit operations granted to natural persons obliged to keep accounting records or legal entities with annual sales of over U.S.\$100,000 and up to U.S.\$1,000,000.
2. *Microcredit*: Credit granted to a natural or legal person with annual sales up to U.S.\$100,000, or to a group of borrowers with a joint and several guarantee, to finance small-scale production and/or commercialization activities, whose main source of payment is the product of the sales or income generated by those activities, adequately verified by the entities of the National Financial System. The following are sub-segments of Microcredit:
 - *Retail Microcredit*: Operations granted to credit applicants with annual sales equal to or less than U.S.\$5,000;
 - *Simple Accumulation Microcredit*: Operations granted to credit applicants with annual sales of more than U.S.\$5,000 and up to U.S.\$20,000; and
 - *Extended Accumulation Microcredit*: Operations granted to credit applicants with annual sales of more than U.S.\$20,000 and up to U.S.\$100,000.
3. *Real Estate Credit*: Credit granted with a mortgage guarantee to individuals for the construction, repair, remodeling and improvement of their own real estate; for the acquisition of land for the construction of their

own housing; and for the acquisition of finished housing for the use of the debtor and his family not categorized in the Social and Public Interest Housing Credit segment discussed below.

4. *Social and Public Interest Housing Credit*: Credit granted to individuals with a mortgage guarantee for the acquisition or construction of a single dwelling for first use, in accordance with the provisions issued by the Monetary Policy and Regulation Board. The following are sub-segments of the Social and Public Interest Housing Credit:
 - *Social Interest Housing Credit*: in the case of social interest housing, the commercial value of the dwelling is considered to be up to 177.66 unified basic wages and other requirements established in the current legal regulations.
 - *Public Interest Housing Credit*: in the case of public interest housing, the commercial value of the dwelling is considered to be from 177.67 unified basic wages to 228.42 unified basic wages and other requirements established in the current legal regulations.
5. *Consumer Credit*: Credit granted to individuals for the purchase of goods, services or expenses not related to a productive or commercial activity and other purchases and expenses, including pledge credits for jewelry, as well as for the purchase of light vehicles that are not used for a productive or commercial activity.
6. *Educational Credit*: Credit granted to individuals for their professional or technical education and training and to legal entities for the financing of professional or technical education and training of their human talent, in both cases the education and training must be duly accredited by the competent bodies.
7. *Social Educational Credit*: Credit granted in accordance with the public policy issued by the governing body of higher education to individuals who previously received credits or scholarships for their education and professional or technical training, with public resources provided by the former Ecuadorian Institute of Educational Credit, subsequently the Institute for the Promotion of Human Talent, and the Secretariat of Higher Education, Science, Technology and Innovation.
8. *Public Investment Credit*: Credit for financing programs, projects, works and services aimed at the provision of public services, the provision of which is the responsibility of the State, either directly or through companies, and which is cancelled against budgetary resources or income of the debtor in trust in favor of the lending public financial institution. This segment includes operations granted to Decentralized Autonomous Governments and other public sector entities.

Via Resolution No. 603-2020-F, the now extinct Monetary and Financial Policy and Regulation Board modified credit segmentation and its active interest rates. Pursuant to such Resolution, the number of credit subsegments was reduced to 13. The reform eliminated the commercial segment and its subsegments, the agricultural and livestock productive subsegment, the subsegments of ordinary and priority consumption establishing now only the consumption segment, and modified the subsegments of the microcredit segment, so only retail microcredit, simple accumulation microcredit and expanded accumulation microcredit remain in place. As a result, the following credit segments and subsegments were maintained: corporate productive; business productive; productive PYMES; consumption; educational; social education; public interest housing; social interest housing; real estate; retail microcredit; simple accumulation microcredit; expanded accumulation microcredit; public investment.

Subsequently, Resolution No. JPRF-F-2021-004 established the maximum lending interest rates for the 13 aforementioned sub-segments, which became effective as of January 1, 2022. These rates were established following the recommendations of the “Methodology for the Calculation of Active Interest Rates” prepared by the Central Bank, which suggested that the calculation of interest rates incorporate the cost of funding, credit risk costs, operating costs and the cost of capital.

In June 2023, Resolution No. JPRF-F-2023-070 relaxed the interest rate ceilings for the corporate and business productive sectors, which are now calculated as follows: the Maximum Effective Lending Rate is equal to the Benchmark Effective Lending Rate for the indicated segment as published by the Central Bank in the month immediately prior to its application, plus two standard deviations from the series of the last twelve months of the

benchmark lending rate for the corresponding segment. On March 15, 2024, Resolution No. JPRF-F-2024-0104 extended this methodology to the interest rate ceiling applicable to the real estate segment.

The following table sets forth average deposit interest rates for the economy as a whole and average lending interest rates per sector as of the dates indicated:

INTEREST RATES

	As of December 31,		As of June 30,	
	2021	2022	2023	2024
	(%)			
Deposit interest rate.....	5.9%	6.3%	7.7%	8.4%
Lending interest rate.....	7.4%	8.5%	9.9%	11.4%
Corporate productive lending interest rate ⁽¹⁾	7.4%	8.5%	9.9%	11.4%
Maximum corporate productive interest rate	9.3%	8.9%	10.6%	12.5%
Business productive lending interest rate ⁽²⁾	9.4%	9.5%	10.9%	12.3%
Maximum business productive interest rate	10.2%	9.8%	11.3%	13.3%
Medium and small business productive lending interest rate ⁽³⁾	10.6%	10.2%	11.0%	11.9%
Maximum medium and small business productive interest rate	11.8%	11.3%	11.5%	12.3%
Consumer lending interest rate ⁽⁵⁾	16.2%	16.1%	16.3%	16.3%
Maximum consumer interest rate	17.3%	16.8%	16.8%	16.8%
Education lending interest rate ⁽⁶⁾	8.9%	8.9%	8.8%	8.9%
Maximum education interest rate	9.5%	9.5%	9.5%	9.5%
Housing lending interest rate.....	9.8%	9.4%	9.9%	10.5%
Maximum housing interest rate	11.3%	10.4%	10.4%	11.5%
Microcredit increased accumulation lending interest rate ⁽⁷⁾⁽⁹⁾	20.1%	19.9%	20.0%	19.2%
Maximum microcredit increased accumulation interest rate ⁽⁹⁾	23.5%	22.1%	22.1%	22.1%
Microcredit simple accumulation lending interest rate ⁽⁹⁾⁽¹⁰⁾	20.7%	20.3%	20.4%	21.9%
Maximum microcredit simple accumulation interest rate ⁽⁹⁾	25.5%	24.9%	24.9%	24.9%
Microcredit subsistence accumulation lending interest rate ⁽⁹⁾⁽¹¹⁾	19.8%	19.5%	20.2%	21.2%
Maximum microcredit subsistence accumulation interest rate ⁽⁹⁾	28.5%	28.2%	28.3%	28.2%

Source: Central Bank, 2024: Monthly Statistical Information: June 2024: No. 2070 Monthly Bulletin (Table 1.10.1), (Table 1.10.2a) <https://contenido.bce.fin.ec/documentos/PublicacionesNotas/Catalogo/IEMensual/m2045/IEM2045.pdf>

- (1) “Corporate lending rate” is the rate provided to businesses whose annual sales exceed U.S.\$5,000,000.00.
- (2) “Business lending rate” is the rate provided to businesses whose annual sales equal or exceed U.S.\$1,000,000 up to U.S.\$5,000,000.00.
- (3) “Medium and small business lending rate” is the rate provided to businesses whose annual sales equal or exceed U.S.\$1,000,000 up to U.S.\$5,000,000.00.
- (4) In 2015 consumer credits were divided into “ordinary consumer credits,” for the acquisition or commercialization of light fossil fuel vehicles and “priority consumer credits,” dedicated to the purchase of goods or services or expenses not related to productive activity or ordinary commercial activity.
- (5) “Education lending rate” is the rate provided to individuals for development of human capital by accredited institutions.
- (6) “Microcredit increased accumulation lending rate” refers to credit transactions whose amount per trade and balance due to microcredit financial institutions exceed U.S.\$10,000. This is the rate granted to entrepreneurs who register annual sales of less than U.S.\$100,000.
- (7) Under the Monetary, Financial, Securities and Insurance Resolutions Codification, which includes Resolution 437-2018-F of January 26, 2018, certain maximum rates were established for the microcredit segments after February 1, 2018, which corresponds to credit unions of segments 2, 3 and 4.
- (8) “Microcredit simple accumulation lending rate” refers to credit transactions whose amount per transaction and balance due to microcredit financial institutions is larger than U.S.\$1,000, but smaller than U.S.\$10,000. This is the rate provided to entrepreneurs who register a sales level or annual income of less than U.S.\$100,000 and to self-employed individuals.
- (9) “Microcredit subsistence accumulation lending rate” refers to credit transactions that are less than or equal to U.S.\$1,000. This is the rate provided to micro entrepreneurs who recorded a level of annual sales less than U.S.\$100,000 and to self-employed, individuals or a group of borrowers with joint liability.

The average interest rates on deposits increased from 5.9% in 2021 to 7.7% in 2023. With respect to the various sectors, most loan interest rates remained stable during the period from 2021 through 2023, with the corporate productive lending interest rate increasing to 9.9% from 7.4%.

As of December 31, 2023 and 2022, the corporate productive lending interest rate was 9.9% and 8.5%, respectively. As of June 30, 2024, the corporate productive lending interest rate was 11.4%.

The following table sets forth the principal monetary indicators as of the dates indicated:

PRINCIPAL MONETARY INDICATORS

	As of June 30,		
	2024	2023	2022
	<i>(in millions of U.S.\$)</i>		
Currency in circulation ⁽¹⁾	19,682.3	19,120.1	18,555.1
Demand deposits ⁽²⁾	9,969.6	10,488.5	10,900.7
Fractional Currency.....	86.6	87.7	85.7
M1 ⁽³⁾	29,738.4	29,696.4	29,54.41
Quasi-money ⁽⁴⁾	52,657.0	46,822.7	41,849.6
M2 (M1 plus term) ⁽⁵⁾	82,395.4	76,519.0	71,391.0

Source: Data from Central Bank, Monthly Bulletin (Table 1.1.1) for June 2024, June 2023 and June 2022. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

- (1) The calculation methodology and the 2000.1 - 2007.12 series of the currency in circulation are registered in “Cuestiones Económicas” journal of the Central Bank of Ecuador, Vol. 23. N° 2, 2007.
- (2) Refers to deposits received into current accounts by banking institutions, required by means of the submission of checks or other payment and registration mechanisms.
- (3) Money supply is defined as the amount of money immediately available to agents so that they may carry out transactions; accounting-wise, narrow money is the sum of the monetary species in circulation and the deposits into current accounts.
- (4) Corresponds to deposit taking of Other Depository Corporations, that without being of immediate liquidity, signifies a “second line” of payment means at the public’s disposal. It is comprised of savings deposits, installments, repo, card holder funds and other deposits.
- (5) The total liquidity, or broad money, includes money supply and quasi-money.

Inflation

Ecuador measures the inflation rate by the percentage change between two periods in the consumer price index (“CPI”). The CPI is computed by INEC based on a standard basket of 299 items of goods and services that reflects the pattern of consumption of urban Ecuadorian households in eight cities. The price for each good or service that makes up the basket is weighted according to its relative importance in an average urban household’s consumption pattern in order to calculate the CPI.

Prior to the adoption of the Dollarization Program, Ecuador was plagued by high inflation. From 1994 to 1999, the inflation rate ranged from a 22.8% low in 1995 to a 60.7% high in 1999. In 1999 and early 2000, the sharp devaluation of the sucre contributed to an increase in the Republic’s inflation rate, which became one of the highest in Latin America at 96.1% in 2000. The restrictions imposed by the Dollarization Program brought this to an end. The inflation rate was 2.7% in 2004, 2.2% in 2005, 2.8% in 2006, 3.3% in 2007 and 8.8% in 2008. The increase in inflation in 2008 was primarily caused by increases in food prices, due to climatic changes that affected the agricultural sector. In addition, the international prices of fertilizer and agricultural commodities also increased. As a result of these increases, Ecuador fixed the prices for some of these goods and limited the export of various agricultural products. As a result, during 2011, 2012, 2013 and 2014, the inflation rate followed a downward trend each year at 5.41%, 4.16%, 2.70% and 3.67%, respectively. The decrease in the inflation rate in 2013, particularly, was due to the imposition of price controls intended to curb price speculation on basic foodstuffs including, meats, various fruits and vegetables, and milk.

According to the INEC, inflation increased from 1.94% for the 12-month period ended December 31, 2021 to 3.74% for the 12-month period ended December 31, 2022. This increase was primarily due to disruptions in international markets and related problems in international transport supply chains that affected the price of raw materials, as well as policy measures on fuel prices. According to the INEC, inflation decreased from 3.74% for the 12-month period ended December 31, 2022 to 1.35% for the 12-month period ended December 31, 2023. This decrease was primarily due to the stabilization of raw material prices at the international level, normalization of production chains, but also to moderate domestic demand. Among the top of products with higher incidence of annual inflation were: low-octane gasoline, foods (bread, milk, cheese, green plantains, popular lunch), domestic services, urban transportation, vehicles and the combination of cough suppressants. Inflation decreased from 2.56% for the 12-month period ended August 30, 2023 to 1.28% for the 12-month period ended August 30, 2024. This decrease in the rate of annual inflation was the result of the economic slowdown and lower domestic demand.

Given the constraints of dollarization, and Ecuador’s inability to mint currency, the Republic is more vulnerable than other countries to external factors such as global recessions, the volatility of commodity and raw material prices and natural disasters affecting the agricultural sector. The relative strength or weakness of the dollar relative to the currencies of Ecuador’s Andean trading partners has also affected Ecuador’s inflation rate.

The following table sets forth inflation rates in the Republic as measured by the CPI for the periods presented:

INFLATION

(% Change in CPI from Previous Year at Period End ⁽¹⁾)

December 30, 2021	1.9%
December 30, 2022	3.7%
December 30, 2023	1.4%
June 30, 2023	1.7%
June 30, 2024	1.2%

Source: Data based on figures from the INEC, Consume Price Index bulletin for June 2024 <https://www.ecuadorencifras.gob.ec/ipc-informacion-de-anos-antiores/>

(1) Data reflect percentage change in consumer prices in urban areas over the prior 12 months period.

PUBLIC SECTOR FINANCES

Overview

Budget Process

The 2008 Constitution and the Public Planning and Finance Code set forth the public sector's budget process. According to Article 292 of the 2008 Constitution, the General State Budget is the instrument for establishing and managing Government income and spending, and includes all public sector income and expenses, with the exception of those belonging to social security, public banks, public companies and the Autonomous Decentralized Governments. The drafting and implementation of the General State Budget adheres to the National Development Plan, while the budgets of the Autonomous Decentralized Governments and those of other public entities adhere to regional and provincial plans, within the framework of the National Development Plan. The National Development Plan is published by the Government every four years and sets forth the goals and priorities of the Government for the applicable time period. The National Development Plan 2021-2025 was released in September 20, 2021.

The executive branch formulates the annual budget estimate and the four-year budgetary schedule, and presents both to the National Assembly for approval. The levels of revenue, expenditure, and debt are based on the macroeconomic projections and targets of the MEF and the Central Bank. The MEF is primarily responsible for the preparation of the public sector's annual budget based on guidelines issued by various planning agencies and other ministries.

The executive branch submits the draft annual budget and the four-year budgetary schedule to the National Assembly within the first 90 days of its initial term and, in subsequent years, 60 days before the start of the relevant fiscal year. The National Assembly must adopt or object to the draft budget within 30 days. The objections of the National Assembly are limited to the areas of revenue and spending and cannot alter the overall amount of the draft budget. If the National Assembly objects to the draft budget or schedule, the executive branch may, within ten days, accept the objection and submit a new proposal to the National Assembly for approval. If the National Assembly does not object within 30 days, the draft annual budget and the four-year budgetary schedule become effective.

The 2008 Constitution also established predetermined budget allocations for the Autonomous Decentralized Governments, the health sector, the education sector, and research, science, technology and innovation. The creation of any other predetermined budget allocations is prohibited.

The MEF has the authority to modify the budget during its execution phase in an amount up to 5% of any approved allocation. These adjustments must be made in accordance with the priorities and goals established in the National Development Plan and the constitutional limits established in Article 126 of the Public Planning and Finance Code. For more information regarding the National Development Plan and constitutional limits, see "*Public Debt—General.*"

Income and expenses belonging to social security, State banks, public companies and the Autonomous Decentralized Governments are not considered part of the General State Budget. As such, Autonomous Decentralized Governments prepare their budgets in accordance with the non-binding guidelines prepared by the National Secretary of Planning and Development. The executive branch of each Autonomous Decentralized Government is responsible for drafting the budget and submitting it for approval before the corresponding legislative bodies. The General State Budget and local budgets, upon approval, are implemented and made public, as is the General State Budget, and are implemented by the respective local governments.

In 2008, CEREPS was eliminated as a result of the 2008 Constitution and the enactment of LOREYTF. The Republic believes that LOREYTF has increased transparency and flexibility to the budget process by providing enhanced management of State resources and prioritizing social investments. The law also eliminated all predetermined use of resources; currently all of the Republic's resources go directly to a single system of accounts in the Central Bank. Title 3 of the Public Planning and Finance Code also provides transparency by providing unrestricted access to all budget and financial information of the Republic and annual financial statements of public companies.

In accordance with the terms of the 2008 Constitution, the macroeconomic rules and the restrictions on the assumption of public debt are as follows:

- permanent expenditures must be financed by permanent income; expenditures related to health, education and justice will be treated as preferential and may be, under exceptional circumstances, financed by non-permanent income; and
- public debt or income from petroleum products may not be used for current Government expenditures.

Under the 2008 Constitution, each of the following is subject to the National Development Plan:

- policies;
- programs and public projects;
- scheduling and execution of the State budget; and
- investment and allocation of public resources.

Pursuant to the Public Planning and Finance Code, each of the following is also subject to the National Development Plan:

- public actions, programs and projects;
- public debt;
- international cooperation;
- scheduling, formulation, approval and execution of the General State Budget;
- State banks' budgets;
- national-level public companies; and
- social security.

The Organic Law for Productive Development, enacted on August 21, 2018, amended the Public Planning and Finance Code to provide that a budget with a primary deficit must be approved and to ensure that any increase in the expenditure by the Central Government does not exceed the long term growth rate of the economy.

At the request of the MEF, or on its own, the Office of the Comptroller General can perform an audit of all public sector entities that administer public funds for compliance with proposed budgets and compliance under the law.

Fiscal Policy

In October 2010, the National Assembly approved the Public Planning and Finance Code, which regulates the State planning process and coordinates planning with fiscal policy. This law (as amended under the Organic Law for the Regulation of Public Finances) establishes guidelines for fiscal management, including rules that:

- provide for more flexibility for the MEF to reallocate and reassign expenditures up to 5% of the approved Government budget;
- set an explicit total public debt ceiling of 40% of GDP, including Central Government, non-financial public sector and the Autonomous Decentralized Governments (see "*Public Debt— General*" and "*— Organic Law for the Regulation of Public Finances*" for a description of the Republic's measures to decrease the public debt levels to below the debt ceiling);

- allow the MEF to issue CETES, at its discretion, without having to undergo the same approval process required for long-term internal and external sovereign debt;
- allow for the establishment of citizens' committees for financial public policy consultations;
- determine that all excess cash not spent during a fiscal year will be accounted for as initial cash for the following fiscal year; and
- establish the functions and responsibilities of the Debt and Finance Committee (see "*Public Debt—General*").

For more information on the amendments to the Public Planning and Finance Code by the Organic Law for the Regulation of Public Finances, see "*—Organic Law for the Regulation of Public Finances.*"

The CGR Audit Report (as defined herein) recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt-to-GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt-to-GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development, which became effective on August 21, 2018 and expressly confirmed that certain activities and instruments are considered a contingent liability and therefore are not included in the calculation of the total public debt-to-GDP ratio, and provided that for the period from 2018 to 2021, unless the public debt reached a level below the public debt ceiling of 40% of GDP, the public debt ceiling would not apply. The law also provided for the implementation of a fiscal stability plan by the MEF for the period from 2018 to 2021. The law set forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt-to-GDP ratio. The law also mandated that the MEF issue a new regulation implementing a new accounting methodology in accordance with internationally accepted standards and best practices for the registration and disclosure of public debt.

In addition, the Organic Law for Productive Development amended Article 124 of the Public Planning and Finance Code to provide that in exceptional cases, fiscal rules and the 40% debt-to-GDP ratio limit may be temporarily suspended when natural catastrophes, severe economic recession, imbalances in the payment system, or national emergency situations occur, for which purpose the approval of the majority of the members of the National Assembly will be required. These rules may also be suspended in the event that the President of the Republic decrees a state of emergency in accordance with the provisions of the 2008 Constitution. In these cases, the entity in charge of public finances will propose a plan to strengthen public finances to achieve and restore fiscal balance.

On November 19, 2018, the MEF issued the Regulation Implementing the Public Debt-to-GDP Ratio Calculation Methodology (the "**2018 Methodology**"), which provided that the calculation of the public debt-to-GDP ratio is to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The 2018 Methodology defined total public debt as the sum of the public debt incurred by the entities comprising the public sector and added certain debt instruments to the calculation of public debt that were not previously included, including oil presales. See "*—Methodology for Calculating the Public Debt-to-GDP Ratio.*"

In December 18, 2018, the Regulation to the Organic Law for Productive Development supplementing the Organic Law for Productive Development became effective. The Regulation to the Organic Law for Productive Development created the procedures to implement and simplify the tax benefits that the Organic Law for Productive Development created for new investments and entrepreneurship; clarified different concepts used in the Organic Law for Productive Development such as the concept of 'new investment'; created the framework under which the VAT and exit tax returns on exports and other tax incentives would be carried out; closed any loopholes on the elimination of the excise tax; and created the procedures to oversee compliance with fiscal rules with the goal of achieving sustainability of public finances.

The Regulation to the Organic Law for Productive Development also amended the Rules to the Public Planning and Finance Code to include a new section on fiscal rules and to amend certain articles. Article 133 of the Rules to the Public Planning and Finance Code is amended to provide that the Ministry of Economy and Finance will produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public

sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments also provided that in establishing the total amount of public debt, the MEF must consider the aggregate public debt-to-GDP indicator of the entities constituting the public sector, which must be calculated and projected based on the public debt aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provided guidance for calculating the debt-to-GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for maintaining the balance of the public debt at or below 40% of GDP after it has been reduced.

The non-financial public sector deficit is primarily financed by the issuance of CETES and bonds placed with IESS. There is no maximum amount of CETES that may be issued per year nor is there a requirement to place a certain percentage in the public or private sector. However, IESS may only hold 75% of the value of its total portfolio in CETES.

The Organic Law for Productive Development created a fiscal stabilization fund to ensure fiscal sustainability and health and education expenses, supported by the extra revenue above the flows contemplated under the Budget from the exploitation of non-renewable natural resources, after deducting the share earmarked to local governments.

On October 18, 2019, former President Moreno presented before the National Assembly the draft Law on Economic Development which, among other reforms, was aimed at reforming certain aspects of Ecuador's financial laws and regulations to, among other things, (i) enhance fiscal sustainability establishing stricter budget controls and (ii) strengthen dollarization by enhancing the Central Bank's autonomy. On November 17, 2019, the National Assembly voted to reject the draft Law on Economic Development. In response, on November 21, 2019, former President Moreno presented the draft Organic Law on Tax Simplification, replacing the draft Law on Economic Development with respect to certain aspects of the intended tax reform. The Organic Law on Tax Simplification was first approved by the National Assembly on December 9, 2019, and after a Presidential partial veto, became effective on December 31, 2019.

On July 24, 2020, the Organic Law for the Regulation of Public Finances became effective as revised by former President Moreno. The Organic Law for the Regulation of Public Finances included two sections and a transitional provision. Section I is limited to amendments to the Public Planning and Finance Code and includes 45 articles, and Section II is limited to a single article amending a provision of the Organic Law of Spatial Planning and applicable ordinances. This law aimed to improve the administration of public finances and focuses on updates to budgetary ceilings, the predictability of public spending, establishment of new treasury securities and new tax rules. See “—*Organic Law for the Regulation of Public Finances.*”

On May 2021, Ministerial Agreement No. 036 was issued, in which the MEF resolved, among other things, to issue, within 60 days from its effective date, all necessary administrative acts to begin publishing the new Total Public Debt and Other Obligations - GDP Indicator, in application of the 2018 Methodology and, by virtue of the Ministerial Agreement No. 0071 issued on July 20, 2021, such period was extended by an additional period of up to 60 business days from the date of such Ministerial Agreement.

On August 14, 2021, Ministerial Agreement No. 0077 was issued, in which the MEF resolved to issue the Methodology for the calculation of the Debt Rule Indicator and other payment obligations of the non-financial public sector and Social Security repealing Ministerial Agreements No. MEF-2018-0134 of November 19, 2018 (including the 2018 Methodology), No. 036 of May 20, 2021 and No. 071 of June 20, 2021. See “*Public Debt—Methodology for Calculating the Public Debt-to-GDP Ratio.*”

Non-Financial Public Sector Revenues and Expenditures

The following table sets forth actual revenues and expenditures for the consolidated non-financial public sector for the periods presented:

SUMMARY OF CONSOLIDATED NON-FINANCIAL PUBLIC SECTOR REVENUES AND EXPENDITURES ⁽¹⁾⁽²⁾

	For the year ended December 31,						For the six months ended June 30			
	2021		2022		2023		2023		2024	
	<i>(in millions of U.S.\$, and as % of GDP)</i>									
Revenue										
Oil revenue ⁽³⁾										
Exports ⁽⁴⁾⁽⁸⁾	8,681.3	8.1%	11,229.2	9.6%	9,079.0	7.6%	4,157.8	7.2%	4,787.9	8.1%
Domestic sales										
Total Oil revenue	13,106.4	12.2%	16,853.8	14.5%	14,506.8	12.2%	6,852.9	11.9%	7,387.0	12.5%
Non-Oil revenue										
Income tax.....	3,854.1	3.6%	4,450.0	3.8%	4,652.2	3.9%	2,820.6	4.9%	3,084.8	5.2%
VAT.....	5,986.9	5.6%	6,440.1	5.5%	6,269.2	5.3%	3,156.0	5.5%	3,427.8	5.7%
ICE (Tax on Special Consumptions).....	821.4	0.8%	851.6	0.7%	812.7	0.7%	415.4	0.7%	406.9	0.7%
Tariff duties.....	1,207.1	1.1%	1,267.0	1.1%	1,180.4	1.0%	571.1	1.0%	532.6	0.9%
Other tax ⁽⁵⁾	1,516.9	1.4%	1,426.4	1.2%	1,121.2	0.9%	626.7	1.1%	568.0	0.9%
Emergency taxes.....	164.9	0.2%	664.6	0.6%	315.3	0.3%	279.7	0.5%	431.0	0.7%
Social Security contribution	5,305.4	4.9%	5,773.4	5.0%	6,051.1	5.1%	3,016.9	5.2%	3,087.4	5.2%
Transfers	543.6	0.5%	465.4	0.4%	1,011.4	0.9%	639.6	1.1%	1,138.9	1.9%
Earned interests	1,159.6	1.1%	1,282.8	1.1%	1,548.3	1.3%	780.2	1.4%	749.5	1.3%
Other ⁽⁶⁾	4,798.0	4.5%	5,724.2	4.9%	6,138.0	5.2%	3,231.8	5.6%	2,924.1	5.2%
Total Non-Oil revenue										
Operating income of public	25,356.0	23.6%	28,345.5	24.3%	29,099.8	24.5%	15,537.9	26.9%	16,495.8	27.8%
Total Revenue	38,462.4	35.8%	45,199.3	38.8%	43,606.6	36.7%	22,390.8	38.7%	23,853.3	40.2%
Expenses										
Permanent Expenses										
Interest.....	1,465.8	1.4%	1,880.4	1.6%	2,705.0	2.3%	1,331.4	2.3%	1,442.0	2.4%
External.....	952.7	0.9%	1,319.5	1.1%	2,118.4	1.8%	1,020.6	1.8%	1,186.7	2.0%
Internal.....	513.1	0.5%	570.9	0.5%	586.6	0.5%	310.8	0.5%	255.3	0.4%
Wages.....	10,556.5	9.8%	11,491.8	9.9%	12,134.5	10.2%	5,668.1	9.8%	5,766.0	9.7%
Purchase of goods and services.....	9,794.8	9.1%	13,581.0	11.6%	13,591.5	11.4%	6,197.6	10.7%	5,912.4	4.8%
Transfers.....	952.7	0.9%	1,735.0	1.5%	1,825.8	1.5%	881.2	1.5%	864.0	1.5%
Social Security.....	7,178.5	6.7%	7,620.2	6.5%	8,576.2	7.2%	3,858.9	6.7%	3,087.3	6.7%
Others.....	944.3	0.9%	981.3	0.85	1,063.8	0.9%	490.0	0.8%	523.9	0.9%
Total Permanent Expenses	30,892.5	28.8%	37,289.8	32.0%	39,896.8	33.6%	18,427.2	31.9%	18,487.8	31.1%
Non-Permanent Expenses										
Investments in Non-Financial Assets ⁽⁷⁾	2,274.9	2.1%	2,318.3	2.0%	2,080.4	1.8%	947.0	1.6%	647.0	1.1%
Central Government.....	680.7	0.6%	603.1	0.5%	451.2	0.4%	167.2	0.3%	79.1	0.1%
GADS.....	1,566.4	1.5%	1,651.2	1.4%	1,554.6	1.3%	762.6	1.3%	550.5	0.9%
Social Security Funds.....	15.9	0.0%	25.0	0.0%	22.5	0.0%	6.8	0.0%	12.0	0.0%
Non-Financial Public Enterprises.....	11.9	0.0%	39.0	0.0%	52.0	0.0%	10.4	0.0%	5.5	0.0%
Non-permanent transfers.....	2,003.2	1.9%	849.2	0.7%	975.2	0.8%	355.4	0.6%	303.4	0.5%
Other non-permanent expense....	5,074.1	4.7%	4,764.7	4.1%	4,931.1	4.1%	2,305.2	4.0%	2,108.6	3.6%
Total Non-Permanent Expenses	9,352.2	8.7%	7,932.2	6.8%	7,986.7	6.7%	3,607.7	6.2%	3,059.1	5.2%
Total Expenditure	40,244.7	37.5%	45,222.0	38.8%	47,883.5	40.3%	22,034.9	38.1%	21,546.9	36.2%
Surplus/Deficit	-1,782.3	-1.7%	-22.6	0.0%	-4,276.9	-3.6%	355.9	0.6%	2,306.4	3.9%

Source: MEF.

- (1) The structure of the non-financial public sector is based on the sectorization of the IMF Public Finance Statistics Manual 2014.
- (2) Income records correspond to cash-based values and expense records correspond to accrual values, except for interest expenses, which are cash-based.
- (3) Income from this concept depends on production, crude oil exports, international prices of crude oil and its derivatives, sales prices of petroleum derivatives and production costs.
- (4) Includes income from exports of crude oil and derivatives registered in: General State Budget, CFDD, GAD by the CTA Law, Petroleum Services Contracts administered by the Ministry of Energy and Mines; and income from recognition of operating costs of the entire value chain of EP Petroecuador.

- (5) Includes the Currency Outflow Tax (ISD).
- (6) Corresponds to income from self-management of the Decentralized Autonomous Governments.
- (7) Excludes only interest expense, as the compilation of public debt statistics is carried out as gross debt and not net for the purposes of evaluating debt sustainability.
- (8) As of September 2022, by Executive Decree No. 548 of August 30, 2022, the CFDD that was part of the PGE became managed by petroecuador.

In 2022, the non-financial public sector registered a deficit of U.S.\$22.6 million compared to a deficit of U.S.\$1,782.3 million in 2021. This decrease in the deficit was primarily due to an increase in income of approximately U.S.\$6,700 million, which was approximately U.S.\$4,900 million more than the increase in expenses for the same period. In 2022, total revenues for the non-financial public sector totaled U.S.\$45,199.3 million, a decrease from U.S.\$38,462.4 million in 2021. This decrease was primarily due to the favorable evolution of oil prices, the enactment of the Organic Law for Economic Development and Fiscal Sustainability after the COVID-19 pandemic, and an increase in contributions to the IESS. In 2022, total expenditures for the non-financial public sector totaled U.S.\$45,222.0 million, an increase from U.S.\$40,244.7 million in 2021. This increase was primarily due to expenditures tied to the expense of importing derivatives related to the WTI price, an increase in goods and services expenses from public companies, an increase in financial expense due to the adjustment of interest rates in the international market produced by the policies adopted internationally to control inflationary levels, and an increase in social security benefits.

In 2023, the non-financial public sector registered a deficit of U.S.\$4,276.9 million compared to a deficit of U.S.\$22.6 million in 2022. This increase in the deficit was primarily due to a decrease in income of approximately U.S.\$1,500 million and an increase in expenses in approximately U.S.\$2,600 million. In 2023, total revenues for the non-financial public sector totaled U.S.\$43,606.6 million, an increase from U.S.\$45,199.3 million in 2022. This increase was primarily due to decrease in oil volume production and export prices as well as a slowdown in economic activity. In 2023, total expenditures for the non-financial public sector totaled U.S.\$47,883.5 million, an increase from U.S.\$45,222.0 million in 2022. This increase was primarily due to an increase of approximately U.S.\$956 million in social security benefits, higher interest expense due to the adjustment of interest rates in the international market due to inflationary levels, and an increase in salaries and wages due to the establishment of the Ley Orgánica de Educación Intercultural, which increased salaries and personnel in the education sector.

For the six months ended June 30, 2024, the non-financial public sector registered a surplus of U.S.\$2,306.4 million compared to a surplus of U.S.\$355.9 million for the six months ended June 30, 2023. This increase in surplus was primarily due to an increase in income of approximately U.S.\$1,462 million and a decrease in expenses of approximately U.S.\$488 million. For the six months ended June 30, 2024, total revenues for the non-financial public sector totaled U.S.\$ 23,853.3 million, an increase from U.S.\$22,390.8 million for the six months ended June 30, 2023. This increase was primarily due to an increase in tax revenues of approximately U.S.\$582 million as a result of the entry into force of the *Ley Orgánica para Enfrentar el Conflicto Armado* (Law to confront the internal armed conflict), which included income from temporary security contributions of approximately U.S.\$275 million and temporary contributions from banks and cooperatives of approximately U.S.\$147 million; the entry into force of the Organic Law of Energy Competitiveness, which included the remission of interest, fines and surcharges on the balance of tax and fiscal obligations; an increase in VAT to 15%; and the implementation of self-withholdings on income from large taxpaying companies. For the six months ended June 30, 2024, total expenditures for the non-financial public sector totaled U.S.\$21,546.9 million, a decrease compared to U.S.\$22,034.9 million for the six months ended June 30, 2023. This decrease was primarily due to the decrease in non-permanent expenses.

Central Government Revenues and Expenditures

The Government derives its revenues primarily from sales of petroleum, tax collection and import duties, and other revenue, including transfers. The following table shows the actual Central Government revenues and expenditures for the periods presented. The Central Government includes the Republic's ministries, supervising entities, and other Government entities.

CONSOLIDATED CENTRAL GOVERNMENT REVENUES AND EXPENDITURES⁽¹⁾⁽²⁾⁽⁷⁾

	For the year ended December 31,					For the six months ended June 30,				
	2021	2022	2023	2023	2024	2023	2023	2023	2024	2024
	<i>(in millions of U.S.\$, and as % of GDP)</i>									
Revenue										
Oil revenue⁽¹⁾										
Exports ⁽²⁾⁽⁷⁾	5,376.0	5.0%	7,464.5	6.4%	3,032.1	2.6%	1,507.2	1.3%	1,311.0	1.1%
Domestic sales										
Total Oil revenue	8,795.1	8.2%	10,508.8	9.0%	3,032.1	2.6%	1,507.2	1.3%	1,311.0	1.1%
Non-Oil revenue										
Income tax	3,854.1	3.6%	4,450.0	3.8%	4,652.2	3.9%	2,820.6	2.4%	3,084.8	2.5%
VAT	5,985.9	5.6%	6,440.0	5.5%	6,269.2	5.3%	3,156.0	2.7%	3,427.8	2.8%
ICE (Tax on Special Consumptions)	821.4	0.8%	851.6	0.7%	812.7	0.7%	415.4	0.3%	406.9	0.3%
Tariff duties	1,207.1	1.1%	1,267.0	1.1%	1,180.4	1.0%	571.1	0.5%	533.6	0.4%
Other tax ⁽³⁾	1,515.9	1.4%	1,426.4	1.2%	1,121.2	0.9%	626.7	0.5%	566.6	0.5%
Emergency taxes	164.9	0.2%	664.6	0.6%	315.3	0.3%	279.7	0.2%	431.0	0.4%
Social Security contributions	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Transfers	537.9	0.5%	455.6	0.4%	1,071.6	0.9%	663.5	0.6%	1,275.5	1.0%
Earned interests	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Other⁽⁵⁾	2,175.0	2.0%	2,558.8	2.2%	2,680.0	2.3%	1,388.9	1.2%	1,366.0	1.1%
Total Non-Oil revenue										
Operating income of public	16,262.3	15.1%	18,114.1	15.5%	18,102.4	15.2%	9,921.8	8.3%	11,090.3	9.1%
Total Revenue	25,057.4	23.3%	28,622.9	24.6%	21,134.6	17.8%	11,429.0	9.6%	12,401.3	10.2%
Expenses										
Permanent Expenses										
Interest	1,950.5	1.8%	2,401.3	2.1%	3,218.0	1.9%	1,574.8	1.3%	1,711.8	1.4%
External	900.0	0.8%	1,260.6	1.1%	2,025.8	0.9%	975.7	0.8%	1,131.0	0.9%
Internal	1,050.6	1.0%	1,140.8	1.0%	1,192.2	1.0%	599.1	0.5%	580.8	0.5%
Wages	8,217.2	7.6%	9,174.5	7.9%	9,738.6	8.2%	4,532.0	3.8%	4,621.6	3.8%
Purchase of goods and services	7,412.4	6.9%	8,115.2	7.0%	3,289.9	7.4%	1,393.3	1.2%	1,287.5	1.1%
Transfers	4,202.1	3.9%	5,135.1	4.4%	5,445.0	4.6%	2,607.9	2.2%	2,651.2	2.2%
Social Security	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Others	137.1	0.1%	132.2	0.1%	169.0	0.1%	66.4	0.1%	65.9	0.1%
Total Permanent Expenses	21,919.4	20.4%	24,958.5	21.4%	21,860.5	18.4%	10,174.5	8.6%	10,338.0	8.5%
Non-Permanent Expenses										
Investments in Non-Financial Assets ⁽⁶⁾	680.7	0.6%	603.1	0.5%	451.2	0.4%	167.2	0.1%	79.1	0.1%
Non-permanent transfers	4,914.6	4.6%	3,808.5	3.3%	3,754.5	3.2%	1,828.1	1.5%	1,520.2	1.2%
Other non-permanent expense	1,809.5	1.7%	799.2	0.7%	982.7	0.8%	397.6	0.3%	199.6	0.2%
Total Non-Permanent Expenses	7,404.8	6.9%	5,210.9	4.5%	5,188.5	4.4%	2,392.9	2.0%	1,799.0	1.5%
Total Expenditure	29,324.1	27.3%	30,169.3	25.9%	27,048.9	22.8%	12,567.4	10.6%	12,137.0	9.9%
Surplus/Deficit	-4,266.7	-4.0%	-1,546.4	-1.3%	-5,914.4	-5.0%	-1,138.4	-1.0%	264	0.2%

Source: MEF.

- (1) The Central Government is comprised of: the General State Budget (PGE), the Ministry of Energy and Mines (formerly Secretariat of Hydrocarbons) and the Deficit Derivatives Financing Account (CFDD) according to the sectorization of the Manual of Public Finance Statistics 2014 (reprocessed since 2012).
- (2) Revenue records correspond to cash basis values and expense records to accrued values except for interest expenses, which are on a cash basis.
- (3) Revenues depend on production, crude oil exports, international prices of crude oil and its derivatives, sales prices of oil derivatives and production costs.
- (4) Corresponds to income from direct oil exports made by the Republic through the public oil company. This concept considers the income only at the moment the payment enters the Central Bank; the values of the reserves deposited abroad are not considered as part of the export income.
- (5) Includes the Tax on Foreign Exchange Outflows and other taxes.
- (6) Corresponds to gross fixed capital formation, public works and long-lived assets for investment.
- (7) Pursuant to Executive Decree No.548, the CFDD (Deficit Derivative Financing Account) is transferred to Ecuador's public hydrocarbons company, EP PETROECUADOR. The date of execution of the definitive process was September 12, 2022, according to Oficio No. MEF-STN-2022-2531-O.

In 2022, Central Government revenues totaled U.S.\$28,622.9 million, while total expenditures were U.S.\$30,169.3 million. This resulted in a fiscal deficit of U.S.\$1,546.4 million in 2022, a decrease compared to the U.S.\$4,266.7 million deficit in 2021. This decrease in the deficit was primarily due to an increase in oil export revenues and tax revenues (Income Tax and VAT) growth.

In 2023, Central Government revenues totaled U.S.\$21,134.6 million, while total expenditures were U.S.\$27,048.9 million. This resulted in an overall fiscal deficit of U.S.\$5,914.4 million in 2023, an increase compared to the U.S.\$1,546.4 million deficit in 2022. This increase in the deficit was primarily due to lower revenues explained by the change in the CFDD operations report and greater external interest payments related to higher international interest rates.

For the six months ended June 30, 2024, Central Government revenues totaled U.S.\$12,401.3 million, while total expenditures were U.S.\$12,137.0 million. This resulted in an overall fiscal surplus of U.S.\$264.0 million compared to the U.S.\$1,138.4 million deficit for the six months ended June 30, 2023. This decrease in the deficit was primarily due to tax policy measures implemented to increase permanent revenues.

Taxation and Customs

The 2008 Constitution grants the National Assembly the authority to create, amend or eliminate taxes by means of the law, without detriment to the attributions granted to Autonomous Decentralized Governments. Pursuant to the 2008 Constitution, only the President may submit bills that levy, amend or eliminate taxes. Municipal governments may also levy taxes. The 2008 Constitution provides that tax policy will promote redistribution and will stimulate employment, the production of goods and services, as well as ecologically, socially and economically responsible conduct. Furthermore, the 2008 Constitution expressly prioritizes direct and progressive taxes.

VAT applies to most sales of tangible assets as well as most services, except for educational, public transportation, public services, childcare services and others. VAT has been the largest component of tax revenues in the past five years, generating U.S.\$6,440.0 million of total tax revenues in 2022, an increase from U.S.\$5,985.9 million in 2021. This increase was primarily due to an increase in household consumption. In 2023, VAT generated U.S.\$6,269.2 million of total tax revenues, a decrease from the U.S.\$6,440.0 million generated in 2022. This decrease was mainly due to a decrease in imports. For the six months ended June 30, 2024, VAT generated U.S.\$3,427.8 million of total tax revenues, an increase from the U.S.\$3,156.0 million generated for the six months ended June 30, 2023. This increase was primarily due to an increase in the VAT rate from 12% to 15% starting in April 2024.

The second largest component of tax revenues is income tax, which accounted for U.S.\$3,084.8 million of tax revenues for the six months ended June 30, 2024, an increase from U.S.\$2,820.6 million for the six months ended June 30, 2023. In 2023, income tax accounted for U.S.\$4,652.2 million of tax revenues, an increase from U.S.\$4,450 million in 2022 and U.S.\$3,854.1 million in 2021.

Another important component of tax revenues is taxes on goods and services - selected excise taxes which accounted for U.S.\$406.7 million of tax revenues for the six months ended June 30, 2024, a decrease from U.S.\$415.4 million for the six months ended June 30, 2023. For the six months ended June 30, 2024, tax revenues from income tax were U.S.\$3,084.8 million, an increase from U.S.\$2,820.6 million for the six months ended June 30, 2023. In 2023, income tax accounted for U.S.\$4,652.2 million of tax revenues, an increase from U.S.\$4,450.0 million in 2022 and U.S.\$3,854.1 million in 2021.

Effective personal income tax rates for residents and non-residents who file tax returns in Ecuador range from 0% to 35%. The standard corporate tax rate in 2014 was 22%, a decrease from 25% in 2012. However, a tax reform enacted in December 2014 increased the corporate tax rate to 25% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens. Non-resident individuals were also subject to a flat income tax of 22% in 2013 (a decrease from 24% in 2011 and 23% in 2012). The standard corporate tax rate for 2015 was 22% but increased to 25% for 2016 due to the 3% increase established by the *Ley Orgánica de Solidaridad y de Corresponsabilidad Ciudadana para la Reconstrucción de las Zonas Afectadas por el Terremoto de 16 de Abril de 2016* (the “**Law of Solidarity**”). Currently, the standard corporate tax rate is 25% and 28% for profits on distributions from Ecuadorian entities to residents domiciled in tax havens.

Tax Reforms

Historically, many individuals and companies did not pay taxes in Ecuador. Upon taking office, former President Correa aimed to change this behavior and instituted a culture of paying taxes among citizens and companies. To that end, the Ministry of Education established the *Día de la Cultura Tributaria* (Tax Culture Day) to be commemorated every April 27 and ran multiple television advertisements concerning the importance of tax payments. Ecuador

completed these cultural efforts with legal reforms. Two of the most important reforms included the *Ley Reformatoria a la Ley de Régimen Tributario Interno y a la Ley Reformatoria para la Equidad Tributaria del Ecuador* (the Reform Act to the Internal Tax Regime Law and the Reform Act for Tax Equity in Ecuador), which were enacted on December 23, 2009 and included the following measures:

- a 1% to 2% ISD, which was subsequently amended in November of 2011 to a 5% ISD with an exemption, established in 2016, for the first U.S.\$1,098 and U.S.\$5,000 if a debit card or credit card was used (for more information regarding the ISD, see “*Balance of Payments and Foreign Trade—Foreign Trade—Trade Policy*”);
- taxation on dividends received by company shareholders as profits;
- changes in the manner in which the ICE calculates taxes on certain items for products such as cigarettes, alcoholic beverages and soft drinks;
- incentives for the production sector, such as a proposal to return the VAT for certain tourism activities, and exemptions on tax for reinvestment in science and technology; and
- a refund of the 12% VAT (increased to 14% for 2016 and returned to 12% effective June 1, 2017) for the public sector.

Other measures included the institution of numerous new individual tax deductions that encouraged the participation in payment of taxes. Taxpayers can apply deductions prior to the end of the tax year. The Republic believes that tax deductions and an advance payment system encourage participation and decrease the rate of tax evasion in Ecuador. The Republic has also improved its tax administration system to more easily identify tax evasion.

In December 2012, the National Assembly enacted the Comprehensive Law of Redistribution of Income for Social Expenditures, which went into effect on January 1, 2013. This law expanded the scope of the VAT to certain financial services provided by credit card administrators and private financial entities that were previously exempt.

In August 2014, a U.S.\$42 flat tariff rate was introduced for all international purchases under U.S.\$400 that were delivered by courier and weighed up to 4 kilograms. Before the introduction of this flat tariff, only international purchases delivered by courier in excess of U.S.\$400 and 4 kilograms were subject to tariffs. This flat tariff was intended to encourage local market consumption by discouraging small online purchases made outside Ecuador. The tariff was imposed on courier services for each package that entered Ecuador. Packages shipped through certain State-owned postal services subject to international treaties are exempt from the tariff. Books for students for educational purposes are also exempt.

In December 2017, the Government enacted the Organic Law for the Economic Reactivation, Strengthening of Dollarization and Modernization of Financial Management. This law aimed to create employment and increase the income of foreign currency to the economy through tax incentives to different actors of the economy such as micro and small companies, artisans and regulator exporters. This law also established (i) a corporate income tax rate of 25%; (ii) the exemption from income tax payment for new micro-enterprises for three years; (iii) the possibility of signing investment contracts that guarantee the general rate applicable to companies for taxpayers that are dedicated to large and medium-scale metal mining and basic industries; (iv) the modification of the tax base and the application of the *ad valorem* rate of excise tax on alcoholic beverages and beer; (v) a 50% discount from excise tax to producers of alcohol and alcoholic beverages that purchase cane distillate from artisans and organizations of the popular and solidarity economy; (vi) an exemption from the Foreign Currency Exit Tax for payments abroad for the treatment of serious illnesses; and (vii) the elimination of the tax on rural property.

The Organic Law for Productive Development, enacted on August 21, 2018, established a reduced income tax rate for capital gains on the sale of shares of stock in a range from zero percent to 10%.

In August 2019, the Government enacted the Organic Law for Productive Promotion, Investment Attraction, Employment Generation, and Fiscal Stability and Balance. The purpose of this law was to stabilize Ecuador’s economy, reactivate production, stimulate investment and promote employment through tax incentives.

In December 2019, the Government enacted the Organic Law of Tax Simplification and Progressivity to address the digital economy. This law established a 12% VAT for digital services, optimized tax spending and incentives for companies.

In 2021, the executive branch issued Decree 33, which established that all institutions and public and private companies that provide credit reference services eliminate from their records the historical information on the obligations of individuals whose consolidated debt in the financial system was less than U.S.\$1,000 in order to provide credit dynamics and liquidity. The executive branch also issued Decree 68 in June 2021 to simplify international trade and production to increase transparency and reduce production costs for companies.

In September 2021, the executive branch issued Decree 182, which reduced the Currency Exit Tax rate to 0% for transfers, shipments, or transfers of currency made by foreign airlines operating in Ecuador to promote tourism.

In October 2021, the executive branch ordered the suspension of the Regulation of Prices of Petroleum Derivatives to reduce the expense associated with fuel subsidies and the price manipulation.

On November 2021, the Organic Law for Economic Development and Fiscal Sustainability was enacted. This law, among other things:

- reduced and eliminated taxes for certain goods and services such as feminine hygiene products and cell phone plans;
- created a new regime for entrepreneurs and popular businesses;
- established that taxpayers who earn between (i) U.S.\$51,630 and U.S.\$61,630 per year would pay an income tax of 30%, (ii) U.S.\$61,630 to U.S.\$100,000 per year would pay an income tax of 35%, and (iii) more than U.S.\$100,000 per year would pay income tax rate of 37%;
- established a special contribution, for one year, for persons with assets of more than U.S.\$1 million and U.S.\$2 million if the so-called conjugal partnerships are considered;
- established that companies with assets over U.S.\$5 million would make a solidarity contribution of 0.8% for two years;
- established that individuals who have capital or investments outside Ecuador must report them to the IRS and pay income tax in the future on that money or assets;
- established the reduction of the VAT rate from 12% to 8% for the rendering of services defined as tourist activities for a maximum of 12 days per year during holidays or weekends in order to promote tourism;
- exempted several services from VAT and defined a 0% VAT rate for the purchase of electric and hybrid vehicles and solar panels in order to promote energy change; and
- established that the President, by means of an Executive Decree, may reduce the ICE rate at any time, subject to a favorable opinion from the MEF.

In December 2021, Decree 298 established a reduction of the ISD for 2022 as follows:

- As of January 1, 2022 - 4.75%;
- As of April 1, 2022 - 4.50%;
- As of July 1, 2022 - 4.25%; and
- As of October 1, 2022 - 4%.

In January 2023, Decree 643 established a reduction of the ISD for 2023 as follows:

- As of February 1, 2023 - 3.75%;
- As of July 1, 2023 - 3.50%; and
- As of December 31, 2023 - 2%.

Foreign Aid

Since 2012, Ecuador has not been listed as a country in need of foreign aid based on revenue per capita requirements from the World Bank.

Central Government Expenditures

In 2022, Central Government expenditures totaled U.S.\$30,169 million. In 2022, Central Government current expenditure totaled U.S.\$24,959 million while capital expenditure totaled U.S.\$5,211 million. In 2023, Central Government expenditures totaled U.S.\$27,049 million. In 2023, Central Government current expenditure totaled U.S.\$21,861 million while capital expenditure totaled U.S.\$5,189 million. For the six months ended June 30, 2024, Central Government expenditures totaled U.S.\$12,123 million. For the six months ended June 30, 2024, Central Government current expenditure totaled U.S.\$10,324 million while capital expenditure totaled U.S.\$1,799 million.

2022 – 2024 Budgets

Article 118 of the Public Planning and Finance Code grants the MEF the authority to modify any approved budget in an amount of up to 5% of any approved allocation. From time to time, the MEF has revised and adjusted the sources and uses of funds initially provided for in the budget. For more information on the budget process, see “—*Overview—Budget Process.*”

The 2022 budget was enacted on December 16, 2021 for fiscal year 2022 (the “**2022 Budget**”). The 2022 Budget was not modified and the Republic for the fiscal year 2022 operated based on the 2022 Budget as it became effective on January 3, 2022. The 2022 Budget estimated approximately U.S.\$24,114.62 million in total revenue, of which U.S.\$21,148.62 million was attributed to permanent revenue (such as taxes, sale of goods and services and collection of fines) and U.S.\$2,966 million was attributed to non-permanent revenue, which included expected income from monetization of certain public assets. Total expenses were budgeted at U.S.\$27,898.12 million, of which U.S.\$21,888.25 million was for permanent or current expenditures. The expected deficit was approximately U.S.\$3,783.5 million with a primary deficit of U.S.\$1,550.76 million. The 2022 Budget also assumed a GDP growth rate of 2.85%. The Government’s projected deficit for the year ended December 31, 2022 decreased to U.S.\$3.601.81 million, a 74.8% projected decrease in the deficit compared to 2021, primarily due to expenses optimization following the issuance of Decree 457, which repealed Decree 135 and sought to optimize public spending further, and increases in oil prices.

The 2023 budget was enacted on December 28, 2022 for fiscal year 2023 (the “**2023 Budget**”). The 2023 Budget estimated U.S.\$23,662.13 million in total revenue, of which U.S.\$18,614.81 million was attributed to permanent revenue (such as taxes, sale of goods and services, and collection of fines) and U.S.\$5,047.32 million was attributed to non-permanent revenue. Total expenses were budgeted at U.S.\$26,292.04 million, of which U.S.\$20,075.40 million was for permanent or current expenditures. The expected deficit was approximately U.S.\$2,629.91 million with a primary deficit of U.S.\$120.28 million.

The 2024 budget was enacted on April 2, 2024, for fiscal year 2024 (the “**2024 Budget**”). Its macroeconomic assumptions include lower oil production and lower consumption and investment (slowdown in domestic demand), which is reflected in various economic indicators such as inflation, sales, non-oil imports, credits and deposits, and employment. The 2024 Budget estimates U.S.\$24,039.13 million in total revenue, of which U.S.\$19,928.37 million was attributed to permanent revenue (such as taxes, sale of goods and services, and collection of fines) and U.S.\$4,110.76 million was attributed to non-permanent revenue. Total expenses were budgeted at U.S.\$28,848.02 million, of which U.S.\$20,569.32 million was for permanent or current expenditures. The expected deficit was approximately U.S.\$4,808.89 million with a primary deficit of U.S.\$1,180.33 million.

The 2024 Budget assumes: (i) GDP to be U.S.\$121,710 million, a decrease of 0.5% from the pro forma budget in 2023; (ii) a real GDP growth rate of 0.8%, a decrease of 2.3% from the pro forma budget in 2023; (iii) average annual inflation of 2.07%, compared to 2.76% in the pro forma budget in 2023; (iv) oil production of 156.07 million barrels, a decrease of 16.95% from 187.9 million barrels in the pro forma budget for 2023; and (v) average export price of crude oil of U.S.\$66.71 per barrel, an increase of 2.8% from U.S.\$64.8 per barrel from the pro-forma budget in 2023. However, in September 2024 the Central Bank revised its projection for 2024 GDP from 1% to 0.9% due to a reduction in imports of consumer goods, capital goods and raw materials, as well as lower household spending and private investment.

As of September 30, 2024, the Republic estimates that the total financing needs for 2024 are approximately U.S.\$10,207.36 million, which covers both external (US\$5,220.19 million, of which U.S.\$319.59 million are tied to specific projects) and domestic (US\$4,987.17 million) financing, distributed as follows: (i) 48.50% is expected to come from agreements with multilateral institutions (totaling approximately U.S.\$4,950.08 million), (ii) 2.60% is expected to come from bilateral creditors (totaling approximately U.S.\$264.31 million), (iii) 0.06% is expected to come from other private sector and commercial loans (totaling approximately U.S.\$5.81 million), and (iv) 48.86% is expected to come from domestic funding (totaling approximately U.S.\$4,987.17 million). The totality of these aggregate financing needs for the 2024 Budget are covered by existing financing commitments. As of May 2024, U.S.\$3,592.26 or 35.19% of these commitments had been disbursed, and U.S.\$6,615.11 or 74.81% remained undisbursed.

For 2025, as new presidential and legislative authorities are expected to be sworn in by May 2025, the 2024 Budget will remain applicable until the new administration submits a budget proforma for 2025, which will then undergo the legislative approval process.

PUBLIC DEBT

General

Under the 2008 Constitution, the National Assembly has the power to adopt legislation governing the issuance of public debt and to appropriate funds required for debt service. Acting pursuant to this constitutional mandate, the National Assembly approved the Public Planning and Finance Code, which governs the procedures that must be observed in all public debt matters. The Public Planning and Finance Code rules concerning public debt apply to the MEF, which is the only Government institution allowed to contract for the issuance of sovereign debt by the Republic, as well as obligations of the municipalities guaranteed by the Government.

Because all public debt governed by the Public Planning and Finance Code must comply with the public indebtedness policies adopted by the executive branch, the MEF must obtain the approval of the Debt and Finance Committee of the Republic before signing any agreement with respect to sovereign debt. See “*Monetary System—Fiscal Policy.*” This requirement is established by Article 289 of the 2008 Constitution and Article 139 of the Public Planning and Finance Code. Approval is not required for any obligation that is less than 0.15% of the General State Budget and does not have a sovereign guarantee. Any contract entered into by the MEF that required but did not obtain the approval of the Debt and Finance Committee is null and void and unenforceable and may give rise to civil and criminal liability for the individuals involved. Approval of the Debt and Finance Committee is evidenced by a memorandum signed by each member of the Committee. Once the MEF obtains approval of the Debt and Finance Committee, it may enter into an agreement to incur debt obligations; provided that the Attorney General of Ecuador has approved any clauses providing for the application of foreign law and/or arbitration in a foreign jurisdiction. Loan proceeds are disbursed to the MEF, which in turn, transfers such proceeds to the ultimate borrower.

The use of proceeds for public debt is limited by Article 126 of the Public Planning and Finance Code. Under the Public Planning and Finance Code, proceeds of public debt transactions may only be used to: (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay the debt obligation and (3) refinance an existing external debt obligation on more favorable terms. The Public Planning and Finance Code prohibits public transactions for the purpose of paying ongoing expenses, with the exception of expenses related to health, education, and justice under exceptional circumstances as determined by the President.

Although public debt service is the primary responsibility of the entity for whose benefit the loan was received, debt governed by the Public Planning and Finance Code is an obligation of the Government. Accordingly, transfers from the Government to any entity pursuant to the annual budget take into account debt service obligations for the following year. The system of authorization through the Constitution and the Debt and Finance Committee, plus the 40% of debt-to-GDP limit and other provisions from the Public Planning and Finance Code, seek to maintain a stable external debt level and have resulted in a low debt-to-GDP ratio as compared to other countries.

The consolidated public debt of Ecuador, including other payment obligations of the non-financial public sector and social security, totaled U.S.\$61,256.03 million as of December 31, 2023, compared to U.S.\$63,692.17 million as of December 31, 2022 and U.S.\$62,205.55 million as of December 31, 2021. The Public Debt and Other Obligations to GDP Indicator decreased from 58.59% as of December 31, 2021 to 55.36% as of December 31, 2022 and 51.23% as of December 31, 2023.

The consolidated public debt of Ecuador, including other payment obligations of the non-financial public sector and social security, totaled U.S.\$58,585.80 million as of June 30, 2024, compared to U.S.\$59,100.83 million as of June 30, 2023. The Public Debt and Other Obligations to GDP Indicator decreased from 48.87% as of June 30, 2023 to 48.00% as of June 30, 2024.

Public sector total aggregated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$79,316.99 million as of December 31, 2023, compared to U.S.\$75,479.58 million as of December 31, 2022 and U.S.\$72,607.89 million as of December 31, 2021. Public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$52,833.51 million as of December 31, 2023, compared to U.S.\$54,231.52 million as of December 31, 2022 and U.S.\$52,561.77 million as of December 31, 2021.

Public sector total aggregated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$77,382.95 million as of June 30, 2024, compared to U.S.\$74,726.41 million as of June 30, 2023. Public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$51,788.89 million as of June 30, 2024, compared to U.S.\$50,226.38 million as of June 30, 2023.

As of December 31, 2023, interest payments on all public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$110.12 million, representing 0.10% of GDP. As of June 30, 2024, interest payments on all public sector total consolidated debt, including internal and external debt of the total public sector and other obligations, totaled U.S.\$102.05 million, representing 0.08% of GDP.

Methodology for Calculating the Public Debt-to-GDP Ratio

On October 25, 2016, pursuant to Article 147, Clause 13 of the 2008 Constitution, former President Correa exercised his presidential authority to issue implementing regulations and signed Decree 1218, which modified Article 135 of the Rules to the Public Planning and Finance Code. Decree 1218 changed to a consolidated basis the methodology that the MEF used to calculate the total public debt-to-GDP ratio for the purpose of establishing whether the total public debt ceiling of 40% established in Article 124 of the Public Planning and Finance Code had been exceeded. Under Decree 1218, the MEF used the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF. The GFSM 2014, which was published in 2014, provides that the presentation of government financial statistics, including total public debt, should be calculated on a consolidated basis rather than on an aggregate basis. According to the GFSM 2014, the consolidation methodology presents statistics for a group of units as if accounting for a single unit. In the context of total public debt, this means that debt that flows between governmental units or entities or between the Central Government and these governmental units or entities (“**intra-governmental debt**”) is not included in the calculation of total public debt. Decree 1218 did not affect external debt as external debt is owed to entities outside of the Ecuadorian government and is, therefore, not affected by the exclusion of intra-governmental debt. This principle was reaffirmed in the preamble of the Organic Law for Productive Development, approved by the National Assembly in June 2018.

In contrast, the aggregation methodology, which the MEF used prior to Decree 1218, did include intra-governmental debt in the calculation of total public debt. By changing the method of calculating total public debt from an aggregation methodology to a consolidation methodology, Decree 1218 effectively eliminated certain types of debt from the calculation and, by extension, reduced the amount of public debt taken into account for purposes of the 40% public debt-to-GDP ceiling. Following the enactment of Decree 1218, the MEF was in communication with the IMF with respect to methodologies used for measuring public debt. Since the Office of the Comptroller General issued its CGR Audit Report and prior to the publication of the April 2019 Debt Bulletin, the MEF had only been releasing public debt-to-GDP ratio information applying the aggregation methodology.

In June 2018, the National Assembly approved the Organic Law for Productive Development (submitted by former President Moreno), which became effective in August 2018, and provided certainty as to the nature of certain activities as contingent liabilities for purposes of the calculation of the debt-to-GDP ratio, and provided that for the period from 2018 to 2021, unless the public debt reached a level below the public debt ceiling of 40% of GDP, the public debt ceiling would not apply. The law also provided for the implementation of a fiscal stability plan by the MEF for the period from 2018 to 2021. The law set forth that in each subsequent fiscal year after 2021, the General State Budget must be presented with a fiscal program aimed at reducing over time the amount of total public debt relative to GDP, until it reaches a level below the 40% debt-to-GDP ratio. The law also mandated that the MEF issue within 90 days from August 21, 2018 a new regulation implementing a new accounting methodology in accordance with Article 123 of the Public Planning and Finance Code (as amended), internationally accepted standards and best practices for the registration and disclosure of public debt.

On October 15, 2018, former President Moreno issued Decree 537 repealing Decree 1218 in its entirety. On October 30, 2018, Decree 537 was published and the repeal of Decree 1218 became effective. On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, Article 133 of the Rules to the Public Planning and Finance Code to provide that the MEF would produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. These amendments also provided that in establishing the total amount of public debt, the MEF must consider the aggregate public debt-to-GDP indicator of the entities constituting the public sector. This indicator must be calculated and projected based on the public debt

aggregate statements, at least for the final balances, for the following four years. Among other provisions, the regulation provided guidance for calculating the debt-to-GDP ratio for these purposes, as well as for reducing the balance of the public debt below 40% and for ensuring that the balance of the public debt does not exceed 40% of GDP after it has been reduced, see *“The Ecuadorian Economy—Economic and Social Policies—Organic Law for Productive Development.”*

On November 19, 2018, the MEF issued the Regulation Implementing the Public Debt-to-GDP Ratio Calculation Methodology setting out the 2018 Methodology. The 2018 Methodology provided that the calculation of the public debt-to-GDP ratio was to be based on total public debt as published in the official aggregate financial statements and the latest nominal GDP as published by the Central Bank. The 2018 Methodology defined total public debt as the sum of the public debt incurred by the entities comprising the public sector and added certain debt instruments to the calculation of public debt that were not previously included, including oil presales. In contrast with the prior methodology for calculating the public debt-to-GDP ratio, under the 2018 Methodology, (i) the calculation of public external debt also included oil presales, the Central Bank’s special drawing rights with the IMF, and liabilities under intangible contractual rights; and (ii) the calculation of public internal debt also included outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years and debt instruments entered into by entities of the non-financial public sector with the Ecuadorian Development Bank.

On May 2021, Ministerial Agreement No. 036 was issued, in which the MEF resolved, among other things, that the MEF had to issue, within 60 days from its effective date, all necessary administrative acts to begin publishing the new Total Public Debt and Other Obligations - GDP Indicator, in application of the 2018 Methodology and, by virtue of the Ministerial Agreement No. 0071 issued on July 20, 2021, such period was extended by an additional period of up to 60 business days from the date of such Ministerial Agreement.

On August 14, 2021, Ministerial Agreement No. 0077 was issued, in which the MEF resolved *“to issue the Methodology for the calculation of the Debt Rule Indicator and other payment obligations of the non-financial public sector and Social Security”* (the **“New Methodology”**) repealing Ministerial Agreement No. Ministry of Economy and Finance -2018-0134 of November 19, 2018 (including the 2018 Methodology), Ministerial Agreement No. 036 of May 20, 2021 and Ministerial Agreement No. 071 of June 20, 2021. The New Methodology provides that:

- The indicator according to the fiscal rule contained in the Public Planning and Finance Code (the **“Public Debt and Other Obligations to GDP Indicator”**) must be a ratio calculated based on the consolidated total balance of the public debt and other obligations of the non-financial public sector and social security (as published by the MEF in its public debt statistical register contained in its public debt bulletins) and the latest nominal GDP (as published by the Central Bank). The Public Debt and Other Obligations to GDP Indicator must be calculated on a consolidated basis, deducting debt and other obligations between entities of the non-financial public sector and social security. In calculating the Public Debt and Other Obligations to GDP Indicator, the following components must be considered: (1) public debt, according to the provisions of the Public Planning and Finance Code; (2) securities with maturities of less than 360 days; (3) advances agreed in commercial product sales contracts; (4) liabilities derived from liquidity agreements; (5) contractual rights originated or linked to ordinary operations; and, (6) other obligations pending payment of the current fiscal year as set forth in the financial statements and administrative records of the entities of the non-financial public sector and social security that are submitted and managed by the MEF.
- The MEF must prepare the aggregated and consolidated statements of public debt and other obligations of the public sector, the sectors, subsectors and other groups defined in the technical standard within 60 days after the end of each month. All public entities of the non-financial public sector and social security must prepare and submit monthly to the MEF the aggregated and consolidated institutional statements of public debt and other obligations within 30 days after the end of each month. The information published in the public debt bulletins of the MEF and the Public Debt and Other Obligations to GDP Indicator is provisional until the Central Bank publishes the definitive GDP of the previous fiscal year. The MEF must determine and validate the definitive values of both the information in the debt bulletins and the Public Debt and Other Obligations to GDP Indicator within 60 days following the publication of the GDP of the previous fiscal year by the Central Bank.

- The Vice Minister of Economy and Finance must issue and keep permanently updated a technical norm containing the “Manual of Instructions and Reference Definitions for the implementation of the Public Debt – GDP Methodology.”
- Within 180 days from the effective date of the Ministerial Agreement, the Undersecretariat of Public Financing must publish the historical statistical series with the application of this methodology since 2010.

On October 15, 2021, the Ministerial Agreement No. 0096 was issued and resolved to approve the “Technical standard for the preparation, content and publication of public debt and its statistical annex.”

On October 22, 2021, Ministerial Agreement No. 0099 was issued by which it was resolved “to replace the Manual of Instructions and Reference Definitions for the implementation of the Methodology for the calculation of the Indicator of the Debt Rule and other payment obligations of the non-financial public sector and Social Security”, contained in Ministerial Agreement No. 0095 of October 15, 2021. Ministerial Agreement No. 0099 provides an explicit and referential definition of each of the components that, in accordance with the law and Ministerial Agreement No. 0077 of August 14, 2021, must be considered for such calculation. Ministerial Agreement No. 0099 also provides a definition of public indebtedness according to Article 3, Section I.- Referential Definition of Component 1: Public Indebtedness as provided in the Public Planning and Finance Code. Ministerial Agreement No. 0099 provides that the contingent liabilities must not be included in the calculation of the Public Debt and Other Obligations to GDP Indicator. Ministerial Agreement No. 0099 also provides that the monthly debt bulletins of the MEF must report the public debt of the General State Budget, the non-financial public sector including social security, and the total public sector both on an aggregated and consolidated basis; and the contingent liabilities of the Central Government.

The Organic Law for the Regulation of Public Finances also amended the Public Planning and Finance Code. The Public Planning and Finance Code established a limit for Ecuador’s public indebtedness of 40% of GDP, which was amended in August 2018 by the Organic Law for Productive Development, to, among other changes, temporarily suspend from 2018 until 2021 the public debt-to-GDP ceiling of 40% of GDP. The Organic Law for the Regulation of Public Finances further amended the Public Planning and Finance Code by, among other things, extending the waiver of the public debt-to-GDP limit and setting out a timetable for the gradual decrease of public debt by imposing transitional debt-to-GDP ratio ceilings starting at 57% by 2025 and reducing it to 45% by 2030 and to 40% by 2032, after which the public debt-to-GDP ratio will be required by law to be kept at or below the legal limit of 40%. See “*The Ecuadorian Economy—Economic and Social Policies—Organic Law for the Regulation of Public Finances.*” As of September 30, 2024, Ecuador’s current debt-to-GDP ratio is 51.53%, well below the target amount for 2025.

The table below sets forth the total consolidated public debt including other payment obligations of the non-financial public sector and social security and the Public Debt and Other Obligations to GDP Indicator under the New Methodology.

PUBLIC DEBT AND OTHER OBLIGATIONS TO GDP INDICATOR ⁽¹⁾

	As of December 31,			As of June 30,	
	2021	2022	2023	2023	2024
	<i>(in millions of U.S.\$, except percentages)</i>				
Total External Debt.....	46,041.94	47,707.43	46,877.30	46,149.36	46,875.40
Total Internal Debt.....	14,140.13	14,234.82	13,448.59	11,874.94	11,015.04
Total Other Obligations	2,023.48	1,749.91	930.14	1,076.53	695.35
Total Public Debt	62,205.55	63,692.17	61,256.03	59,100.83	58,585.80
Public Debt and Other Obligations to GDP Indicator ⁽²⁾	58.59%	55.36%	51.23%	48.87%	48.00%

Source: Data from Ministry of Economy and Finance, Public Debt Bulletin for December 2021, 2022, and 2023 and June 2023 and 2024. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

⁽¹⁾ Under the New Methodology.

⁽²⁾ Based on the Central Bank’s reported figures. The GDP for December 21, 2023 and June 30, 2024 are based on the Central Bank’s provisional GDP.

Review and Audit by the Office of the Comptroller General

Under the General Comptroller Law, the Office of the Comptroller General has the authority to examine the use of public resources by both public and private institutions. Following the amendment to the 2008 Constitution on December 21, 2015, the Office of the Comptroller General does not have the authority to audit the management of public resources under principles of effectiveness, efficiency and economy (*auditoria de gestión*), but it may still conduct a legality, financial and/or administrative audit. More specifically, according to Article 19 of the General Comptroller Law, the Office of the Comptroller General has the authority to carry out special audits to verify limited aspects of governmental activities under these parameters.

In July 2017, the Office of the Comptroller General, headed by Dr. Pablo Celi, announced pursuant to *Acuerdo* 024-CG-2017 its intention to conduct a special audit on the legality, sources and uses of all the internal and external debt of the Republic incurred between January 2012 and May 2017, as authorized by Ecuadorian law, to examine acts of public entities. The Office of the Comptroller General previously audited all of the Republic's internal and external debt borrowed or issued between 2009 and 2015 and found no illegalities in the process of borrowing or issuing debt. The review included, among others, the MEF and the Central Bank. On January 8, 2018, the Comptroller General announced the creation of a Citizen Oversight Commission composed of Ecuadorian professionals, including former high level public officials such as a former Vice President, two former Comptrollers General, and a former Minister of Economy and Finance, to observe the procedures and methodology relating to the Republic's incurrence of debt from January 2012 through to May 2017. The Comptroller General indicated that the Citizen Oversight Commission did not replace the Comptroller General in its functions and powers, and that its findings would not be binding; rather it was the intention that the participation of the Citizen Oversight Commission would promote transparency.

The Special Audit concluded on April 6, 2018, when the Office of the Comptroller General issued its audit report (the "**CGR Audit Report**") including: (i) conclusions of the Special Audit conducted; and (ii) recommendations regarding actions related to specific contracts or methodologies (according to the law, these recommendations are mandatory for public entities and cannot be challenged). The Special Audit did not result in the annulment of previous acts or the invalidation of existing contracts, which may only occur with judicial intervention in a proceeding initiated before Ecuadorian courts.

The CGR Audit Report concluded that certain rules that defined the methodology to calculate public debt were replaced with laws and regulations that allowed for discretion in the application and use of certain concepts related to public debt and, specifically, that the amounts of advance payments pursuant to certain commercial agreements providing for the advance payment of a portion of the purchase price of future oil deliveries should have been categorized as public debt and included in the calculation of the public debt-to-GDP ratio. The CGR Audit Report also concluded that Decree 1218 of 2016 established a methodology for the calculation of public debt in relation to GDP (based on the total consolidated public debt methodology set out in the Manual of Public Finance Statistics of the IMF), which was not consistent with Article 123 of the Public Planning and Finance Code and deviated from the practice of using the aggregation of public debt methodology for the purpose of establishing whether the public debt-to-GDP ceiling of 40% had been exceeded. Consequently, Decree 1218 allowed the Government to enter into certain debt transactions without obtaining the prior approval of the National Assembly despite the fact that, according to the Office of the Comptroller General, the total public debt-to-GDP ratio would have exceeded the 40% limit established in Article 124 of the Public Planning and Finance Code had Decree 1218 not been in place.

The CGR Audit Report also set forth conclusions and recommendations regarding certain interinstitutional agreements between the MEF and Petroecuador, and found deficiencies in the filing of debt documentation, the implementation of the agreed joint office for the management and monitoring of certain credit agreements between the MEF and the China Development Bank, and the confidential nature of certain finance documents relating to public debt.

In April 2018, during the presentation of the CGR Audit Report to the public, the Office of the Comptroller General announced that the Special Audit resulted in indications of: (i) administrative liability of certain public officials, which may lead to the dismissal of those officials, (ii) civil liability of certain current or former public officials, which may lead to fines if those officials acted in breach of their duties, and (iii) potential criminal liability of certain former or current public officials. Civil and administrative indications of liability are reviewed by the Office of the Comptroller General, whereas potential criminal liability can only be determined by the Office of the Prosecutor General, with exclusive powers to press charges. If the Office of the Comptroller General finds that such former or current officials

acted in breach of their duties, it could issue a resolution determining civil and/or administrative liability. A final resolution from the Office of the Comptroller General can be appealed to the district administrative courts.

In April 2018, the Office of the Comptroller General delivered to the Office of the Prosecutor General a report regarding the indications of potential criminal liability of certain former or current public officials. Based on that report, the Office of the Prosecutor General initiated a preliminary criminal investigation against former President Correa, three former Ministers of Finance and seven other former public officials of the Ministry of Economy and Finance.

The CGR Audit Report recommended that, in order to reconcile amounts comprising public debt, the Public Planning and Finance Code should be amended and Decree 1218 should be repealed with respect to the calculation of the total public debt-to-GDP ratio to ascertain the actual value of total public debt and determine if that amount exceeded the 40% debt-to-GDP ratio set out in Article 124 of the Public Planning and Finance Code. Following these recommendations, on June 21, 2018, the National Assembly passed the Organic Law for Productive Development, which became effective on August 21, 2018. See “*The Ecuadorian Economy—Economic and Social Policies—Organic Law for Productive Development.*”

On October 15, 2018, former President Moreno issued Decree 537 repealing Decree 1218 in its entirety, which became effective on October 30, 2018. On November 19, 2018, the MEF issued the Regulation Implementing the Public Debt-to-GDP Ratio Calculation Methodology setting out the 2018 Methodology, which was repealed on August 14, 2021 by Ministerial Agreement No. 0077 in which the MEF resolved to issue the Methodology for the calculation of the Debt Rule Indicator and other payment obligations of the non-financial public sector and social security. See “—*Methodology for Calculating the Public Debt-to-GDP Ratio*” above.

On December 20, 2018, the Regulation to the Organic Law for Productive Development became effective amending, among others, Article 133 of the Rules to the Public Planning and Finance Code to provide that the MEF must produce both aggregated and consolidated financial statements of the public debt for the public sector, the non-financial public sector and the Central Government in a period of no more than 60 days after the end of each month. See “*The Ecuadorian Economy—Economic and Social Policies—Organic Law for Productive Development.*”

The Special Audit resulted in additional audits, including an examination finalized in July 2018, regarding the issuance, placement and payment of CETES by the Republic; an examination finalized in April 2019, regarding the contracts with service providers (including lawyers, banks, financial agents and other firms) involved in public debt transactions, covering the period between January 1, 2012 and December 31, 2017; an examination finalized in April 2019, regarding the Republic’s use of shares of public banks to pay the Central Bank covering the period between January 1, 2016 and December 31, 2017; an examination finalized in May 2019, regarding the entry, registration and use of funds from oil presale contracts, covering the period between January 1, 2012 and December 31, 2017; and a follow-up examination finalized in May 2019, regarding the application of the recommendations under the CGR Audit Report, covering the period between April 6, 2018 and October 31, 2018.

Any financing transactions could in the future be subject to the review of the Office of the Comptroller General within its powers granted by Ecuadorian law to examine acts of public entities. For a description of the risks of any action by the Government in relation to the 40% public debt-to-GDP ceiling and related accounting methodologies, see “*Risk Factors—Ecuador may incur additional debt beyond what investors may have anticipated, which may result in Ecuador not being able to comply with its debt-to-GDP limit under Ecuadorian law could materially adversely affect the Ecuadorian economy and the interests of the holders of Ecuador’s debt.*”

External Debt

The total consolidated external debt of the public sector in Ecuador totaled U.S.\$47,815.67 million as of December 31, 2023, compared to U.S.\$48,336.72 million as of December 31, 2022 and U.S.\$46,534.02 million as of December 31, 2021. The increase in the total consolidated external debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of the disbursements under certain multilateral loans for purposes of financing investment programs and projects as established by Ecuadorian law in Article 290 of the 2008 Constitution and Article 126 of the Public Planning and Finance Code.

The total consolidated external debt of the public sector in Ecuador totaled U.S.\$47,961.58 million as of June 30, 2024, compared to U.S.\$46,758.52 million as of June 30, 2023. The increase in the total consolidated external debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of the disbursements under certain multilateral loans for purposes of financing investment programs and projects as established by Ecuadorian law in Article 290 of the 2008 Constitution and Article 126 of the Public Planning and Finance Code.

As of June 30, 2024, the total consolidated debt owed to multilateral institutions was U.S.\$25,955.26 million. The Republic is current on all its obligations to multilateral institutions. As of June 30, 2024, the total consolidated debt owed to other governments was U.S.\$4,268.80 million.

The following table set forth information regarding Ecuador's consolidated public sector external debt as of the dates indicated:

CONSOLIDATED EXTERNAL DEBT

	As of December 31,			As of June 30	
	2021	2022	2023	2023	2024
	<i>(in thousands U.S.\$)</i>				
External Loans and Debt Securities Issued on International Markets:					
Original Agreements (Banks)	1,169,209.59	974,127.12	942,708.65	900,131.41	862,178.59
Original Agreements (Governments)	5,757,151.45	4,971,314.48	4,513,700.61	4,785,843.62	4,268,801.06
International Organizations (Multilaterals)	21,432,067.61	24,348,036.09	25,418,833.37	24,063,946.90	25,955,256.06
Suppliers	-	-	-	-	-
Debt Securities Issued on International Markets	17,725,257.69	17,686,221.13	16,008,425.33	16,035,943.61	15,980,907.05
International Financial Institutions	-	-	656,022.00	656,022.00	656,022.00
Subtotal of External Loans and Debt Securities Issued on International Markets	46,083,686.34	47,979,698.83	47,539,689.96	46,441,887.54	47,723,164.76
Other Obligations:					
Financing Tied to Oil					
Advances Agreed in Commercial Contracts for Sale of Products	-	-	-	-	-
Subtotal of Advances Agreed in Commercial Contracts for Sale of Products	-	-	-	-	-
Contractual Rights Arising From/Linked to Ordinary Operations	450,331.47	357,020.04	275,981.72	316,628.10	238,411.73
Subtotal of Contractual Rights Arising From/Linked to Ordinary Operations	450,331.47	357,020.04	275,981.72	316,628.10	238,411.73
Subtotal of Other Obligations	450,331.47	357,020.04	275,981.72	316,628.10	238,411.73
Total External Debt	46,534,017.81	48,336,718.87	47,815,671.68	46,758,515.64	47,961,576.49

Source: Data from MEF, Public Debt Bulletins for December 2021, December 2022, December 2023, June 2023 and June 2024. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

The following table sets forth information regarding Ecuador's aggregated public sector external debt as of the dates indicated:

AGGREGATED EXTERNAL DEBT

	As of December 31,			As of June 30	
	2021	2022	2023	2023	2024
	<i>(in thousands U.S.\$)</i>				
External Loans and Debt Securities Issued on International Markets					
Original Agreements (Banks)	1,169,209.59	974,127.12	942,708.65	900,131.41	862,178.59
Original Agreements (Governments)	5,757,154.54	4,971,314.48	4,513,700.61	4,785,843.62	4,268,801.06
International Organizations (Multilaterals)	21,432,067.61	24,348,036.09	25,418,833.37	24,063,946.90	25,955,256.06
Suppliers	-	-	-	-	-
Debt Securities Issued on International Markets	17,725,257.69	17,686,221.13	16,008,425.33	16,035,943.61	15,980,907.05
International Financial Institutions	-	-	656,022.00	656,022.00	656,022.00
Subtotal of External Loans and Debt Securities Issued on International Markets	46,083,689.43	47,979,698.83	47,539,689.96	46,441,887.54	47,723,164.76

	As of December 31,			As of June 30	
	2021	2022	2023	2023	2024
	<i>(in thousands U.S.\$)</i>				
Other Obligations					
Financing Tied to Oil					
Advances Agreed in Commercial Contracts for Sale of Products.....	-	-	-	-	-
Subtotal of Advances Agreed in Commercial Contracts for Sale of Products	-	-	-	-	-
Contractual Rights Arising From/Linked to Ordinary Operations.....	450,331.46	357,020.04	275,981.72	316,628.10	238,411.73
Subtotal of Contractual Rights Arising From/Linked to Ordinary Operations	450,331.46	357,020.04	275,981.72	316,628.10	238,411.73
Subtotal of Other Obligations	450,331.46	357,020.04	275,981.72	316,628.10	238,411.73
Total External Debt	46,534,020.90	48,336,718.87	47,815,671.68	46,758,515.64	47,961,576.49

Source: Data from MEF, Public Debt Bulletins for December 2021, December 2022, December 2023, June 2023 and June 2024. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

On December 1, 2016, Petroecuador signed a crude oil sale and purchase contract with PTT International, pursuant to which Petroecuador received initial prepayments of U.S.\$600 million shortly after signing for crude oil to be delivered during the five-year term of the contract. On December 6, 2016, Petroecuador signed a fuel oil sale and purchase contract with OTI, pursuant to which Petroecuador received an initial prepayment of U.S.\$300 million for fuel oil to be delivered to OTI during the 30-month term of the contract, which has been already fully amortized by Petroecuador. As of October 2019, all deliveries under the contract had been fulfilled. In connection with each contract, the Republic has agreed to refund to the purchasers any amounts of the prepayments and related surcharges for advance payment which are not otherwise satisfied through the delivery of crude oil or fuel oil, respectively, or refunded by Petroecuador in accordance with the contracts.

From 2010 through 2018, Ecuador entered into five separate loan agreements (denominated in U.S. dollars and Chinese Renminbi) with the China Development Bank totaling approximately U.S.\$7,900 million, which are related to a multi-party contractual structure that involves crude oil delivery contracts entered into with PetroChina and Unipetec. Deliveries under these contracts are based upon international spot prices, based on a formula consisting of WTI plus or minus a spread, plus a premium paid due to the term of the contracts. The spread is calculated using (i) a yield table setting forth the contemporary market price of the expected outputs of refining the crude oil delivered, (ii) a factor taking into account shipping costs based on market information, and (iii) the quality of crude oil as measured by the American Petroleum Institute. Under these agreements, Ecuador is required to invest the loaned amounts in specific infrastructure projects or programs in Ecuador. The first loan agreement, signed in 2010, totaling U.S.\$1,000 million, was repaid in its entirety, at the end of its original four-year term. The second loan agreement, signed in 2011, totaling approximately U.S.\$2,000 million, had an eight-year term and was voluntarily prepaid in its entirety on September 27, 2018. The third loan agreement, signed on December 20, 2012, totaling approximately U.S.\$2,000 million, has an eight-year term. The fourth loan agreement, signed on April 29, 2016, totaling approximately U.S.\$2,000 million, has an eight-year term. The fifth loan agreement denominated in U.S. dollars and Chinese Renminbi, signed on December 12, 2018, totaling approximately U.S.\$900 million, has a six-year term. In August 2020, during the restructuring of its external bond debt, Ecuador reached an agreement with the China Development Bank to reschedule payments under the credit line entered into in 2016. This provided Ecuador with U.S.\$417 million in financial relief by granting a 12-month grace period on principal repayments, during which time payments on the loan were suspended. The transaction also included rescheduling oil deliveries by Petroecuador without any additional commitments, helping Ecuador manage its debt and economic crisis. On September 19, 2022, Ecuador reached another debt restructuring agreement with the China Development Bank, providing U.S.\$1.4 billion in debt relief through 2025, consisting mainly of a three-year extension on repayment deadlines, lower interest rates and adjusted oil export commitments.

On February 21, 2017, the Republic entered into a U.S.\$50 million loan with the JBIC with a term of 12 years to finance an energy efficiency project related to residential water heating.

On March 14, 2017, the Republic entered into a U.S.\$200 million loan with CAF with a term of two years to partially finance projects relating to the generation, distribution and transmission of electricity, of which only U.S.\$80 million was ultimately disbursed.

On April 1, 2017, the Republic entered into a U.S.\$75 million loan with the French Development Agency (the “AFD”) with a term of 20 years to finance certain educational projects.

On April 18, 2017, the Republic entered into a U.S.\$60 million loan with the IDB with a term of 25 years to finance the reconstruction of electrical infrastructure in areas affected by the Pedernales Earthquake and the incorporation of seismic resistant infrastructure in the provinces of Esmeraldas, Manabí and Santo Domingo.

On May 22, 2017, the IESS entered into a seven-year U.S.\$47 million credit agreement with Deutsche Bank, Sociedad Anónima Española, Banco Santander, S.A. and Banco Popular Español, S.A. guaranteed by Ecuador to partially finance the construction and the purchase of equipment for the IESS hospital in the city of Quito.

On August 11, 2017, the Republic entered into a U.S.\$65 million credit facility agreement with the AFD with the principal amount due in semi-annual installments and with the last installment due on December 1, 2036. The proceeds can be used to finance the reconstruction of housing by CFN or the *Corporación Nacional de Finanzas Populares y Solidarias* (“CONAFIPS”) adding earthquake resistant features and to reactivate the main productive sectors in the Ecuadorian provinces most affected by the Pedernales Earthquake.

On October 20, 2017, the Development Bank of Ecuador (“DBE”) entered into an eight-year U.S.\$200 million facility agreement with the China Development Bank guaranteed by the Republic, acting through the MEF. The first tranche of U.S.\$120 million was used for on-lending by the DBE to eligible Ecuadorian State-owned enterprises and government agencies for purposes of financing projects in Ecuador that had been approved by China Development Bank. The second tranche of U.S.\$80 million was used for on-lending by the DBE to eligible Ecuadorian State-owned enterprises and government agencies for purposes of financing payments to be made to suppliers in connection with telecommunications, road construction, transportation and equipment, sewage, potable water and sanitation projects.

On December 20, 2017, the Republic entered into a credit facility agreement with the AFD for an amount of up to U.S.\$35 million to finance, in part, housing and reconstruction in Ecuadorian areas affected by the Pedernales Earthquake. The first installment was due and payable on December 1, 2022 and the last installment is due and payable on June 1, 2037.

On December 29, 2017, the Republic entered into a financing agreement with the International Fund for Agricultural Development to finance the Revitalizing Project of Inclusive Alliances in Value Chains with the purpose of improving the income of small producers of cacao, blueberry and cape gooseberry within a designated area. The financing agreement established a facility for an amount of U.S.\$25.66 million with a repayment term of 18 years and a donation for an amount of U.S.\$250,000.

On September 7, 2018, the Republic entered into a U.S.\$250 million additional loan facility with the IDB with a final amortization date of May 15, 2040 to finance costs related to the construction of a subway system in Quito.

On September 7, 2018, the Republic entered into a U.S.\$237.6 million loan facility with the IDB with a final amortization date of December 15, 2042 to finance the first phase of a project to improve quality in the provision of social services.

On September 14, 2018, the Republic entered into a U.S.\$150 million loan with CAF with a term of 12 years, with a 12-month grace period for the payment of principal, to partially finance projects relating to the generation, distribution and transmission of electricity.

On September 26, 2018, the Republic increased its existing financing agreement with Credit Suisse dated October 27, 2014 for an additional amount of CHF100 million. This financing facility established a repayment term of seven years.

On November 28, 2018, the Municipality of the Metropolitan District of Quito and CAF entered into a 15-year U.S.\$152.2 million loan agreement to partially finance the Quito subway system. This loan agreement is guaranteed by Ecuador acting through the MEF.

On November 29, 2018, the Municipality of the Metropolitan District of Quito and the International Bank for Reconstruction and Development (the “**IBRD**”) entered into a U.S.\$230 million loan agreement, to be repaid by March 15, 2038, to finance the construction of two subway stations and other infrastructure and facilities and the provision of equipment and technical and implementation support for line one of the Quito subway system currently under construction. This loan agreement is guaranteed by the Republic acting through the MEF.

On November 29, 2018, the *Ente Municipal de Regulación y Control del Agua Potable de Guayaquil* (Municipal Entity for the Regulation and Control of Drinking Water in Guayaquil) and the IBRD entered into a U.S.\$233.6 million loan agreement, to be repaid by March 1, 2053, to finance the increase of access to improved sanitation services and to reduce wastewater pollution in selected areas of Guayaquil. This loan agreement is guaranteed by the Republic acting through the MEF.

On December 11, 2018, the Republic and the IDB entered into a U.S.\$100 million loan agreement to be disbursed in two installments in two years, with a final amortization date of October 15, 2038, to finance a program of reforms in Ecuador promoting gender equality and equality for the disabled.

On December 12, 2018, the Republic and CAF entered into a U.S.\$210 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to partially finance programs supporting the management of the Republic’s fiscal policy and the sustainability of public finance, among other related goals.

On December 12, 2018, the Republic and the Export-Import Bank of China entered into a RMB485.7 million loan facility agreement, with a 240-month maturity period, a 60-month grace period and a 180-month repayment period, to finance the construction of infrastructure projects agreed with the joint venture China Road and Bridge Corporation & China National Electronics Import & Export Corporation on November 30, 2017.

On December 12, 2018, the Republic and the China Development Bank entered into a U.S.\$675 million and RMB1,530 million facility agreement where each loan made under the facility must be repaid in 16 installments, each payable every three months. On December 28, 2018, an amount of U.S.\$450 million was disbursed to the Republic and on January 14, 2019 an additional amount of U.S.\$225 million was disbursed to the Republic.

On January 31, 2019, the Republic issued U.S.\$1,000 million of 2029 Notes (as defined herein) with a coupon of 10.750% at 100% of the purchase price.

On March 12, 2019, the Republic entered into a U.S.\$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at improving the quality of public services for child development in Ecuador.

On March 13, 2019, the Republic received from the IMF an initial disbursement of U.S.\$652 million under the 2019 EFF (as defined herein).

On April 1, 2019, the Republic entered into a U.S.\$192 million loan facility with CAF, with a term of 18 years and a grace period of 66 months for the payment of principal, to partially finance projects relating to the maintenance of 1,183.9 kilometers of roads in Ecuador.

On April 10, 2019, the Republic entered into a U.S.\$50 million loan facility with the IDB, with a final amortization date of November 15, 2043, to finance a program aimed at increasing private participation in public investments in infrastructure and public services in Ecuador.

On May 24, 2019, the Republic and CAF entered into a U.S.\$300 million loan agreement, with a term of 15 years and a 42-month grace period for the payment of the principal, to finance programs and projects in the logistics sector.

On May 24, 2019, the Republic entered into a U.S.\$500 million loan agreement with the IDB with a final amortization date of May 24, 2026 in order to support macroeconomic and fiscal stability, strengthen the institutional framework of the Central Bank, and provide funds for social expenditure for the most vulnerable segments of the population.

On May 28, 2019, the Republic and CAF entered into a U.S.\$100 million loan agreement, with a term of 16 years and a 66-month grace period for the payment of the principal, to partially finance the Environmental Sanitation for Community Development Program.

On June 17, 2019, the Republic reopened its 2029 Notes and issued an additional U.S.\$1.1 billion of 2029 Notes at a price of 110.746%. The Republic applied the proceeds of the reopened 2029 Notes towards the repurchase of U.S.\$1,175,370,000 principal amount of its notes due 2020 by means of a tender offer that settled on June 18, 2019.

On June 17, 2019, the Republic and the IBRD entered into a U.S.\$500 million loan agreement maturing June 1, 2049, with proceeds used to promote government efficiency, remove barriers to private sector development and provide funds for social expenditure for the most vulnerable segments of the population.

On July 2, 2019, the Republic received from the IMF a second disbursement of U.S.\$251 million under the IMF's EFF.

On July 3, 2019, the Republic and the IDB entered into a U.S.\$150 million loan agreement maturing November 15, 2042, with the goal of providing support to the Republic's plan to diversify its energy assets.

On July 12, 2019, the Republic and the IDB entered into a U.S.\$93.9 million loan agreement maturing June 15, 2044, with the goal of promoting housing to poor and vulnerable communities under the Housing for All Program.

On July 22, 2019, the Republic and the IBRD entered into a U.S.\$350 million loan agreement maturing March 15, 2049, with the goal of improving equity, integration and sustainability of social programs and providing technical assistance for capacity building, monitoring and evaluating social programs.

On July 23, 2019, the Republic and the IDB entered into a U.S.\$300 million loan agreement maturing April 15, 2039, with the goal of supporting the Government's plan for fiscal stability to facilitate sustainable growth and key contributions to social development.

On July 23, 2019, the *Empresa Pública Metropolitana de Agua Potable y Saneamiento de Quito* (Metropolitan Public Company of Drinking Water and Sanitation of Quito) and the IDB entered into a U.S.\$87.1 million loan agreement with a final principal amortization date of July 23, 2043, with the goal of providing financial support for the maintenance of Quito's sewage and potable water systems. This loan agreement is guaranteed by the Republic acting through the MEF.

On August 6, 2019, the Republic reopened its 2023 Notes and 2026 Notes and issued an additional U.S.\$610,359,000 of its 2023 Notes at a price of 107.291%, and U.S.\$611,870,000 of its 2026 Notes at a price of 107.026%.

On August 13, 2019, the CFN and CAF entered into a U.S.\$50 million loan agreement to be repaid in 15 years, with the goal of supporting the *Progresar* program of the CFN, which seeks to incentivize the diversification of Ecuador's economy. This loan agreement is guaranteed by the Republic acting through the MEF.

On August 28, 2019, the Republic and the IDB entered into a U.S.\$12 million loan agreement maturing May 15, 2044 to support further investment in Ecuador.

On August 29, 2019, the *Ente Municipal de Regulación y Control del Agua Potable de Guayaquil* (Municipal Entity for the Regulation and Control of Drinking Water in Guayaquil) and CAF entered into a U.S.\$84 million credit facility agreement maturing July 31, 2039 to support the improvement of sanitation in Guayaquil. This facility agreement is guaranteed by the Republic acting through the MEF.

On September 4, 2019, the Republic and the IDB entered into a U.S.\$100 million loan agreement maturing October 15, 2043, with the goal of supporting the modernization and renovation of the Ecuadorian electric system.

On September 9, 2019, the Republic and the IDB entered into a U.S.\$40.08 million loan agreement maturing December 15, 2043, with the goal of supporting people with disabilities.

On September 27, 2019, the Republic issued U.S.\$600 million of its 2025 Notes (as defined herein) with a coupon of 7.875% at 100% of the purchase price and U.S.\$1,400 million of its 2030 Notes (as defined herein) with a coupon of 9.500% at 100% of the purchase price.

On October 4, 2019, the Republic and the IDB entered into a U.S.\$43 million loan agreement maturing July 15, 2044, with the goal of supporting the Financial Management Modernization Program.

On November 4, 2019, the Republic and The Export-Import Bank of China entered into a RMB 390 million concessional loan agreement and a RMB 734 million concessional loan agreement, each with a term of twenty years.

On November 18, 2019, the Republic and the IDB entered into a U.S.\$75 million loan agreement maturing September 15, 2044, with the goal of supporting the State-owned Enterprise Reform Support Program.

On November 18, 2019, the Republic and CAF entered into a 15-year U.S.\$203 million loan agreement, as amended on November 27, 2019, with the goal of supporting Ecuador's Urban Plan and Habitat Policy Program.

On November 22, 2019, the Republic and the AFD entered into an U.S.\$80 million credit facility agreement maturing on July 31, 2039, with the goal of supporting fully-subsidized social housing and other components of the Housing for All Program.

On December 10, 2019, the Republic and the AFD entered into a U.S.\$150 million credit facility agreement maturing on January 31, 2040, with the goal of supporting policies targeting climate change.

On November 29, 2019, BanEcuador B.P. and CAF entered into a U.S.\$40 million loan agreement, to be repaid in 15 years, to finance small and medium-sized producers of cocoa and palm and the institutional strengthening of BanEcuador. The Republic entered into a guarantee agreement in connection with this loan agreement.

On December 20, 2019, the *Empresa Pública Municipal de Telecomunicaciones, Agua Potable, Alcantarillado y Saneamiento de Cuenca* (Municipal Public Company for Telecommunications, Drinking Water, Sewerage and Sanitation of Cuenca) and CAF entered into a U.S.\$34.12 million loan agreement, to be repaid in 18 years, to partially finance the Construction Project of the Guangarcucho Wastewater Treatment Plant. The Republic entered into a guarantee agreement in connection with this loan agreement.

On December 23, 2019, the *Honorable Gobierno Provincial de Tungurahua, Ecuador* and *Kreditanstalt für Wiederaufbau, Frankfurt am Main* ("KfW") entered into a EUR19.0 million loan agreement, to be repaid by December 30, 2049, to finance investments in the strengthening of irrigation systems as well as other measures for the protection of water resources of the Province of Tungurahua, Ecuador, as well as certain consulting services. The Republic entered into a guarantee agreement in connection with this loan agreement.

On December 19, 2019, the Republic received from the IMF a disbursement of approximately U.S.\$498.4 million under the IMF's EFF.

On January 28, 2020, the Republic entered into a U.S.\$70 million loan agreement with Japan International Cooperation Agency to finance a program for the promotion of the energy matrix transition and sustainable economic development which includes the expansion of access to renewable energy, the stabilization of the energy supply and promotion of measures towards energy efficiency. The repayment of the loan by amortized payments will begin on January 10, 2027 and, thereafter, payments are due on each January 10 and July 10 until January 10, 2045.

On January 30, 2020, the Republic issued U.S.\$400 million of its 2035 Notes (as defined herein), with a partial guarantee by the IDB, with a coupon of 7.25% at 100% of the purchase price.

On February 24, 2020, the Municipal Autonomous Decentralized Government of the Portoviejo Canton entered into a U.S.\$27.5 million loan agreement with the IDB to finance the Portoviejo Canton program related to drinking water and sewage. The repayment period begins on August 24, 2025 and, thereafter, amortized payments are due on each February 24 and August 24 until February 24, 2045. The Republic entered into a guaranty agreement on February 24, 2020 pursuant to which the Republic provided a sovereign guaranty for the Portoviejo agreement.

On April 3, 2020, the Republic entered into a U.S.\$300 million amendment to the loan agreement dated June 16, 2015 with the IDB to help minimize the impact that a severe or catastrophic natural disaster could have on the public finances of the Republic. The loan is a contingent loan with the funds being made available to the Republic for 5 years starting from the date of the agreement. If the Republic draws on the commitment, the sum will be amortized until the final amortization date of April 2045. The first payment due on the drawn commitment would occur 66 months after the draw-down date with semi-annual payments made until the Final Amortization Date. This credit is contingent. As

of September 30, 2024, U.S.\$ 100 million of this loan had been drawn down but the remainder is available for natural disasters.

On April 5, 2020, the Republic entered into a U.S.\$20 million loan agreement with the IBRD to finance the Republic's COVID-19 Emergency Response Project. The repayment period begins on September 15, 2031 and, thereafter, principal payments are due on each March 15 and September 15 until March 15, 2048.

On April 8, 2020, the Republic launched a consent solicitation to defer, until August 2020, payments of interest falling due between March 27, 2020 and July 15, 2020 on its ten series of outstanding Notes due 2022, 2023, 2024, 2025, 2026, June 2027, October 2027, 2028, 2029 and 2030 (the “**Existing Republic Securities**”). Holders of more than 91% of the aggregate principal amount of the Existing Republic Securities (not including the 2024 notes), representing approximately U.S.\$17 billion in aggregate principal amount, and holders of more than 82% of the aggregate principal amount of the 2024 Notes, representing approximately U.S.\$2 billion, provided their consent in the consent solicitation. The interest deferral provided the Republic with necessary relief for the economy to recover from the COVID-19 health crisis and the significant decrease in the price of oil.

On May 2, 2020, the IMF Executive Board approved the Republic's request for emergency financial assistance under the IMF's Rapid Financing Instrument for approximately U.S.\$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection. See “—*IMF's Extended Fund Facility and Rapid Financing Instrument.*”

On May 5, 2020, the Republic entered into a U.S.\$350 million loan agreement with CAF to mitigate the economic contractions caused by COVID-19 and to finance budget appropriations of the Republic. The repayment period begins on May 5, 2026 with payments due every six months thereafter until May 5, 2040.

On May 9, 2020, the Republic entered into U.S.\$506 million financing agreement with the IBRD to finance programs related to the Republic's inclusive and sustainable growth development policy, including (i) responding to the COVID-19 pandemic, (ii) removing barriers to private sector development and supporting economic recovery and (iii) promoting public sector efficiency and fiscal sustainability. The financing consists of a U.S.\$500 million loan and a U.S.\$6 million concessional contribution. The repayment period begins on November 1, 2031 and, thereafter, principal payments are due on each May 1 and November 1 until May 1, 2048.

On June 5, 2020, the Republic entered into a U.S.\$250 million loan agreement with the IDB to finance the provision of health and social protection services during the COVID-19 pandemic. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until May 15, 2045.

On June 10, 2020, the Republic entered into a U.S.\$280 million loan agreement with the IDB to support the climate change objectives of the Republic and to contribute to the consolidation of the Republic's fiscal and external accounts. The repayment period begins on May 15, 2026 and, thereafter, payments are due each May 15 and November 15 until the May 15, 2040.

On July 16, 2020, *Corporación de Finanzas Populares y Solidarias* entered into a U.S.\$93.8 million loan agreement, with a term of 25 years including a grace period of 5.5 years, with the IDB in respect of the global credit programme for the defense of the productive framework and employment.

On July 23, 2020, the Republic entered into a U.S.\$150 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to support programs aimed at reducing chronic child malnutrition in the Republic.

On August 31, 2020, the Republic issued the New Republic Securities (as defined herein) due 2030, 2035 and 2040. See “—*July 2020 Exchange Offer and Consent Solicitation.*”

On September 16, 2020, the Republic entered into a U.S.\$50 million loan agreement, with a term of 25 years including a grace period of 5 years, with the IDB, under its 'Migration Initiative' to strengthen the Republic's social services for migrant communities.

On September 30, 2020, the Republic entered into the 2020 EFF (as defined herein) totaling SDR4,615 million (approximately U.S.\$6.5 billion) with the IMF in response to the COVID-19 pandemic and with a view to stabilizing the economy. See “—IMF’s Extended Fund Facility and Rapid Financing Instrument.”

On November 26, 2020, the Republic entered into a U.S.\$500 million loan agreement, with a term of 11 years including a grace period of 4 years, with the IBRD for an inclusive and sustainable growth development policy loan.

On November 30, 2020, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.\$59.8 million financing agreement, with a term of 19 years including a grace period of 4 years, with the European Investment Bank to finance drinking water, sanitation and sewage systems in Canton Portoviejo.

On December 4, 2020, the Republic entered into a U.S.\$138.2 million loan agreement, with a term of 15 years including a grace period of 2 years, with CAF to fund programs relating to the *Programa Sectorial de Enfoque Amplio de Apoyo a la Agenda Nacional de Conectividad*.

On December 22, 2020, the Republic entered into a U.S.\$78.4 million loan agreement, with a term of 25 years including a grace period of 5.4 years, with the IDB to finance a sustainable subsoil resources management program and associated infrastructure.

On March 22, 2021, the Republic entered into a U.S.\$200 million loan agreement, with a term of 18 years including a grace period of 7 years, with the IDB to finance initiatives that protect social spending and aid the recovery of employment.

On April 15, 2021, the Republic entered into a U.S.\$20.5 million loan agreement, with a term of 30 years including a grace period of 10 years, with KfW Development Bank for Reconstruction to support the Republic’s COVID-19 efforts.

On April 22, 2021, the Republic entered into a U.S.\$40 million loan agreement, with a term of 27 years including a grace period of 11 years, with the IBRD to support the Territorial Economic Empowerment for the Indigenous, Afro-Ecuadorians and Montubian Peoples and Nationalities.

On April 26, 2021, the Republic entered into an additional U.S.\$150 million financing agreement with the IBRD to purchase and distribute vaccines and support COVID-19 management in the Republic.

On June 2, 2021, the Republic entered into a U.S.\$48 million loan agreement, with a term of 15 years including a grace period of 5 years, with CAF to partially finance the Canton Cuenca unity program.

On August 31, 2021, the Republic entered into a U.S.\$200 million loan agreement, with a term of 15 years including a grace period of 2.5 years, with CAF to support programs aimed at reducing chronic child malnutrition in the Republic.

On October 28, 2021, the Republic entered into a U.S.\$300 million loan agreement, with a term of 23 years including a grace period of 7.5 years, with the IDB to provide support for vulnerable people affected by the COVID-19 pandemic.

On December 6, 2021, the Republic entered into a U.S.\$500 million loan agreement, with a term of 7 years including a grace period of 3 years, with the IDB to establish an emergency program for macroeconomic sustainability and social protection.

On December 7, 2021, the Republic entered into a U.S.\$100 million financing agreement, with a term of 10 years including a grace period of 2.5 years, with CAF to promote a financial inclusion program through savings and credit cooperatives with a focus on gender and green businesses.

On December 7, 2021, the Republic entered into a U.S.\$75 million loan agreement, with a term of 20 years including a grace period of 3 years, with CAF to establish a support program aimed at strengthening health and sanitation systems in the Republic in response to COVID-19.

On December 7, 2021, the Republic entered into a U.S.\$250 million loan agreement, with a term of 20 years including a grace period of 6 years, with CAF to fund the program for the reactivation of production, protection, social and sustainability of public finances in 2021 to 2025.

On January 10, 2022, the Republic entered into a U.S.\$100 million loan agreement, with a term of 19 years including a grace period of 5 years, with the European Investment Bank to fund and promote the management program of the MEF related to drinking water and sanitation environmental finance.

On February 24, 2022, the Republic entered into a 16-year U.S.\$700 million loan agreement with the IBRD related to the green and resilient recovery development policy.

On March 28, 2022, the Autonomous Decentralized Government of the Canton Portoviejo entered into a U.S.\$17 million loan agreement, with a term of 25 years, with the *Instituto de Crédito Oficial* of Spain to finance the drinking water, sewage and sanitation systems of the Canton Portoviejo.

On May 25, 2022, the Autonomous Decentralized Government of the Canton Guayaquil entered into a further U.S.\$49 million loan agreement maturing on May 25, 2032, with CAF to finance road works and a drinking water program in the densely populated areas of Guayaquil.

On June 21, 2022, the Republic entered into a U.S.\$250 million loan agreement, with a term of 18 years, with the IDB to finance initiatives that protect social spending and aid the recovery of employment.

On September 15, 2022, the Republic entered into a U.S.\$22.8 million loan agreement, with a term of 31 years, with the International Fund for Agricultural Development for a sustainable development project in rural territories.

In September 2022, the Republic announced that it had reached agreements with the Export-Import Bank of China and the China Development Bank on the reprofiling of U.S.\$3.2 billion commercial credits. These transactions were a follow-up to the reprofiling of the Republic's U.S.\$17 billion in 2020, and covered U.S.\$1.4 billion of debt held by the China Development Bank and U.S.\$1.8 billion of debt held by the Export-Import Bank of China. Through these reprofiling agreements, the Republic managed to: (1) double the maturity of outstanding instruments; (2) reduce the applicable interest rates; (3) suspend all amortizations on the Export-Import Bank of China's commercial facilities for a six-month period; and (4) smooth out the profile of oil exports to China National Petroleum Corporation under the oil-backed debt contracts. Overall, these transactions resulted in significant debt service savings for the Republic amounting to approximately U.S.\$1.4 billion through 2025.

On October 28, 2022, the Republic entered into a JPY 23 billion loan agreement, with a term of 15 years, with the Japan International Cooperation Agency for a COVID-19 crisis response emergency support loan.

On October 31, 2022, the Republic entered into a U.S.\$80 million loan agreement, with a term of 17 years, with the IBRD for the strengthening of the national statistical system in Ecuador.

On November 25, 2022, the Republic entered into a U.S.\$50 million loan agreement, with a term of 20 years, with the AFD to promote the development of green jobs and the reduction of gender inequalities in the workplace.

On November 25, 2022, the Republic entered into a U.S.\$100 million loan agreement, with a term of 20 years, with the AFD to promote the bioeconomy.

On December 13, 2022, the Republic entered into a U.S.\$400 million loan agreement, with a term of 20 years, with the IDB related to development and economic recovery in Ecuador.

On December 16, 2022, the Republic entered into a U.S.\$100 million loan agreement, with a term of 14 years, with the IBRD in respect of additional financing related to the COVID-19 emergency response and vaccination project.

On December 19, 2022, the Republic entered into a U.S.\$500 million loan agreement, with a term of 20 years, with the IBRD for additional financing in respect of the green and resilient recovery development policy.

On December 23, 2022, the Autonomous Decentralized Government of La Libertad entered into a U.S.\$30 million loan agreement, with a term of 20 years, with CAF in relation to urban infrastructure programs.

In December 2022, Ecuador successfully concluded the 2020 EFF, under which the IMF disbursed approximately U.S.\$6.5 billion since its approval in September 2020.

On January 10, 2023, the Republic and the AFD entered into a 20-year U.S.\$30 million loan agreement to strengthen Ecuador's agricultural information system by creating a national registry of producers.

On January 23, 2023, the Republic and the IDB entered into two loan agreements, for a total of U.S.\$84 million, with respective terms of 22 years and 5 months and 24 years and 9 months, to be used for a tax and customs administration improvement program.

On March 13, 2023, the *Empresa Pública Metropolitana de Agua Potable y Saneamiento de Quito* (Metropolitan Public Company of Drinking Water and Sanitation of Quito) and the Official Credit Institute entered into a 25-year U.S.\$40 million loan agreement to improve the potable water service in the metropolitan district of Quito and increase its wastewater treatment capacity.

On April 13, 2023, the Republic and the IBRD entered into a U.S.\$200 million loan agreement, with a term of 17 years and 6 months, in connection with the *Proyecto Red de Protección Social* (Social Protection Network Project) to improve the equity, integration and sustainability of certain selected programs within the Social Protection Network Project.

On April 14, 2023, the CFN and the IDB entered into a 24-year U.S.\$300 million loan agreement to implement *Programa Crecer* (Growth Program), which aims to support the economic recovery of micro, small and medium enterprises ("MSMEs") in Ecuador, by expanding the access to credit for Ecuadorian MSMEs through the CFN's second-tier financial instruments.

On April 25, 2023, the Republic and the IDB entered into a 20-year U.S.\$85 million loan agreement to strengthen environmental sustainability in Ecuador, support the proper management of natural capital and improve the organization and operation of public financing for environmental and financial sustainability.

On May 4, 2023, CONAFIPS and the Asian Infrastructure Investment Bank entered into a U.S.\$50 million loan agreement, with a term of 8 years and 9 months, to enhance CFN's institutional capacity, develop and improve financial products to promote MSMEs' access to financing, including a credit line negotiated by CFN for reloans to MSMEs and project management, and to alleviate MSMEs' liquidity constraints as a result of the economic crisis induced by COVID-19.

On May 9, 2023, the Republic swapped U.S.\$1.628 billion of its then-existing international bonds for a new U.S.\$656 million impact loan arranged by Credit Suisse. This new loan, set to mature in 2041 with a 7-year grace period on principal repayments, was backed by U.S.\$656 million in political risk insurance from the U.S. International Development Finance Corporation and an U.S.\$85 million guarantee from the Inter-American Development Bank. In return for the substantial debt relief, which is expected to save Ecuador over U.S.\$1.126 billion in lifetime debt service costs, Ecuador committed to invest U.S.\$12.05 million annually in marine conservation efforts for the Galápagos Islands and contribute an average of U.S.\$5.41 million per year to the newly established Galapagos Life Fund endowment. This financial mechanism is projected to generate U.S.\$323 million for marine conservation in the Galápagos over the next 18.5 years, supporting the Galapagos National Park Service and a new 60,000 km² protected area called the *Reserva Marina Hermandad* (the Hermandad Marine Reserve), located within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve. By 2041, the Galapagos Life Fund endowment is expected to grow to U.S.\$227 million, ensuring long-term funding for critical conservation efforts in the region.

On May 15, 2023, the Republic and the IDB entered into a U.S.\$9.5 million loan agreement, with a term of 24 years and 2 months, to improve the Constitutional Court of Ecuador's capacity to protect constitutional rights through the implementation of various management strategies and tools.

On May 24, 2023, CAF and CONAFIPS entered into a 10-year U.S.\$75 million loan agreement to develop the social and popular economy in Ecuador by allowing the grant of microcredits to individual, family and business productive units through savings and credit cooperatives. Of the U.S.\$75 million, U.S.\$72 million is to be allocated to financial inclusion, with a focus on gender operations and green businesses, while the remaining U.S.\$3 million is intended to

strengthen the *Fondo de Garantía para Operaciones de Crédito de la Economía popular y Solidaria* (Guarantee Fund for Credit Operations of the Popular and Solidarity Economy).

On July 3, 2023, the Republic and the IDB entered into a 24-year U.S.\$42 million loan agreement in connection with the Ministry of Public Health's program *Ecuador Crece sin Desnutrición Infantil* (Ecuador Grows up Without Child Malnutrition) to reinforce delivery of health benefits to pregnant women and children under two years of age.

On July 6, 2023, the Autonomous Decentralized Government of Samborondón and CAF entered into a 10-year U.S.\$26.5 million loan agreement to finance the *Programa Integral de Infraestructura de Servicios para el Cantón Samborondón* (Program of Infrastructure Services for the Samborondón Canton), which seeks to guarantee the future supply of potable water in the Cantón Samborondón.

On July 21, 2023, the *Escuela Superior Politécnica del Litoral* ("ESPOL") and the IDB entered into a U.S.\$40 million agreement, with a term of 24 years and 11 months, to increase labor and business productivity in the Littoral.

On July 28, 2023, the Republic and the IDB entered into a 20-year U.S.\$150 million and a 15-year U.S.\$20.2 million loan agreement, in connection with two key projects for Ecuador: *Nuevo Modelo Arquitectónico de Infraestructura Educativa* (New Architectural Model of Educational Infrastructure) and *Programa Anual de Inversión Educativa 2023-2025* (Annual Educational Investment Program 2023-2025). These programs aim to modernize Ecuador's education system and infrastructure.

On August 7, 2023, the Republic and CAF entered into a 20-year U.S.\$117.5 million loan agreement in connection with Ecuador's *Programa para la Ejecución del Plan de Inversiones de Salud Pública* (Program for the Execution of the Public Health Investment Plan). This loan will be utilized to implement a comprehensive health care model for children, pregnant and lactating mothers, adolescents, young people and vulnerable populations.

On August 18, 2023, the Republic and CAF entered into two loans agreements for a total of U.S.\$500 million, with respective terms of 18 years and 1 month and 14 years and 1 month, to support Ecuador's reforms to accelerate a fair energy transition. The program will support policies to decarbonize the energy sector and promote non-conventional renewable energy sources, alternative ways to generate power, and energy efficiency, as well as demand management measures, regional integration, and electric mobility. It will also advance the energy transition plan for the Galapagos Islands, universal access to electricity, and steps to reduce gender and disability gaps in the electricity sector.

On August 22, 2023, the Republic and the IBRD entered into a U.S.\$500 million loan agreement, with a term of 17 years and 3 months, to achieve inclusive, resilient and low-carbon development, by supporting reforms focusing on mitigating climate change with the potential to leverage a green and resilient economic recovery by promoting private investment, fostering greater energy efficiency, supporting the development of voluntary carbon offset mechanisms and encouraging sustainable forest management.

On September 12, 2023, the Republic and the IBRD entered into U.S.\$150 million fixed-rate loan agreement, with a term of 11 years and 7 months, to support Ecuador's efforts to recover connectivity and improve infrastructure resilience and road safety in areas affected by natural hazards.

On September 15, 2023, the Republic and CAF entered into a 15-year U.S.\$200 million loan agreement to implement the *Programa de Reforzamiento de Redes de Distribución Eléctrica para el Sector Acuícola* (Program for the Reinforcement of Electricity Distribution Networks for the Aquaculture Sector), which will allow fossil energy to be replaced by clean energy in the shrimp agro-industrial sector.

On September 29, 2023, the GAD of Choné and CAF entered into a 15-year U.S.\$30 million loan agreement in connection with the *Programa de Desarrollo Sustentable en Infraestructura Urbana e Hidrosanitaria para combatir los efectos del Cambio Climático* (Sustainable Development Program in Urban and Hydrosanitary Infrastructure to combat the effects of Climate Change).

On October 2, 2023, the EDB and KfW entered into a 30-year U.S.\$15 million loan agreement to strengthen the *Compromiso por el Empleo* (Commitment to Employment) program, which seeks to improve job placement and the quality of employment in the country.

On October 6, 2023, the Republic and the IDB entered into a U.S.\$25 million loan agreement, with a term of 22 years and 1 month, to enhance urban mobility by improving public transportation systems, reducing traffic congestion, and promoting sustainable urban development.

On October 11, 2023, the CFN and the IBRD entered into a U.S.\$300 million loan agreement, with a term of 19 years and 5 months, to further finance the project *Promoción del Acceso a la Financiación con Fines Productivos para las Mipymes* (Promoting Access to Financing for Productive Purposes for MSMEs). The new resources will be used to increase the number of loans, beneficiaries and impact on MSMEs, including those owned by women and to promote climate resilient MSMEs and the mobilization of private capital.

On November 16 and 28, 2023, the CELEC and the IDB entered into a 23-year U.S.\$125 million and a 20-year U.S.\$125 million loan agreement to finance a 500-kilovolt electrical interconnection line with Peru. This project is part of the broader initiative *Sistema de Interconexión Eléctrica Andina* (Andean Electrical Interconnection System), which aims to create a regional electricity market.

On December 13, 2023, the Republic and CAF entered into 7-year U.S.\$75 million loan agreement to improve efficiency and transparency in the administration of public resources, as well as to strengthen Ecuador's fiscal sustainability.

On February 9, 2024, the Republic and the International Fund for Agricultural Development entered into a 20-year U.S.\$20 million loan agreement in connection with the *Emprender* (Entrepreneur) project to strengthen the capacity of rural productive units in targeted areas.

On February 27, 2024, the Republic and the IBRD entered into a U.S.\$100 million loan agreement, with a term of 16.5 years, to finance new housing, building on existing Government programs, and promote private sector construction of sustainable and universally accessible housing in urban and periurban areas. The project, which is expected to benefit approximately 20,000 families, will give priority to households headed by women, as well as to persons with severe and very severe disabilities to help them access formal housing and upgraded neighborhood infrastructure.

On March 1, 2024, the Republic and CAF entered into a 20-year U.S.\$50 million loan agreement in connection with the "ENOS 2023-2024" program to support preventive actions against the impacts of the *El Niño*.

On March 15, 2024, the Republic and Canada entered into a 10-year U.S.\$120 million loan agreement to support Ecuador's green energy transition, investments and access to renewable and clean energy and to help strengthening human rights in Ecuador by facilitating the inclusion of women, indigenous communities, and people with disabilities in the electricity sector.

On March 20, 2024, the Republic and the IDB entered into a 25-year U.S.\$400 million loan agreement to finance the *Emergencias por Desastres Naturales y de Salud Pública* (Natural Disasters and Public Health Emergencies) program, to improve Ecuador's finances management in the face of a natural disaster or a public health emergency.

On April 23, 2024, the GAD Municipal de Cuenca and CAF entered into a 15-year U.S.\$50 million loan agreement to support the *Cuenca se Transforma* (Cuenca Transforms Itself) program to improve the quality of life of Cuenca's citizens.

On April 30, 2024, CAF approved a 1-year U.S.\$800 million short-term loan in favor of the Republic. The transaction was approved under CAF's Extraordinary Liquidity Financing instrument and aims to promote Ecuador's fiscal and macroeconomic stability, inclusive growth and protection of the most vulnerable.

On May 1, 2024, the Municipality of Santo Domingo and the Korean Export-Import Bank entered into a 40-year U.S.\$45.4 million loan to expand Santo Domingo's sewerage system.

On June 4, 2024, the Republic and the IMF entered into the 48-month U.S.\$4 billion 2024 EFF to support Ecuador's policies to stabilize the economy, safeguard dollarization, and lay the foundations for sustainable and inclusive growth.

On June 17, 2024, the Republic and the IDB entered into a U.S.\$10 million loan agreement, with a term of 24 years and 5 months, to strengthen the multi-hazard national early warning system by strengthening the capacity to monitor

threats and risk analysis associated with SAT and improving the communication of the alert to the communities and strengthening of their response capacity.

On July 1, 2024, the EDB and the IDB entered into a U.S.\$120 million loan agreement, with a term of 23 years and 5 months, to expand and improve access to drinking water, sewage services and treatment of waste water and solid waste.

On July 1, 2024, the EDB and the IDB entered into a 25-year U.S.\$80 million loan agreement to make transportation on the country's provincial road network more efficient and improve access to health and education services for small rural populations.

On July 29, 2024, the Republic and CAF entered into a 20-year U.S.\$250 million loan agreement in connection with the *Programa de Empleo Juvenil, Género, Inclusión, Diversidad y Protección Social* (Youth Employment, Gender, Inclusion, Diversity and Social Protection Program) and with the aim of promoting youth employment, gender equality, inclusion, diversity and social protection through public policies that strengthen gender equality in the workplace and social protection mechanisms to support people in situations of greater vulnerability.

On July 29, 2024, the GAD of Manabí and CAF entered into a 15-year U.S.\$43 million loan agreement for the road project connecting Guayas and Los Rios. In total, 14 cantons will be connected with this new infrastructure.

On July 30, 2024, the Republic and CAF entered into a 15-year U.S.\$219 million loan agreement in connection with the *Infraestructura Logística, Fase I* (Logistics Infrastructure Program, Phase I) program, which includes seven important road works that will benefit the provinces of Azuay, Cañar, Carchi, Chimborazo and Santo Domingo de los Tsáchilas.

On July 31, 2024, the GAD of Municipal Portoviejo and CAF entered into a 15-year U.S.\$50 million loan agreement in connection with the Integral Hydrosanitary Project - North Urban Zone of the Portoviejo Cantón, which will improve the quality of life of its inhabitants.

On August 19, 2024, the IDB and the CFN entered into two U.S.\$8 million credit agreements, with respective terms of 20 and 25 years, to finance investment programs and projects within the framework of the Biobusiness Financing for a Sustainable Amazon in Ecuador.

On September 13, 2024, the Republic and the World Bank entered into a U.S.\$100 million loan agreement to support rural road improvement in the Guayas Province of Ecuador by financing the design, management and implementation of works to rehabilitate seven roads and to construct and improve eight bridges in rural areas.

The following table sets forth the rates of interest applicable to the outstanding principal balance of the Republic's public external debt at the dates indicated:

INTEREST ON PUBLIC SECTOR EXTERNAL DEBT

	<u>As of December 31, 2021</u>		<u>As of December 31, 2022</u>		<u>As of December 31, 2023⁽¹⁾</u>	
	<i>(in millions of U.S.\$, except percentages)</i>					
Fixed and Floating Rate						
0-3%	21,379.79	46%	5,860.09	12.12%	4,573.26	9.56%
3-5%	18,908.15	41%	33,824.67	69.98%	18,691.53	39.09%
5-8%	5,346.80	11.49%	8,220.92	17.01%	23,167.99	48.45%
More than 8%	448.95	0.96%	74.02	0.15%	1,106.90	2.31%
Total	46,534.02	100%	48,336.72	100%	47,815.67	100%

Source: MEF, December 2023, 2022 and 2021 Public Debt Bulletins. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

Bilateral Debt

As of December 31, 2021, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD, with debt levels of U.S.\$2,454.39 million (42.6% of total bilateral debt), U.S.\$2,048.93 million (35.6% of total bilateral debt) and U.S.\$599.23 million (10% of total bilateral debt), respectively. As of December 31, 2021, total debt owed to bilateral sovereign entities was U.S.\$5,757.15 million.

As of December 31, 2022, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD, with debt levels of U.S.\$2,223.2 million (44.7% of total bilateral debt), U.S.\$1,410.39 million (28.4% of total bilateral debt) and U.S.\$722.5 million (14.5% of total bilateral debt), respectively. As of December 31, 2022, total debt owed to bilateral sovereign entities was U.S.\$4,971.31 million.

As of December 31, 2023, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD with debt levels of U.S.\$1,957.6 million (43.4% of total bilateral debt), U.S.\$1,089.3 million (24.1% of total bilateral debt) and U.S.\$728.35 million (16.1% of total bilateral debt), respectively. As of December 31, 2023, total debt owed to bilateral sovereign entities was U.S.\$4,513.7 million.

As of July 31, 2024, the three main bilateral lenders to Ecuador were the Export-Import Bank of China, the China Development Bank and the AFD, with debt levels of U.S.\$1,804.9 million (42.2% of total bilateral debt), U.S.\$886.0 million (20.7% of total bilateral debt) and U.S.\$821.3 million (19.2% of total bilateral debt), respectively. As of July 31, 2024, the total debt owed to bilateral sovereign entities was U.S.\$4,278.6 million.

Total debt owed to multilateral institutions was U.S.\$25,418.8 million, U.S.\$24,348.0 million and U.S.\$21,432.07 million as of December 31, 2023, 2022 and 2021, respectively.

The following table lists current material bilateral and multilateral indebtedness by agreement and lender as of December 31, 2023:

MATERIAL PUBLIC EXTERNAL DEBT						
Creditor	Associate Rate Type	Currency	Date Issued	Maturity	Balance as of June 30, 2024	
Multilateral						
Inter-American						
Development Bank	Fixed	U.S.\$	1984-2023	2024-2049	6,047.5	
Inter-American						
Development Bank	Variable	U.S.\$	2005-2024	2025-2049	1,858.3	
CAF	Variable	U.S.\$	2006-2024	2024-2043	3,990.9	
IMF	Variable	GRADED	2019-2024	1025-2034	8,511.7	
Others ⁽¹⁾	Fixed Variable	DEG U S \$	2003-2024	2025-2053	5,546.7	
Total Multilateral Debt					25,955.3	
Bilateral						
China	Fixed, Variable	RMB, U.S.\$	2010-2019	2026-2039	2,740.0	
Spain	Fixed	U.S.\$	1994-2023	2024-2048	221.9	
France	Fixed, Variable	Euro, U.S.\$	1989-2023	2024-2042	823.8	
Italy	Fixed	Euro	1995-2016	2025-2050	12.3	
Japan	Fixed, Variable	Yen, U.S.\$	1996-2022	2026-2045	237.1	
		DEG, Won, Pound,				
Others ⁽²⁾⁽³⁾	Fixed, Variable	Chf	1986-2024	2012-2063	233.7	
Total bilateral debt					4,268.8	
Other debt ⁽⁴⁾					17,737.5	
Total external debt					47,961.6	

Source: Data from MEF, Monthly Public Debt Bulletins of June 2024 at <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/> and Investor Relations at https://ire.finanzas.gob.ec/s/pa/pd_externaldebt.php; and MEF, Profile Maturities LP External Internal June 2024 <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

(1) Other multilateral loans include loans with the International Bank for Reconstruction and Development and the International Fund for Agriculture Development.

(2) Includes amounts from loans from Paris Club members.

(3) Other bilateral lenders include South Korea, Germany, and the United States, among others.

(4) Other debt includes international bonds issued by the Republic and oil presales contracts and liabilities under intangible contractual rights.

Internal Debt

The total consolidated internal debt of the public sector in Ecuador was U.S.\$5,017.84 million as of December 31, 2023, compared to U.S.\$5,894.80 million as of December 31, 2022, and U.S.\$6,110.73 million as of December 31, 2021. The decrease of the total consolidated internal debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of placement of bonds to the private sector.

The total consolidated internal debt of the public sector in Ecuador was U.S.\$3,827.32 million as of June 30, 2024, compared to U.S.\$3,467.86 million as of June 30, 2023. The increase of the total consolidated internal debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of placement of bonds to the private sector.

The following table set forth information regarding Ecuador's consolidated internal debt of the public sector as of the dates indicated:

	As of December 31,			As of June 30,	
	2021	2022	2023	2023	2024
	(in thousands U.S.\$)				
Public Internal Debt					
Public Sector Internal Debt Securities	-	-	-	-	-
Private Sector Internal Debt Securities ⁽¹⁾	1,369,253.42	1,474,862.15	1,671,633.61	1,449,203.62	1,634,838.85
Subtotal of Public Debt Securities	1,369,253.42	1,474,862.15	1,671,633.61	1,449,203.62	1,634,838.85
Loan from Central Bank of Ecuador	-	-	-	-	-
Loan from Development Bank of Ecuador	-	-	-	-	-
Loans from Development Bank of Ecuador ⁽²⁾	-	-	-	-	-
Payment Agreement IESS	-	-	-	-	-
Subtotal of Public Debt Loans	-	-	-	-	-
Central Bank of Ecuador Agreement	-	-	-	-	-
National Finance Corporation Agreement ..	-	-	-	-	-
Subtotal Public Debt Agreements	-	-	-	-	-
Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91	893,510.15	881,909.75	865,740.69
Subtotal of Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91	893,510.15	881,909.75	865,740.69
Decentralized Autonomous Governments	23,032.39	11,644.05	12,499.85	19,220.58	4,415.46
Public Companies	23,432.38	14,978.95	8,635.19	8,316.76	118.68
Subtotal of Public Institutions	46,464.78	26,623.00	21,135.03	27,537.35	4,534.15
Subtotal of Internal Public Debt	2,518,576.47	3,495,386.06	2,586,278.80	2,358,650.71	2,505,113.69
Other Obligations					
Treasury Certificates CETES	1,339,424.22	764,176.82	1,087,060.77	679,523.51	683,524.11
Liabilities Arising from Liquidity					
Agreements	129,195.73	111,920.97	374,018.66	121,920.97	297,610.91
Social Security ⁽³⁾	18,775.05	5,902.72	14,509.44	2,639.12	21,047.09
Pending Payment Obligations for the Current Fiscal Year ⁽⁴⁾	2,104,752.49	1,517,416.73	955,967.39	305,128.29	320,020.24
Subtotal of Other Obligations	3,592,150.49	2,399,417.24	2,431,556.27	1,109,211.90	1,322,202.35
Total Internal Debt	6,110,726.96	5,894,803.30	5,017,835.06	3,467,862.61	3,827,316.04

Source: Data from Ministry of Economy and Finance, Public Debt Bulletins for December 2021, December 2022, December 2023, June 2023 and June 2024. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

The following table set forth information regarding Ecuador's aggregated internal debt of the public sector as of the dates indicated:

	AGGREGATED INTERNAL DEBT			As of June 30,	
	As of December 31,			2023	2024
	2021	2022	2023		
	<i>(in thousands U.S.\$)</i>				
Public Internal Debt					
Public Sector Internal Debt Securities	13,615,739.74	14,026,081.98	14,360,957.49	14,362,456.36	12,924,901.67
Private Sector Internal Debt Securities ⁽¹⁾	1,369,253.42	1,474,862.15	1,671,633.61	1,449,203.62	1,634,838.85
Subtotal of Public Debt Securities	14,984,993.16	15,500,944.12	16,032,591.10	15,811,659.98	14,559,740.53
Loan from Central Bank of Ecuador	500,000.00	500,000.00	500,000.00	500,000.00	-
Loan from Development Bank of Ecuador ..	102,271.55	81,817.24	61,362.93	71,590.08	51,135.77
Loans from Development Bank of Ecuador ⁽²⁾	1,475,914.09	1,610,128.54	1,691,374.14	1,683,934.26	1,606,998.89
Payment Agreement IESS	254,043.90	127,021.95	-	127,021.95	-
Subtotal of Public Debt Loans	2,332,229.53	2,318,967.72	2,252,737.07	2,382,546.29	1,658,134.67
Central Bank of Ecuador Agreement	-	-	-	-	2,987,604.39
National Finance Corporation Agreement ..	-	-	-	-	81,388.40
Subtotal Public Debt Agreements	-	-	-	-	3,068,992.79
Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91	1,886,748.71	2,238,320.68	3,350,743.97
Subtotal of Unpaid Obligations in Closed Budgets	1,102,858.28	1,993,900.91	1,886,748.71	2,238,320.68	3,350,743.97
Decentralized Autonomous Governments ..	435,117.85	980,998.14	1,369,078.33	1,441,134.99	220,127.60
Public Companies	233,687.59	162,235.01	206,031.66	187,310.31	118.50
Subtotal of Public Institutions	668,805.44	1,143,233.15	1,575,109.99	1,628,445.30	220,308.10
Subtotal of Internal Public Debt	19,088,886.41	20,957,045.91	21,747,186.87	22,060,972.25	22,857,920.05
Other Obligations					
Treasury Certificates CETES	2,821,397.86	2,593,773.48	2,407,962.00	1,888,054.98	2,067,487.06
Liabilities Arising from Liquidity Agreements	2,040,053.15	2,068,724.78	3,655,757.33	2,528,118.29	3,220,016.66
Social Security ⁽³⁾	18,775.05	5,902.72	14,509.44	2,639.12	21,047.09
Pending Payment Obligations for the Current Fiscal Year ⁽⁴⁾	2,104,752.49	1,517,416.73	3,675,906.03	1,488,108.41	1,254,898.16
Subtotal of Other Obligations	6,984,981.55	6,185,817.71	9,754,134.79	5,906,920.80	6,563,448.97
Total Internal Debt	26,073,867.95	27,142,863.62	31,501,321.67	27,967,893.05	29,421,369.02

Source: Data from Ministry of Economy and Finance, Public Debt Bulletins for December 2021, December 2022, December 2023, June 2023 and June 2024. <https://www.finanzas.gob.ec/https-wwwdeuda-publica-nueva-metodologia/>

The total aggregated internal debt of the public sector in Ecuador was U.S.\$31,501.32 million as of December 31, 2023, compared to U.S.\$27,142.86 million as of December 31, 2022 and U.S.\$26,073.87 million as of December 31, 2021. The increase in the total aggregated internal debt of the public sector between December 31, 2021 and December 31, 2023 was primarily the result of placement of bonds to the private sector.

The total aggregated internal debt of the public sector in Ecuador was U.S.\$29,421.37 million as of June 30, 2024, compared to U.S.\$27,967.89 million as of June 30, 2023. The increase in the total aggregated internal debt of the public sector between June 30, 2023 and June 30, 2024 was primarily the result of placement of bonds to the private sector.

As of June 30, 2024, approximately 82.35% of Ecuador's internal public indebtedness consisted of long-term originally issued dollar-denominated notes. Currently, all internal debt obligations are issued through the MEF. As of June 30, 2024, approximately 60.89% of Ecuador's internal public indebtedness consisted of debts of the Government with the IESS and the Ecuadorian Development Bank, outstanding obligations of the Government (accrued but unpaid) to the public and private sectors that were already recorded in the closed budgets of the General State Budget for previous years.

As of June 30, 2024, the MEF's obligations with the Central Bank with respect to financial investments through long-term Government financing agreements amounted to U.S.\$2,987.6 million.

As of June 30, 2024, the Republic had issued U.S.\$2.068 billion in short-term debt (i.e., with a maturity equal to or less than one year). Ecuador's medium-term and short-term obligations have generally been issued to finance development projects and to restructure or provide for revenue shortfalls in the Government's budget for a given year. Notes issued for development projects are generally privately held by entities contracted to undertake these development projects. Notes issued for budget restructuring, which generally have a maturity greater than one year, are placed on the Ecuadorian Stock Exchanges, and are currently held by both public and private holders.

IMF's Extended Fund Facility and Rapid Financing Instrument

2019 and 2020 EFF

On March 11, 2019, the Executive Board of the IMF approved a U.S.\$4,200 million arrangement under the IMF's extended fund facility for Ecuador, enabling the disbursement of U.S.\$652 million on March 13, 2019 (the "**2019 EFF**"). The arrangement provided for a 3% interest rate and a 10-year repayment plan (with a 4-year grace period). Under the terms of the IMF's 2019 EFF, further disbursements to the Republic were conditioned on the Government's implementation of its policy plans as outlined in its letter of intent, the implementation of which the IMF monitored and reviewed every three months on the basis of certain performance criteria, targets and benchmarks, including fiscal and monetary targets.

On June 28, 2019, the IMF's Executive Board completed their first review of Ecuador's economic performance under Ecuador's arrangement with the IMF under the 2019 EFF, which allowed Ecuador to draw U.S.\$251 million from the 2019 EFF on July 2, 2019.

On December 11, 2019, the MEF and the General Manager of the Central Bank requested (i) completion of the second and third review of the arrangement under the IMF's 2019 EFF and the disbursement of the associated amount of approximately U.S.\$498.4 million for budget support, and (ii) a waiver of non-observance of the performance criteria on net International Reserves given that the macroeconomic impact of the breach was minor, as well as certain modifications to program requirements reflected therein.

On December 19, 2019, the IMF's Executive Board concluded its combined second and third reviews of the Government's economic program supported under the 2019 EFF and approved the disbursement to the Republic of approximately U.S.\$498.4 million.

On April 30, 2020, the MEF and the General Manager of the Central Bank presented the IMF with a letter of intent that, among other things, (i) described the unprecedented and negative economic and social effects that the COVID-19 pandemic had caused in Ecuador; (ii) notified the IMF that the 2019 EFF was cancelled with immediate effect; and (iii) requested urgent financial assistance under the IMF's Rapid Financing Instrument's ("**RFI**") with the aim of addressing urgent balance of payments and fiscal needs. On May 2, 2020, the IMF Executive Board approved Ecuador's request for emergency financial assistance under the RFI for approximately U.S.\$643.1 million in order to support Ecuador's balance of payments and its most affected sectors, including the healthcare system and social protection.

In 2020, the Government worked with the IMF staff to define the structure of a successor program to the 2019 EFF, with the aim of bolstering the Republic's economic performance, strengthening the foundations of dollarization, and delivering broad based benefits for the population, with a special emphasis on the most vulnerable sectors. The Government reached Staff Level Agreement on August 28, 2020 and IMF Executive Board approval for a 27-month EFF totaling SDR4,615 million (approximately U.S.\$6.5 billion, representing 661% of the Ecuadorian quota) in September 2020 (the "**2020 EFF**"). According to data published by the IMF in 2022, the IMF disbursed to Ecuador U.S.\$4,007 million in 2020, U.S.\$802 million in 2021 and U.S.\$1,649 million in 2022 under the 2020 EFF. The 2020 EFF was fully disbursed by December 2022. As of July 31, 2024, the outstanding balance of the debt of Ecuador with the IMF amounts to approximately U.S.\$8.6 billion.

Under the 2019 and 2020 EFFs, in May 2019, the Republic entered into two loans with CAF for U.S.\$300 million and U.S.\$100 million, respectively; on May 24, 2019, July 3, 2019, July 12, 2019 and July 23, 2019, the Republic entered into four loans with the IDB for U.S.\$500 million, U.S.\$150 million, U.S.\$93.9 million and U.S.\$300 million, respectively; and on June 17, 2019 and July 22, 2019, the Republic entered into two loans with the IBRD for U.S.\$500 million and U.S.\$350 million, respectively.

2024 EFF

On May 15, 2024, the MEF and the General Manager of the Central Bank presented the IMF with a letter of intent outlining Ecuador's economic outlook and economic goals in connection with the request for a 48-month extended arrangement under the 2020 EFF in an amount equivalent to SDR3 billion (about U.S.\$4 billion), or 430% of Ecuador's IMF quota, to be provided for budget support, with an initial purchase of SDR752.9 million (107.9% of quota) upon approval of the 2024 EFF arrangement.

The letter of intent outlined the Government's policy plans for the subsequent four years. Among other measures, the Government intends to:

- place the public debt ratio on a firmly downward trajectory, maintaining manageable gross financing needs, and respecting the expenditure growth rules and the debt limit of 40% of GDP by 2032 that are enshrined in the Public Planning and Finance Code;
- achieve a gradual medium-term fiscal consolidation to place public finances on a sustainable path, reducing the non-financial public sector operations overall deficit to 1% of the GDP in 2025 and reach an overall surplus of 0.5% of the GDP by the end of the program in 2028;
- commit to a financing strategy that relies on bilateral and multilateral sources in the near-term, while seeking to regain access to international capital markets as soon as possible, as market conditions allow, and gradually developing domestic financing sources; to that end, the Republic will pursue an active public debt management strategy with the goal of covering the public sector's financing needs at the lowest possible cost with a prudent level of risk;
- ensure that the burden of fiscal consolidation is not borne by the poor and vulnerable, and commit to prepare a plan to complete the social registry to cover all families in the lowest three deciles of the income distribution throughout the country;
- progress in establishing a revised mechanism to settle healthcare claims from IESS to bring legal predictability to the process of auditing and clearing verified obligations; in this regard, the Republic will establish an updated agreement between the MEF and IESS on the transfer of healthcare obligations (including both internal and external providers), building on the December 2022 agreement;
- implement an institutional model under the Tax Administration Diagnostic Assessment methodology to close the gaps in tax administration against best international practices, especially in control processes;
- increase coordination among agencies involved in financial sector oversight, establishing a Financial Stability Committee in line with best international practices, comprising the Central Bank, the MEF, the Financial Board, the Monetary Board, the Superintendent of Banks, the Superintendent of Popular and Solidarity Economy, the Superintendent of Companies and COSEDE;
- invest in the Central Bank's central securities depository and payment system to strengthen the domestic capital market and promote digital payments nationwide; and
- enhance financial integrity and fight against organized crime and related illicit activities by strengthening Anti-Money Laundering and Combating the Financing of Terrorism ("AML/CFT") framework; to that end, the Republic will enact new AML/CFT legislation to strengthen the AML/CFT framework in line with Financial Action Task Force standards.

On May 31, 2024, the Executive Board of the IMF approved a 48-month extended arrangement under the 2020 EFF for Ecuador, with access equivalent to SDR 3 billion (430% of quota, equivalent to U.S.\$4 billion). The Board's approval permitted an immediate disbursement of SDR 753 million, equivalent to U.S.\$1 billion, available to the public budget.

Implementation of the 2024 EFF will be monitored through quantitative performance criteria, indicative targets, and structural benchmarks. The 2024 EFF arrangement will be subject to triannual reviews during 2024-25 and shift to

semiannual reviews during 2026-28, with the first and second reviews occurring on or after November 15, 2024, and March 15, 2025, respectively.

Debt Obligations

Brady Bonds and Eurobonds

In May 1994, the Government reached an agreement with its commercial bank creditors to restructure the Republic's medium-term and long-term commercial bank debt (the "**Brady Plan**"). The Brady Plan offered creditors the opportunity to exchange existing principal for either: (i) 30-year notes of the same face amount (the "**Par Notes**"), with interest initially fixed at 3% incrementally increased over the first ten years up to a rate of 5% or (ii) 30-year notes with a face amount equal to 55% of the face value of the debt exchanged (the "**Discount Notes**" together with the Par Notes, the "**Brady Bonds**") and bearing interest at the London Interbank Offered Rate ("**LIBOR**") plus 13-16%. The principal of Par Notes and Discount Notes was fully collateralized by 30-year U.S. Treasury notes and interest on those Notes was collateralized on a 12-month rolling basis. The Brady Plan also offered creditors the opportunity to exchange accrued and unpaid interest for two instruments: (i) 20-year notes bearing interest at LIBOR plus 13-16% (the "**PDI Notes**") and (ii) 10-year notes bearing interest at LIBOR plus 13-16% and representing certain accrued and unpaid overdue interest under the Consolidation Agreement (the "**IE Notes**").

On December 21, 1994, the Republic issued U.S.\$191.0 million of IE Notes. On February 28, 1995, the Republic issued U.S.\$1.9 billion, U.S.\$1.4 billion and U.S.\$2.4 billion of Par Notes, Discount Notes and PDI Notes, respectively. The Republic also agreed to make certain additional cash payments in respect of overdue interest.

On April 25, 1997, the Republic issued U.S.\$350 million of its 11.25% Fixed Rate Eurobonds due 2002 and U.S.\$150 million of its Floating Rate Eurobonds due 2004 (together, the "**Eurobonds**"). In late 1999 and early 2000, the Republic defaulted on its Par Bonds, Discount Bonds, 11.25% Fixed Rate Eurobonds due 2002, Floating Rate Eurobonds due 2004, IE Notes and PDI Notes (together, the "**Old Notes**"). In June 2000, the Republic launched a global exchange offer whereby it offered U.S. dollar Denominated Global Notes due 2012 (the "**2012 Notes**") and U.S. dollar Denominated Step-Up Global Notes due 2030 (the Step-Up Global Notes due 2030 together with the 2012 Notes, the "**2012 and 2030 Notes**") together with a cash payment for any and all of the Old Notes.

In December 2005, the Republic successfully launched an issuance of notes due 2015 (the "**2015 Notes**"). The use of the proceeds of the 2015 Notes was to buy back certain of the 2012 Notes in accordance with their terms. The Republic successfully repaid all principal and interest on the 2015 Notes on December 15, 2015.

2012 and 2030 Notes and tender offer

In 2008, Ecuador defaulted on its interest payments for the 2012 and 2030 Notes in the aggregate amount of approximately U.S.\$157 million and principal payments of approximately U.S.\$3,200 million. The 2012 and 2030 Notes were originally issued in exchange for prior debt offerings of the Republic in order to extend the maturity dates of those prior obligations. This default followed the publication of a report in 2008 by the Commission of Integral Audit of Public Credit, a committee composed of representatives from both the Ecuadorian government and private sector organizations and members of civil society. The Commission of Integral Audit of Public Credit reviewed Ecuador's debt obligations from 1976 to 2006. This report made a number of findings regarding the legitimacy of Ecuador's debt obligations (including the 2012 and 2030 Notes), in particular relating to concerns involving the public assumption of private debt, appropriate authorizations, sovereign immunity, and the relevant economic terms of the debt obligations incurred. After the default, which occurred during the first term of former President Correa's administration, Ecuador offered to repurchase the 2012 and 2030 Notes. In April 2009 and November 2009, the Republic launched tender offers, in cash, to holders of the 2012 and 2030 Notes. Approximately 93.22% of the notes were tendered in the April 2009 and the November 2009 tender offers and were bought out at 35 cents on the dollar. Although some holders continue to hold the defaulted 2012 and 2030 Notes, Ecuador has since successfully repurchased additional 2012 and 2030 Notes from remaining holders. As of August 2024, the total aggregate amount of outstanding principal on the 2012 and 2030 Notes is U.S.\$52 million, which represents 1.6% of the original aggregate principal amount of the 2012 and 2030 Notes.

2024 Notes

On June 17, 2014, the Republic issued U.S.\$2,000 million in aggregate principal amount of 7.95% notes due 2024 (the “**2024 Notes**”). The Republic is current on its financial obligations under the 2024 Notes. The Republic used the proceeds of the 2024 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the 2013-2017 National Development Plan. On April 17, 2020, certain terms and conditions of the 2024 Notes were amended pursuant to the Republic April Consent Solicitations. See “—*the April 2020 Consent Solicitations.*” On August 31, 2020, certain holders of the 2024 Notes exchanged their 2024 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2024 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2022 Notes

On July 28, 2016, the Republic issued U.S.\$1,000 million in aggregate principal amount of 10.75% notes due 2022 (the “**2022 Notes**”). The Republic reopened the 2022 Notes on September 30, 2016 and issued an additional U.S.\$1,000 million of 2022 Notes at a price of 100%. The Republic is current on its financial obligations under the 2022 Notes. The Republic used the proceeds of the 2022 Notes to finance its various hydroelectric projects and other infrastructure projects contemplated in the National Development Plan. On October 16, 2017, the Republic issued an additional U.S.\$378 million of 2022 Notes at a price of 112.878%. On August 31, 2018, the Republic issued an additional U.S.\$500 million of 2022 Notes at a price of 104.753%. On October 31, 2018, the Republic issued an additional U.S.\$1,187,028,000 of 2022 Notes at a price of 105.305%.

On March 23, 2020, the Ministry of Economy and Finance announced that the Republic had decided to exercise its right to a 30-day grace period for the payment of interest on the 2022 Notes. Before the expiration of the 30-day grace period, on April 17, 2020, certain terms and conditions of the 2022 Notes were amended pursuant to the Republic April Consent Solicitations. See “—*the April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 2022 Notes exchanged their 2022 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2022 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2026 Notes

On December 13, 2016, the Republic issued U.S.\$750 million in aggregate principal amount of 9.650% notes due 2026 (the “**2026 Notes**”). The Republic reopened the 2026 Notes on January 13, 2016 and issued an additional U.S.\$1,000 million of 2026 Notes at a price of 103.364%. The Republic is current on its financial obligations under the 2026 Notes. The Republic used the proceeds of the 2026 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On October 16, 2017, the Republic issued an additional U.S.\$41 million of 2026 Notes at a price of 106.664%. On August 6, 2019, the Republic issued an additional U.S.\$611,870,000 of 2026 Notes at a price of 107.026%.

On April 17, 2020, certain terms and conditions of the 2026 Notes were amended pursuant to the Republic April Consent Solicitations. See “—*the April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 2026 Notes exchanged their 2026 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2026 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2023 Notes and 9.625% 2027 Notes

On June 2, 2017, the Republic issued U.S.\$1,000 million in aggregate principal of 8.750% notes due 2023 (the “**2023 Notes**”) and U.S.\$1,000 million in aggregate principal of 9.625% notes due 2027 (the “**9.625% 2027 Notes**”). The Republic is current on its financial obligations under the 2023 Notes and the 9.625% 2027 Notes. The Republic used

the proceeds of the 2023 Notes and the 9.625% 2027 Notes to (1) finance Government Programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On October 16, 2017, the Republic issued an additional U.S.\$187 million of 2023 Notes at a price of 104.412%. On May 29, 2019, the Republic issued an additional U.S.\$688,268,000 of 2023 Notes at a price of 106.597%. On August 6, 2019, the Republic issued an additional U.S.\$610,359,000 of 2023 Notes at a price of 107.291%.

On April 17, 2020, certain terms and conditions of the 2023 Notes and of the 9.625% 2027 Notes were amended pursuant to the Republic April Consent Solicitations. See “— *The April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 9.625% 2027 Notes exchanged their 9.625% 2027 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 9.625% 2027 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

8.875% 2027 Notes

On October 23, 2017, the Republic issued U.S.\$2,500 million in aggregate principal amount of 8.875% notes due 2027 (the “**8.875% 2027 Notes**”). The Republic is current on its financial obligations under the 8.875% 2027 Notes. The Republic used the proceeds of the 8.875% 2027 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

On April 17, 2020, certain terms and conditions of the Second 2027 Notes were amended pursuant to the Republic April Consent Solicitations. See “— *The April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 8.875% 2027 Notes exchanged their 8.875% 2027 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 8.875% 2027 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2028 Notes

On January 23, 2018, the Republic issued U.S.\$3,000 million in aggregate principal amount of 7.875% notes due 2028 (the “**2028 Notes**”). The Republic is current on its financial obligations under the 2028 Notes. The Republic used the proceeds of the 2028 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

On April 17, 2020, certain terms and conditions of the 2028 Notes were amended pursuant to the Republic April Consent Solicitations. See “— *The April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 2028 Notes exchanged their 2028 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2028 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2029 Notes

On January 31, 2019, the Republic issued U.S.\$1,000 million in aggregate principal amount of 10.750% notes due 2029 (the “**2029 Notes**”). The Republic is current on its financial obligations under the 2029 Notes. The Republic used the proceeds of the 2029 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms. On June 17, 2019, the Republic issued an additional U.S.\$1,125 million of 2029 Notes at a price of 110.746%. The Republic used the proceeds of the additional 2029 Notes to repurchase U.S.\$1,175,370,000 principal amount of outstanding debt.

On April 17, 2020, certain terms and conditions of the 2029 Notes were amended pursuant to the Republic April Consent Solicitations. See “— *The April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 2029 Notes exchanged their 2029 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2029 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

2025 Notes and 9.500% 2030 Notes

On September 27, 2019, the Republic issued U.S.\$600 million in aggregate principal amount of 7.875% notes due 2025 (the “**2025 Notes**”) and U.S.\$1,400 million in aggregate principal amount of 9.500% notes due 2030 (the “**9.500% 2030 Notes**”). The Republic used the proceeds of the 2025 Notes and the 9.500% 2030 Notes to (1) finance Government programs, (2) finance infrastructure projects that have the capacity to repay related debt obligations and (3) refinance an existing external debt obligation on more favorable terms.

On April 17, 2020, certain terms and conditions of the 2025 Notes and of the 2030 Notes were amended pursuant to the Republic April Consent Solicitations. See “— *The April 2020 Consent Solicitations.*”

On August 31, 2020, certain holders of the 2025 Notes and 9.500% 2030 Notes exchanged their 2025 Notes and 9.500% 2030 Notes for New Republic Securities as part of the July 2020 Exchange Offer and Consent Solicitation. The remaining 2025 Notes and 9.500% 2030 Notes that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

The Social Bonds

On January 30, 2020, the Republic issued U.S.\$400 million in aggregate principal amount of 7.25% notes due 2035 (the “**Social Bonds**”). The Social Bonds are backed by a U.S.\$300 million guarantee by the IDB. The Republic is current on its financial obligations under the Social Bonds. The Republic used the proceeds of the Social Bonds to finance social housing through loans that would be available at participating financial institutions to first-time buyers in Ecuador meeting certain conditions under the Government’s Housing for All program.

On July 20, 2020 the Republic requested consent from the sole holder of 100% of the Social Bonds to make certain proposed amendments to the Social Bonds, see “— *The Social Bond Consent Solicitation.*”

New Republic Securities issued under the July 2020 Exchange Offer and Consent Solicitation

On August 31, 2020, as part of the July 2020 Exchange Offer and Consent Solicitation, the Republic issued the following new securities (the “**New Republic Securities**”):

- U.S.\$3,701,423,865 in aggregate principal amount of Step-Up Coupon Notes due 2030;
- U.S.\$8,458,864,776 in aggregate principal amount of Step-Up Coupon Notes due 2035;
- U.S.\$3,403,135,207 in aggregate principal amount of Step-Up Coupon Notes due 2040; and
- U.S.\$1,004,941,992 in aggregate principal amount of Zero-Coupon Notes due 2030.

The Republic is current on its financial obligations under the New Republic Securities. Each of the New Republic Securities was issued in exchange for Existing Republic Securities that were tendered as part of the July 2020 Exchange Offer and Consent Solicitation. See “— *July 2020 Exchange Offer and Consent Solicitation.*”

The April 2020 Consent Solicitations

As a result of the COVID-19 crisis and the significant drop in the export price for Ecuador’s crude oil during the first quarter of 2020, both circumstances severely compromising the Republic’s ability at the time to meet its obligations with its stakeholders, on April 8, 2020, the Republic announced that it was seeking to amend each of the Existing

Republic Securities and their respective indentures to provide short-term relief from certain of the Republic's financial obligations while the Government implemented steps needed to address the Republic's public finances over the medium- and long-terms and render its outstanding debt obligations sustainable. To that end, on that day, the Republic commenced two solicitations of consents which it subsequently amended on April 14, 2020 (as amended, the "**Republic April Consent Solicitations**"), one for eligible holders of the 2024 Notes and the other for eligible holders of the rest of the Existing Republic Securities, to amend certain terms and conditions of the Existing Republic Securities as follows (the "**Existing Republic Securities Amendments**"):

- defer the payment of interest payable between March 27, 2020, and July 15, 2020, until August 15, 2020 (or August 10, 2020, if a new staff level agreement on a new successor IMF supported program with the Republic had not been announced no later than by 5:00 pm on August 10, 2020);
- reduce the interest amount due on the first interest payment date occurring under each of the Existing Republic Securities on or after March 27, 2020, by U.S.\$0.50 for each \$1,000 principal amount of such notes (the "**Consent Payment Amount**"); and
- until the date of deferral, exclude from the events of default set forth in each of the Existing Republic Securities any cross defaults arising from defaults under (i) certain notes issued by Petroamazonas, (ii) the Social Bonds, provided that this amendment with respect to the Social Bonds would be rescinded on July 20, 2020 unless a consent solicitation with respect to the Social Bonds seeking amendments in accordance with the debt reprofiling plans of the Republic would be announced by such date, or upon the effective date of the amendments pursuant to such consent solicitation, (iii) any of the Existing Republic Securities for which these amendments did not become effective or (iv) certain loans from certain creditors of the Republic, and any defaults arising from judgments or arbitral awards issued against the Republic under such instruments.

On April 17, 2020, the Republic announced it had received the requisite consents from eligible holders of each of the Existing Republic Securities pursuant to the Republic April Consent Solicitations. On that same day, the terms of each of the Existing Republic Securities and the corresponding indentures were amended in accordance with the Republic April Consent Solicitations, and the Existing Republic Securities Amendments became effective.

As part of the Republic April Consent Solicitations, the Republic paid eligible holders of a series of the Existing Republic Securities who delivered valid consents a fee in an amount equal to the Consent Payment Amount with respect to that series.

On April 28, 2020, Petroamazonas, supported by a guarantee by the Republic, announced a separate consent solicitation for its 4.625% Notes due 2020 to amend its amortization schedule, extend the maturity date from November 6, 2020, to December 6, 2021, and defer principal and interest payments. The proposed amendments included the establishment of a new amortization schedule beginning January 6, 2021, monthly interest payments starting September 6, 2020, and a reduction of U.S.\$0.50 per U.S.\$1,000 of the outstanding principal on the first payment. The amendments also excluded cross defaults linked to specific Republic bonds and other external indebtedness up to U.S.\$300,000,000, aligning with the Republic's debt reprofiling strategy. On May 4, 2020, Petroamazonas announced that it had received the requisite consents from 98.91% of eligible holders of its Notes due 2020, allowing the proposed amendments to take effect following payment of a consent fee to participating eligible holders.

The July 2020 Exchange Offer and Consent Solicitation

On July 20, 2020, Ecuador launched an exchange offer and consent solicitation in respect of the Existing Republic Securities (the "**July 2020 Exchange Offer and Consent Solicitation**"). Under the July 2020 Exchange Offer and Consent Solicitation, Ecuador invited certain of the holders of the Existing Republic Securities to exchange those Existing Republic Securities for a package of New Republic Securities. Eligible holders who agreed to exchange their Existing Republic Securities for the New Republic Securities would also receive 86% of the accrued and unpaid interest on such Existing Republic Securities up to, but excluding, the settlement date, in the form of a new zero-coupon bond due 2030.

In addition, pursuant to the consent solicitation, Ecuador sought consents from such holders to modify the terms of the Existing Republic Securities as follows:

- each series of Existing Republic Securities that remained outstanding would be modified to replicate the maturity and economic terms of the New Republic Securities due 2040, without changing the ISIN numbers of such Existing Republic Securities and without re-issuing new global notes, and the outstanding principal amount of the applicable Existing Republic Securities would be reduced such that, for every U.S.\$1,000 principal amount originally due, only U.S.\$911.30 principal amount remained outstanding;
- provisions limiting certain modifications in the context of exchange offers and issuances of new notes in the context of consent solicitations would be removed; and
- certain events of default would be modified or removed from the terms and conditions of the Existing Republic Securities.

The July 2020 Exchange Offer and Consent Solicitation was subject to certain conditions, including (i) the announcement of a staff-level agreement on a program with the IMF by the settlement date and (ii) the receipt by Ecuador of consents and tenders that would result in at least 80% of the aggregate principal amount of all series of Existing Republic Securities (other than the Existing Republic Securities due 2024) being modified or otherwise exchanged pursuant to the July 2020 Exchange Offer and Consent Solicitation.

On August 3, 2020, Ecuador announced that it had obtained the requisite consents from the holders of all ten series of Existing Republic Securities to modify the terms of such Existing Republic Securities. On August 28, 2020, the IMF announced that it had reached a staff-level agreement on a new funded program for Ecuador, thereby satisfying the IMF related condition of the July 2020 Exchange Offer and Consent Solicitation. Settlement of the July 2020 Exchange Offer and Consent Solicitation took place on August 31, 2020. On such date, all eligible Existing Republic Securities that had been validly tendered as part of the July 2020 Exchange Offer and Consent Solicitation were exchanged for the New Republic Securities in accordance with the terms of the July 2020 Exchange Offer and Consent Solicitation and the remaining Existing Republic Securities that were not exchanged were modified to replicate the maturity and economic terms of the New Republic Securities due 2040.

The Social Bond Consent Solicitation

On July 20, 2020, the sole holder of the Social Bonds, Ecuador Social Bond S.A.R.L, a private limited liability company (*société à responsabilité limitée*) incorporated under the laws of Luxembourg as an unregulated securitization company (*société de titrisation*) within the meaning of, and governed by, the Luxembourg law of 22 March 2004 on securitization, as amended from time to time, gave its consent to certain proposed amendments to the Social Bonds and the related indenture dated as of January 30, 2020 (among the Republic, The Bank of New York Mellon, as Trustee and Registrar, the Bank of New York Mellon, London Branch, as Paying Agent and Account Bank, and the IDB, as the Guarantor).

The consent solicitation amended the terms of the Social Bond indenture and the Social Bonds to exclude from the events of default set forth in the Social Bonds cross defaults arising from defaults under, and defaults arising from, the entering or issuance of judgments and arbitral awards relating to certain existing sovereign bonds of the Republic. The proposed amendments did not alter the Republic's obligation to pay the principal of or interest on the Social Bonds when due, the interest rate (and accrual thereof), the maturity date thereof or the guarantee by the IDB.

ENVIRONMENTAL MATTERS

Environmental Legislation in Ecuador

Ecuador is one of 17 mega-diverse countries as identified by The World Conservation Monitoring Center of the United Nations Environment Program, which are deemed to house the largest indices of biodiversity. In order to protect its unique ecosystems, Ecuador is committed to caring for the environment as codified in Ecuadorian law through the 2008 Constitution, the *Código Orgánico del Ambiente* (the “**Environmental Organic Code**”) and their implementing regulations.

Article 14 of the 2008 Constitution recognizes the right of the population to live in a healthy and ecologically balanced environment that guarantees sustainability and good living. It declares the preservation of the environment, the conservation of ecosystems, biodiversity and the integrity of Ecuador’s natural heritage, the prevention of environmental damage and the recovery of degraded natural spaces as matters of public interest.

Article 71 of the 2008 Constitution recognizes nature’s right to existence and the maintenance and regeneration of its vital cycles, structure, functions and evolutionary processes being fully respected, and in turn the Republic encourages natural and legal persons and collectives to protect nature and promotes respect for all the elements that make up Ecuador’s ecosystems.

The 2008 Constitution establishes the duties and responsibilities of Ecuadorian citizens in environmental matters, such as (i) defending the territorial integrity of Ecuador and its natural resources; (ii) respecting the rights of nature; (iii) preserving a healthy environment and using natural resources in a rational, sustainable and sustainable manner; and (iv) conserving Ecuador’s cultural and natural heritage.

The Environmental Organic Code was published in 2017 and seeks to protect the environmental rights, duties and guarantees contained in the 2008 Constitution (as well as its implementing regulations) to ensure the sustainability, conservation, protection and restoration of Ecuador’s environment, without prejudice to the provisions of other laws on such matters.

The *Reglamento General* (General Regulation) to the Environmental Organic Code focuses on developing and structuring the necessary regulations for the applicability of the provisions of the Organic Environmental Code. Both the Environmental Organic Code and its General Regulation focus on regulating necessary and relevant issues to obtain an adequate management of the environment, achieving environmental sustainability, maintaining the environment in good condition and restoring it in case of deterioration.

International Cooperation

The Paris Agreement is an international treaty on climate change that was adopted by certain parties at the United Nations Climate Change Conference in 2015 and entered into force on November 4, 2016. Ecuador ratified the Paris Agreement in July 2017 through Decree 98. Implementation of the Paris Agreement requires the parties thereto to implement social and economic transformation with a view to limit global warming. As a party to the Paris Agreement, Ecuador is working on the implementation of the axes covered by the Paris Agreement: (i) reduction of greenhouse gas emissions; (ii) adaptation to climate change; (iii) climate finance; and (iv) transparency, technology and capacity building.

Parties to the Paris Agreement are required to submit nationally determined contributions (“**NDCs**”) setting out each country’s action plan to combat climate change. Countries must prepare and submit their NDCs every five years and each subsequent NDC must be more ambitious than the last.

Between 2017 and 2019, Ecuador, through a participatory process, formulated its first NDC, which proposed mitigation action and adaptation measures for the period 2002-2025. Ecuador communicated its first NDC to the United Nations Framework Convention on Climate Change (“**UNFCCC**”) in March 2019. Ecuador’s 2019 NDC was declared policy through Decree 840 in August 2019.

Between 2019 and 2021, Ecuador’s MAATE, in coordination with sectorial entities and through multi-stakeholder and multi-level participatory processes, formulated Ecuador’s ‘NDC Implementation Plan’ for the period 2020-2025

(the “**NDC Implementation Plan**”), which was made official in May 2021. The NDC Implementation Plan identified 21 mitigation initiatives and 111 adaptation targets within Ecuador. Since its outset, the progress of the NDC Implementation Plan has been monitored by the MAATE. In 2022, results of such monitoring indicated that in the first year of the NDC Implementation Plan, 57% of mitigation initiatives were underway (resulting in an estimated reduction of 6,353 gigagrams of carbon dioxide (“**CO₂”**)) and 20% of adaptation targets had been met.

Ecuador is currently working on actions to improve the measurement, reporting and verification (“**MRV**”) of the measures proposed in the NDC, including through the establishment of the National Climate Change Registry, which is currently underway.

Ministry of Environment, Water and Ecological Transition

On March 4, 2020, by means of Decree 1007, the Ministry of Environment and the National Water Secretariat (“**SENAGUA**”) were merged, resulting in the formal creation of the Ministry of Environment and Water. Subsequently, on June 5, 2021, the new Ministry of Environment, Water and Ecological Transition was formalized by Decree 59.

The Organic Environmental Code designates the Ministry of Environment, Water and Ecological Transition as Ecuador’s National Environmental Authority that is responsible for the steering, planning, regulation, control, management and coordination of the *Sistema Decentralizado de Gestión Ambiental* (the “**National Decentralized Environmental Management System**”). The National Decentralized Environmental Management System is a delegation system whereby the National Environmental Authority delegates its authority to certain provincial authorities and municipalities that have been duly pre-qualified by the National Environmental Authority to act as an environmental authority within their territorial jurisdictions for general activities and industries. However, extractive activities are the exclusive competence of the National Environmental Authority.

Former President Lasso appointed Mr. Gustavo Manrique as Minister of Environment, Water and Ecological Transition on May 24, 2021. On April 2, 2023, Mr. Manrique took over the Ministry of Foreign Affairs and Human Mobility, and former President Lasso elevated the former Vice Minister of Environment, Water and Ecological Transition to the role of Minister of Environment, Water and Ecological Transition. In November 2023, under the Noboa administration, Sade Fritschi Naranjo became the new Minister of Environment, Water and Ecological Transition. On August 30, 2024, Ms. Inés Manzano Díaz replaced Ms. Fritschi as Minister of Environment, Water and Ecological Transition.

Current Environmental Challenges Faced by Ecuador

Amazon Region

Ecuador is a mega-diverse country with 51.2% of its continental territory covered by native forests, of which 74% is in the Amazon region. Although rates have slowed down in recent years, deforestation remains a prevalent issue in the Amazon. Ninety-nine percent of deforested land in the Amazon has been transformed for agricultural purposes, the second largest emitter of greenhouse gas emissions at the national level. To tackle deforestation in the Amazon and contribute to the fight against climate change, Ecuador has taken important steps to promote policies and positive incentives for reducing deforestation and forest degradation. In 2024, Ecuador established the Amazon Protected Areas Network (Red APA), consisting of 29 protected areas to strengthen the management of protected areas and foster coordinated conservation efforts.

Geographical and Administrative Overview. The Ecuadorian Amazon spans approximately 11,664,304 hectares or approximately 120,000 km², representing about 47% of Ecuador’s total continental and insular land area. The Amazon region is home to 8% of all animal species and 10% of the planet’s flora. However, Ecuador only accounts for 1.62% of the entire Amazon basin. This region is divided into the provinces of Sucumbíos, Orellana, Napo, Pastaza, Morona Santiago and Zamora Chinchipe, collectively forming the Special Amazonian Territorial District (*Circunscripción Territorial Especial Amazónica* or “**CTEA**”). Established by the Ecuadorian Constitution and formalized through an Organic Law in 2018, the CTEA underscores the Amazon’s importance in the national landscape, both ecologically and culturally.

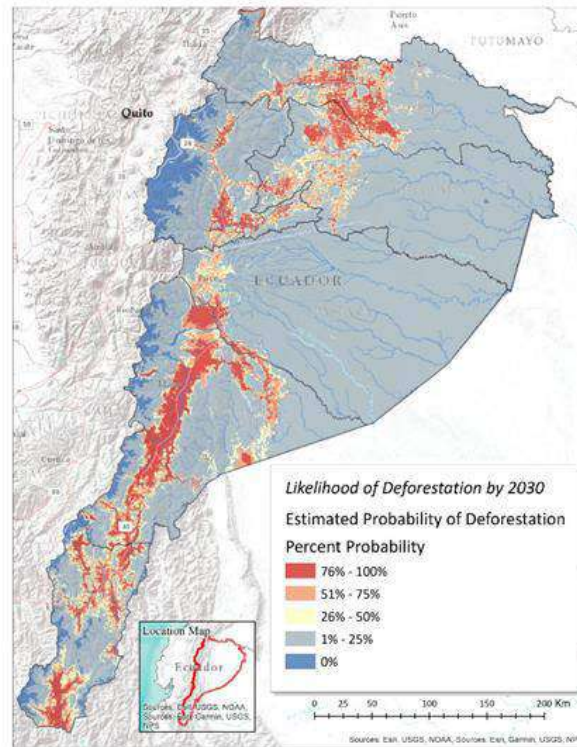
Biodiversity and Ecosystems. Renowned as one of the most biodiverse areas globally, the Ecuadorian Amazon holds approximately 65.1% of Ecuador's higher organism diversity, including vascular plants, freshwater fish, amphibians, reptiles, birds and mammals. The region comprises 43 terrestrial ecosystems and several aquatic ecosystems, including wetlands, which connect Andean and Amazonian landscapes and hold 79% of Ecuador's freshwater resources. Ecuador's watersheds are transboundary, shared with Peru and Colombia. The region contains almost 70% of Ecuador's surface water and contains four primary types of vegetation formations: *terra firme* forests (never flooded), *várzea* forests (flooded seasonally), *moretales* or swamp forests (locally flooded) and *igapós* (blackwater floodplain forests). Ecuador's official ecosystem classification identifies 46 distinct ecosystem types within this region, each contributing uniquely to its biological richness.

Forests and Carbon Storage. Forests and other natural vegetation cover about 84% of the Amazon's area, equating to approximately 9,777,279 hectares. These forests act as significant carbon sinks, storing an estimated 1.37 gigatons of CO₂ in above-ground biomass across three main forest types: Andean foothill evergreen forests, lowland Amazonian evergreen forests and swamp forests. Additionally, the Amazonian region holds extensive freshwater reserves, with three major river basins—the Napo, Pastaza, and Santiago—supplying about 69.2% of Ecuador's surface water and 60.7% of its groundwater. The Napo River basin alone accounts for 36.5% of surface water and 60.6% of groundwater resources in Ecuador.

Population and Indigenous Territories. According to 2022 projections by Ecuador's INEC, the Amazonian region has approximately one million residents, with a population growth rate of 2.06%. Sucumbíos province has the highest population density (13.4 inhabitants per square kilometer), while Pastaza is the least densely populated (4.07 inhabitants per square kilometer). About 57% of the Amazonian population resides in rural areas, either within forest communities or scattered settlements along key land and river routes. The Ecuadorian Amazon is also home to 11 indigenous nationalities, comprising around 183,000 people. These groups occupy collective lands that span approximately 56% of the Ecuadorian Amazon, with an estimated 90% covered by native forests. Approximately 30% of these lands have received legal recognition, predominantly in the central-southern Amazon, with smaller areas in the Kichwa territories of Napo province. The region is also home to indigenous peoples living in voluntary isolation.

Economic Activities and Development. The economy of the Ecuadorian Amazon is complex and multi-layered, shaped by traditional, regional and national influences. Indigenous communities rely on subsistence activities such as hunting, fishing and agriculture. In parallel, national development initiatives have promoted industries like agriculture, livestock, manufacturing, tourism, construction and public administration. Additionally, extractive industries (e.g., oil, timber and minerals) drive demand for labor and services, though they often impose environmental and social costs on the region.

Deforestation and Environmental Challenges. Despite conservation efforts, deforestation continues to threaten the Ecuadorian Amazon. As of 2018, around 84% of the original forest area remained intact, with the largest forested areas found in Pastaza, Orellana, Morona Santiago, Sucumbíos and Napo. However, a 2019 report from the Technical Secretariat of the Special Amazonian Territorial District indicates a persistent decline in forest cover over the past 25 years. Between 2016 and 2018 alone, roughly 151,424 hectares were lost, primarily in Morona Santiago, Sucumbíos and Zamora Chinchipe. Between 1990 and 2022, there has been a net loss of 10.35% of forests in the Ecuadorian Amazon provinces, with a deforestation rate averaging 0.43% per year. Areas of anthropogenic use have grown by 60% during the same period. Future projections suggest that by 2030, deforestation risks will be highest in Sucumbíos and Orellana, driven mainly by the expansion of agricultural land.



Amazon Bio-Corridor

The Amazon bio-corridor (the “**BCA**”) is a management model created with the purpose of protecting biodiversity in the 18,000 km of rivers and in the tropical rainforests of the area that covers the course of the Napo, Pastaza and Santiago rivers, which represents almost half of Ecuador’s national territory, with more than 80% covered by forests and other natural habitats and 11 indigenous nationalities. On September 5, 2023, former President Lasso signed Decree 859 ordering the Ministry of Environment, Water and Ecological Transition to commence the design and operation of the BCA.

To implement the BCA, multiple projects and initiatives will be specifically established with a focus on the conservation of forest and freshwater biodiversity. These projects include research processes on priority species and ecosystems, permanent monitoring of the state of biodiversity, and the generation of key tools for their protection, among other actions related to the improvement of the population’s livelihoods.

In addition, a comprehensive strategy will be developed to identify priority areas of intervention, promote continuous monitoring of aquatic ecosystems, encourage habitat restoration, reinforce legal protection, actively engage local communities, focus on keystone species, promote scientific research, prioritize environmental education, and foster inter-institutional collaboration.

The BCA further seeks to generate a positive impact for the sustainable development and prosperity of indigenous and local populations in the Amazon region. This impact will be achieved through participatory co-design, in which indigenous peoples and nationalities will define priorities for action and actively participate in decision-making related to the conservation and sustainable development of their territories.

Funding for the BCA will be obtained out through a financial mechanism that will be agreed with the Government. Resources will be fully allocated to the implementation of the priorities identified between the MAATE and the Confederation of Indigenous Nationalities of the Ecuadorian Amazon (the “**CONFENIAE**”), with the permanent support of The Nature Conservancy (the “**TNC**”) and many other Ecuadorian organizations. TNC has been involved since the inception of this initiative, providing technical assistance regarding the prioritization of areas of intervention for conservation, project planning, and the evaluation of financial mechanisms. In addition, it has played a decisive

role in arriving at agreements between multiple stakeholders, including governments, indigenous communities, companies and others. CONFENIAE has likewise contributed to the design of the BCA, ensuring that priorities and decisions are aligned with the needs of the indigenous peoples of the Amazon. The process by which TNC and similar organizations become involved in projects like this in Ecuador typically begins with TNC identifying opportunities based on the Republic’s environmental and economic landscape. TNC then develops a proposal outlining a project framework, including financial restructuring and conservation commitments, which is presented to the Republic for consideration. Relevant authorities, such as MAATE and the Ministry of Finance, evaluate the proposal to ensure alignment with national priorities and feasibility. Following negotiations to finalize terms, the project is implemented with TNC often providing technical support and oversight to achieve the agreed-upon conservation outcomes.

The BCA is aligned with Ecuador’s national and international objectives of conservation and environmental sustainability and its fight against climate change, reflecting the Republic’s commitment to a comprehensive approach to sustainable development in the Ecuadorian Amazon.

The Government recognizes that some of the projects and initiatives that will be implemented under the BCA management model, including where applicable the establishment of new protected areas, while essential for conservation and environmental sustainability, may face opposition or resistance from local communities affected by these initiatives. To address these concerns, the Government, in collaboration with TNC, is committed to fostering open and constructive communication with these communities. This approach is designed to navigate potential tensions, ensure that community voices are heard, and incorporate their perspectives into the decision-making process, with the understanding that such engagement not only promotes mutual understanding but also reinforces transparency and inclusivity in the implementation of conservation projects.

Financing

The Republic is now undertaking a new transaction similar to the Galápagos Debt for Nature Swap (as described below under “—*Marine Conservation—Financing*”) but this time aimed at funding the BCA while managing its outstanding debt. Pursuant to this transaction, a new special purpose vehicle (“**AC DAC**”) will raise U.S.\$1,000 million by issuing new financial instruments as a repack bond, positioning AC DAC as the issuer. The proceeds generated from this financing will be employed by AC DAC in a liability management exercise to fund a tender of U.S. dollar-denominated unsecured bonds of the Republic, which as of the date of the transaction are available at a discount on the market. The Republic will simultaneously engage in a back-to-back Facility Agreement with AC DAC whereby, rather than receiving the loan proceeds directly, the Republic will receive old debt received by AC DAC pursuant to the liability management exercise, effectively exchanging its old debt for a new, more favorable financial obligation while simultaneously allocating resources toward critical conservation initiatives. The cashflow benefits resulting from the debt conversion will enable the Republic to fund the BCA program, which has been developed in collaboration with the TNC and supported by IDB. The funds will be channeled through an independent Conservation Trust Fund (“**CTF**”) managed by the TNC.

Similar to the Galápagos Debt for Nature Swap, to support the transaction, the Republic will benefit from two key credit enhancements: (i) a Political Risk Insurance (“**PRI**”) from DFC and (ii) a liquidity guarantee from IDB. The PRI policy provided by DFC will cover 100% of the outstanding principal amount of the Facility Agreement, providing a significant layer of protection against political and other related risks. Additionally, IDB will provide a liquidity guarantee of up to U.S.\$155 million, to cover two years of interest payments on the repack bond, cover 2 years of PRI premium, establish a U.S.\$5 million legal reserve, and fund other arbitration expenses.

The Republic will make quarterly payments covering principal, interest, and conservation fees to AC DAC. From these payments, AC DAC will make premium payments to DFC as well as principal and interest payments under the repack bond and will disburse funds to the CTF, allocating 80% towards conservation and advisory services and 20% towards an Endowment Fund. The Endowment Fund will be released to the CTF upon the maturity of the Facility Agreement, further supporting long-term conservation initiatives. The Republic will also be responsible for paying premiums to IDB.

Galápagos Islands

For decades, multiple anthropogenic stressors have threatened the Galápagos Islands. Widespread marine pollution and plastic pollution in the oceans has been linked to worrisome threats to the health and integrity of Galápagos

ecosystems. Coupled with illegal, unreported and unregulated fishing and bycatch, the threat posed by pollution has had a major impact on the composition and structure of both pelagic, endemic and native Galápagos communities.

The impact of climate change on Ecuador has also been demonstrated through the biological processes of the species that inhabit the Galápagos Islands. For example, the survival of endemic marine iguanas has been affected during periods of ocean warming (known as *El Niño* events) because endemic species suffer nutritional stress. Climate change will continue increase the vulnerability of species like marine iguanas.

Marine Conservation

Marine Reserves and Protection Areas

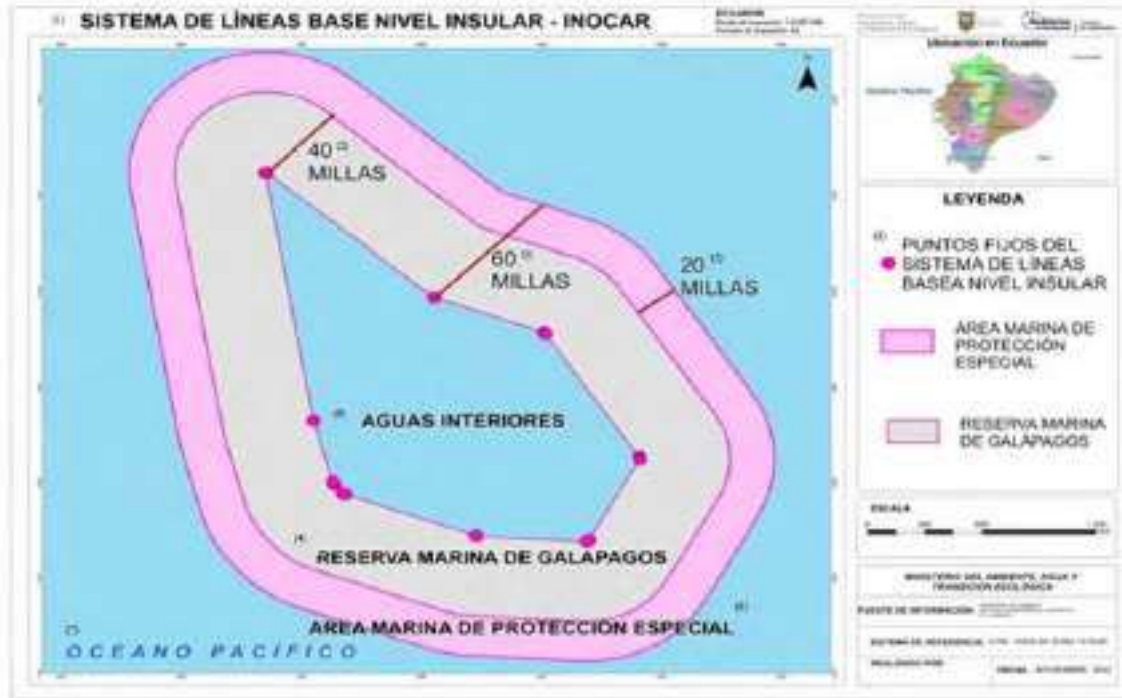


Figure 1: Marine reserves - Insular Level Baseline System (INOCAR).

- (1) Insular Level Baseline System – INOCAR.
- (2) 40 miles.
- (3) 60 miles.
- (4) Galápagos Marine Reserve.
- (5) 20 miles.
- (6) Marine Area of Special Protection.
- (7) Pacific Ocean.
- (8) Legend – Fixed Points of the Baseline System at Island Level – Marine Area of Special Protection – Galápagos Marine Reserve.

In pursuit of protecting Ecuador’s marine ecosystem, Decree 319 was issued by former President Lasso on January 14, 2022 instructing the designated National Environmental Authority to declare a new protected area within the exclusive economic insular zone adjacent to the existing Galápagos Marine Reserve, with the objectives of (i) protecting the marine ecosystem therein and its species and (ii) prioritizing the distribution area of migratory species. The new protected area was called the *Reserva Marina Hermandad* (the Hermandad Marine Reserve) and forms part of Ecuador’s SNAP. As part of the SNAP, the Hermandad Marine Reserve benefits from enhanced legislative protection. The Hermandad Marine Reserve has an area of 60,000 km². Within this, and pursuant to Decree 319, an area of 30,000 km² has been designated as an area in which no extractive activities are permitted such that areas of critical oceanic ecosystems, migratory routes and feeding zones of threatened marine species are conserved. The remaining 30,000 km² area has been designated as a responsible fishing zone, where fishing activities are permitted provided longlines are not used.

The Galápagos Marine Reserve was created in 1998 pursuant to *La Ley de Régimen Especial para la Conservación y el Desarrollo Sustentable de la provincia de Galápagos* (the “**Special Regime for the Conservation and Sustainable Development of the Province of Galápagos**”), which came into force on March 1998, and was later replaced by the *Ley Orgánica de Régimen Especial de la Provincia de Galápagos* (the “**Organic Law of the Special Regime of the Province of Galápagos**”) of 2015. The Galápagos Marine Reserve comprises the marine zone within a 40 nautical mile strip measured from the baselines of the Galápagos archipelago and its interior waters (see Figure 1). The Galápagos Marine Reserve has a total area of approximately 138,000 km², of which 70,000 km² are inland waters and 1,750 kilometers of coastline, making it the seventh largest marine protected area in the world.

The Galápagos Marine Reserve is a multiple-use area created to appropriately manage marine species of commercial interest and to conserve and protect its ecosystems with unique fauna and flora. The Galápagos Marine Reserve is influenced by four predominant currents:

- the south equatorial surface current that flows westward with varying intensity over the Galápagos Islands throughout the year;
- the Peruvian coastal current (together with the Peruvian oceanic current) carried by the southeast trade winds that mark the garúa season in the Galápagos Archipelago from May to November each year;
- the tropical currents of the Panama flow that are reinforced in the wet season from December to June each year; and
- the equatorial submarine current that flows eastward, colliding with the Galápagos platform and forming areas rich in upwelling.

The Galápagos Platform is an underwater mountain range connected to the Cocos mountain range and other platforms in the region (such as Nazca). These geological formations were created more than 3 million years ago and have since been separated by submarine fractures that move annually.

The convergence and influence of currents in the Galápagos Marine Reserve has generated a unique marine and terrestrial biodiversity, ranging from organisms from warmer climates, such as corals and reef fish, to penguins and fur seals from cold climates.

At the outer limits of the Galápagos Platform are submarine volcanic mountains, which rise to nearly 100 meters below the surface of the sea, surrounded by waters between 2,000 meters and 4,000 meters in depth. These structures, referred to as shallows, generate particular oceanographic conditions that are of great coastal marine importance.

In 2021, the boundaries of the Galápagos Marine Reserve were updated using information gathered by the Ecuadorian Oceanographic and Antarctic Institute of the Navy (“**INOCAR**”) in conjunction with the Galápagos National Park Directorate, using the National Baseline System as reflected in the *Instituto Oceanográfico y Antártico de la Armada* (“**I.O.A.**”) 4 Chart.

I.O.A. 4 Chart updated I.O.A. 20 Chart and was published in May 2022, with the objective of having a more precise scale chart of the boundaries of the Galápagos Archipelago and surrounding areas. The I.O.A. 20 Chart (which was the cartographic input for the previous limits of the of the Galápagos Marine Reserve) was generated at a working scale of 1:1,800,000; however since its preparation, methodologies and equipment with greater precision have been developed and as a result I.O.A. 4 Chart was prepared at a scale of 1:1000. Chart I.O.A. 20 and Chart I.O.A. 4 are publicly disseminated so that users of the marine reserves and surrounding waters are aware of such boundaries to avoid illegal and unauthorized activities taking place in the marine reserve areas. The polygons described in I.O.A. 20 Chart and I.O.A. 4 Chart are based on the outer most natural geographic features found on the coast and islands of the Galápagos Marine Reserve.

The updated boundaries of the Galápagos Marine Reserve (see Figure 2) with an area of 14275868.36 hectares (defined at a scale of 1:5000) were made official by Ministerial Agreement No. MAATE-2022- 039 of April 13, 2022, compared to the outdated boundaries that had an area of 12697208.98 hectares.

COMPARATIVA RESPECTO A LA ACTUALIZACIÓN DE LA RESERVA MARINA DE GALÁPAGOS

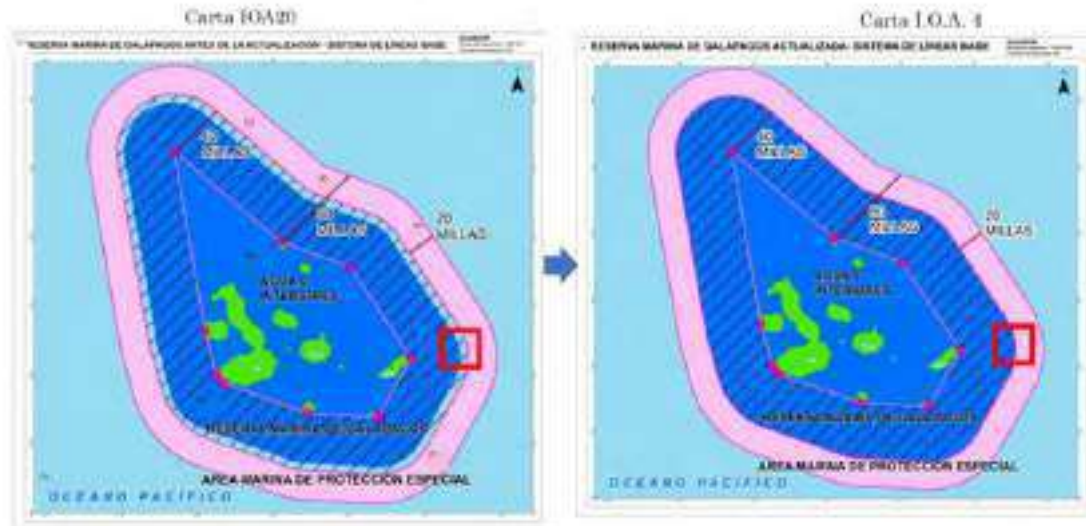


Figure 2: Comparison showing change to Galápagos Marine Reserve boundaries between I.O.A. 20 Chart and I.O.A. 4 Chart.

(1) Galápagos Marine Reserve Before Upgrade – Baseline System.

(2) 40 miles.

(3) 60 miles.

(4) 20 miles.

(5) Marine Area of Special Protection.

(6) Galápagos Marine Reserve.

(7) Pacific Ocean.

(8) Inland Waters.



Figure 3: Galápagos Marine Reserve - Insular level baseline system, INOCAR.

- (1) Galápagos Marine Reserve Before Upgrade – Baseline System.
- (2) 40 miles.
- (3) 60 miles.
- (4) Galápagos Marine Reserve.
- (5) Marine Area of Special Protection.
- (6) Inland Waters.
- (7) Pacific Ocean.
- (8) Points – 40mi.
- (9) Fixed points of the baseline system at island level.
- (10) Limit – 40mi.
- (11) National Park.
- (12) Galápagos Marine Reserve.
- (13) Marine Special Protection Area.
- (14) Galápagos Marine Reserve.

Through this process, boundaries defining the outer limit of the jurisdictional maritime spaces of Ecuador were also identified. The boundaries identified were used to outline certain marine areas defined in Articles 17 and 18 of the Organic Law of the Special Regime of the Province of Galápagos. For example, the Marine Area of Special Protection established pursuant to Article 18 of the Organic Law of the Special Regime of the Province of Galápagos is a protected area of forty nautical miles from the baseline of the Galápagos Archipelago (see Figure 1).

The process to create the new Hermandad Marine Reserve started in 2017 as a result of a local initiative led by the Galápagos community to increase the marine protection of the Galápagos Marine Reserve. The objectives of this initiative were to:

- promote a vision of ecosystem management through marine spatial planning and management to potentiate the benefits of these pelagic environments and the services they provide;
- ensure benefits of marine protection for national fishing fleets through responsible fishing areas with higher fishing productivity thanks to the overflow effect;
- protect the current Galápagos Marine Reserve from illegal fishing incursions;
- build resilience to mitigate the impacts of climate change on species of both commercial and conservation interest;
- protect potential productive water refuges;

- strengthen connectivity between biologically important areas (for example, the Galápagos Coco Migravia) to achieve the protection of migratory routes of threatened marine species; and
- reverse negative population trends of migratory marine species or those that forage on the high seas.

The process involved the support of many governmental and non-governmental organizations that collected technical and scientific information to support the creation of the new marine reserve. The role of the Government was fundamental in articulating all the efforts that had been made and consolidating the proposal and the dialogue with the different actors to create the new Hermandad Marine Reserve.

As a result, in November 2021, within the framework of the twenty-sixth meeting of the parties to the United Nations Conference on Climate Change 2021, held in the city of Glasgow in the United Kingdom, the creation of the Hermandad Marine Reserve was announced. A 'no-take zone' connecting Ecuador's waters with those of Costa Rica, in an area known as the Cocos-Galápagos Migravía, and Cocos Island, which is on the underwater mountain range of Cocos, was designated. The protection of this migration route is intended to better protect migratory species such as sharks, turtles and manta rays. In addition, a 'no long line zone' has been designated in the northwest of the current Galápagos Marine Reserve to prevent long line fishing from entering into the marine reserves. Following the enactment of Decree 319 on March 14, 2022, the Minister of Environment, Water and Ecological Transition signed a ministerial agreement ordering the creation of the Hermandad Marine Reserve and the designation of the Hermandad Marine Reserve as a marine reserve and protected area within the SNAP.

The Hermandad Marine Reserve extends from the north of the Galápagos Marine Reserve to the edge of the exclusive economic insular zone. Its boundary on the border of Costa Rica coincides with the southwestern boundary of the Bicentennial Seamounts Marine Management Area, formerly known as the Seamount Management Area, and comprises an area of 106,286 km² around the recently expanded Cocos Island National Park, which has an area of 54,844 km². The central part of the Hermandad Marine Reserve is a no-fishing area approximately 290 km long and 100 km wide, bordered to both the north and the south by two strips of approximately 8,000 km² (25-30 km wide) responsible fishing areas, where the use of long lines is not permitted. It also includes a strip approximately 44km wide along the northwestern edge of the Galápagos Marine Reserve up to the equator. According to the equal earth projection, the total area of the no-fishing zone is 30,111km² and the responsible fishing zone is 29,588 km².

The creation of the Hermandad Marine Reserve increased the percentage of total marine protection in Ecuador from 13.2% to 18.7% (where its full area is considered, including waters therein where certain industrial fishing is permitted). Within the exclusive economic insular zone, the Hermandad Marine Reserve covers 8.5% of unprotected waters (being waters that are not included in the Galápagos Marine Reserve).

For the industrial tuna sector, 0.6% of the total value of its catches (2.7% of which is caught in the exclusive economic insular zone) comes from the new no-fishing zone. For the longline fleet, 0.23% of the value of its total catch comes from the Hermandad Marine Reserve (0.09% of the no-fishing zone, 0.14% of the no long line zone), which corresponds to 1% of their fishing within the exclusive economic insular zone.

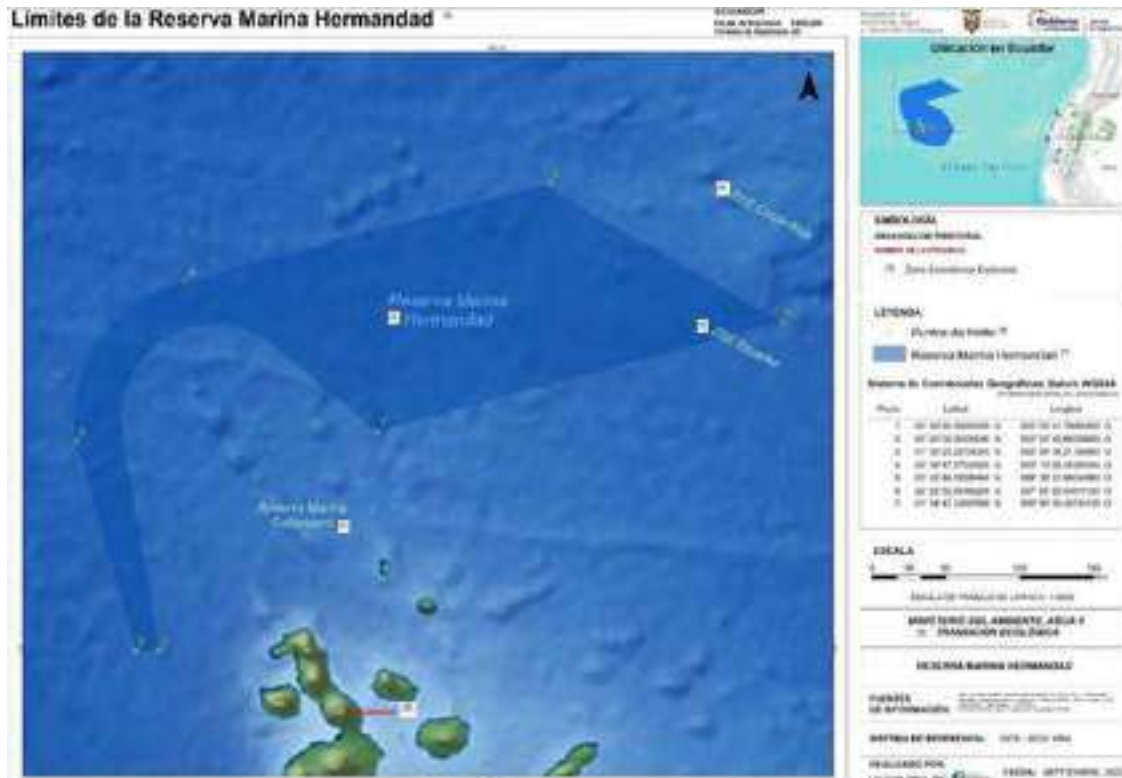


Figure 4: Hermandad Marine Reserve.
 (1) Boundaries of the Hermandad Marine Reserve.
 (2) Hermandad Marine Reserve.
 (3) Galápagos Marine Reserve.
 (4) EEZ (exclusive economic insular zone) Costa Rica.
 (5) EEZ (exclusive economic insular zone) Ecuador.
 (6) Boundary points.
 (7) Hermandad Marine Reserve.
 (8) Exclusive Economic Zone.
 (9) Ministry of Environment, Water and Ecological Transition.

The location of the Hermandad Marine Reserve, in conjunction with Costa Rica’s conservation efforts, is key to ensuring the protection of threatened migratory marine species (particularly sea turtles and sharks) during their movements between the Galápagos and Cocos Island marine reserves.

The marine corridor that connects the Hermandad Marine Reserve and the Cocos Islands National Park is located to the northeast of the Hermandad Marine Reserve and is part of a biological corridor called the Cocos-Galápagos Migravía, which is a hot-spot for species with migratory behavior such as, among others, sharks, manta rays, whales and pelagic fish. Pelagic species in the Cocos-Galápagos Migravía, such as hammerhead sharks, follow the magnetic signal of seamounts and ridges to locate themselves spatially and move between aggregation and feeding sites.

Analysis of the Hermandad Marine Reserve and the Cocos Island National Park has shown seamounts to be connected with a high similarity in physical and biological oceanographic aspects. The Hermandad Marine Reserve and the Cocos Island National Park share a large percentage of endemic island species and native sessile, benthic and pelagic fauna. As such, the community structure of the Hermandad Marine Reserve and Cocos Island National Park suggest that both marine protected areas belong to a single ecosystem.

The Cocos-Galápagos Migravía allows ecological connectivity between the two marine protected areas and promotes the recovery and resilience of benthic and pelagic marine ecosystems. By promoting the increase of biomass of commercial species, the Cocos-Galápagos Migravía is also expected to generate significant improvements in the economic income of fisheries operating in the surrounding seas.

The Cocos-Galápagos Migravía has been recognized as a conservation priority by the signatories (which included Ecuador and Costa Rica) to the Declaration for the Conservation of the Marine Corridor of the Eastern Tropical Pacific (“CMAR”) signed in November 2022 (the “2022 Declaration”). The CMAR was created in 2004 with the objective of conserving biodiversity and promoting the sustainable use of marine and costal resources present in the exclusive economic zones of Ecuador, Costa Rica, Colombia and Panama. The 2022 Declaration had the primary objective of conserving the biodiversity and marine and coastal resources of the marine protected areas of Malpelo in Colombia, Coiba in Panama, Galápagos in Ecuador and Cocos in Costa Rica. The 2022 Declaration will be financed with the support of CAF. On the same day that the 2022 Declaration was signed, CAF approved U.S.\$1 million in technical cooperation to conserve the CMAR. The money approved by CAF will be used to encourage joint strategies in which both the Governments of Ecuador, Colombia, Costa Rica and Panama participate, as well as representatives of civil society, international cooperation organizations and non-governmental organizations.



Figure 5: Area under study for the Cocos-Galápagos Migration.

- (1) Costa Rica.
- (2) Panama.
- (3) Caribbean Sea.
- (4) Pacific Ocean.
- (5) Cocos Island.
- (6) Study Area for the Cocos-Galápagos Migration.
- (7) Galápagos Island.
- (8) Galápagos Marine Reserve.
- (9) Ecuador.
- (10) Columbia.

Environmental Management Plans For Marine Reserves and Protected Areas

An environmental management plan is the main planning instrument through which (i) the management of each protected area is organized and (ii) the strategies and programs to be developed within each protected area are defined, in order to achieve the objectives and results intended for its effective management. An environmental management plan is approved by ministerial agreement issued by the National Environmental Authority and is valid for 10 years, during which time it can only be updated for technical and legal reasons. An environmental management plan is understood to be a long-term institutional process whose conceptual basis is innovative and its application is understood to be perpetual; however, for the development of the management plans, a reference horizon of 10 years has been established in order to achieve and objectively measure the proposed achievements, which are done through a process of evaluation of the effectiveness of management. The scope and purpose of environmental management plans is set out in Article 181 of the Environmental Organic Code.

The Management Plan for the Protected Areas of Galápagos for Good Living (the “**Galápagos Management Plan**”) was approved by Ministerial Agreement No. 162, and published in the R.O. Special Edition No. 153 on July 22, 2014. The Galápagos Management Plan governs and aligns the environmental management of the protected areas of both the Galápagos National Park and the Galápagos Marine Reserve, which are treated as a collective socio-ecological system that is the basis and sustenance for the good living of the local population. The Galápagos Management Plan is also closely linked to the objectives set out in the *Plan Nacional para el Buen Vivir* (the National Plan for Good Living 2013-2017) such as (i) guaranteeing the rights of nature; (ii) promoting a healthy and sustainable environment; and (iii) strengthening the environmental governance of the special regime of the Galápagos Archipelago and the Amazon.

The environmental management plan of the Hermandad Marine Reserve involved the MAATE in coordination with the Ministry of Production, Foreign Trade, Investments and Fisheries, the Ministry of National Defense and the Ministry of Foreign Affairs and Human Mobility and was issued by way of inter-ministerial agreement on March 20, 2023 (the “**Hermandad Management Plan**”) and, under Article 2, delegated to the Galápagos National Park Directorate the administration of the Hermandad Marine Reserve and the implementation of the Hermandad Management Plan in coordination with the parties involved.

The Hermandad Management Plan is the main planning tool for the protection of the Hermandad Marine Reserve. Methodologically and structurally, it responds to the Manual for the Operational Management of Ecuador’s Protected Areas and the Guidelines for the Construction and/or Updating of Protected Area Management Plans established by the MAATE. The Hermandad Management Plan was developed through a scientifically technical process focused on an eco-systemic and precautionary approach, with participation from key stakeholders to achieve coordinated inter-institutional management of the Hermandad Marine Reserve. The development of the Hermandad Management Plan began with the characterization and determination of the protected area in order to be able to proceed with the identification of conservation values and use resources and the threats to their integrity. The two conservation values identified in the Hermandad Management Plan are (i) seamounts and pelagic environments and (ii) migratory and threatened species, including hammerhead sharks (binomial nomenclature: *Sphyrna spp*) and leatherback sea turtles (binomial nomenclature: *Dermochelys coriacea*). Fishery resources were also identified as a resource use, in particular tuna. Based on this analysis, management objectives and impact indicators were defined for a 10-year planning period.

The goal of the Hermandad Management Plan is that by 2032, the Hermandad Marine Reserve will have become a regional and global benchmark for ecological connectivity and international cooperation for the conservation of vital marine ecosystems, which are fundamental to the sustainability of highly migratory, endangered and commercially important species. The Hermandad Management Plan establishes the following five objectives:

- to conserve the seamounts and pelagic environments of the Hermandad Marine Reserve;
- to conserve migratory and endangered species (including hammerhead sharks and leatherback turtles) present in the Hermandad Marine Reserve, which are connected to the Galápagos Marine Reserve and the Cocos-Galápagos Migravía;
- to contribute to the conservation of the population of migratory species of commercial interest (such as tuna) present in the Hermandad Marine Reserve, which are connected to the Galápagos Marine Reserve and the Cocos-Galápagos Migravía;

- to strengthen interdisciplinary scientific and technical knowledge applied to the management of the Hermandad Marine Reserve; and
- to strengthen the management of the Hermandad Marine Reserve.

In order to achieve the management objectives and indicators of the Hermandad Management Plan, 41 macro-activities were grouped into six management programs, each of which sets out the intended results, impact and effect indicators across three time periods (five years, three years and one year), sources of verification, annual chronogram and the reference budget. These management programs are as follows:

- biodiversity management: conserve the ecosystems and biodiversity of marine species that connect with other protected areas in the region between the Galápagos-Cocos Migravía through scientific technical information;
- control and surveillance: control and surveil the Hermandad Marine Reserve area for (i) marine pollution and (ii) illegal, unreported and unregulated fishing and incidental fishing (“**IUU fishing**”);
- science and technological innovation: promote technically and scientifically the level of knowledge for making decisions on management and conservation of the protected area;
- environmental communication, education and participation: establish strategies and mechanisms of communication, education and environmental participation to improve the knowledge of the actors and users of the marine protected area;
- administration and planning: contribute to the achievement of the objectives of the management plan and the institutional strengthening to combat crimes with IUU fishing in the Hermandad Marine Reserve; and
- international relations and cooperation: contribute to regional conservation efforts and strengthen and systematize the application of innovative technologies and mechanisms for cooperation and training among marine protected areas.

Financing

Consistent with the measures described above, on May 9, 2023, the Republic consummated a debt conversion transaction, a so called ‘debt-for-nature’ swap, to facilitate the following objectives: (a) strengthening the institutional framework to support sustainable finance and adequate natural resource management; (b) improving the Republic’s debt management capacity with a focus on environmental and financial sustainability; and (c) enhancing the management and conservation of the Hermandad Marine Reserve and the growth of the natural capital of the Galápagos Islands and their marine ecosystems (the “**Galápagos Debt for Nature Swap**”).

The Galápagos Debt for Nature Swap has permitted the Republic to allocate resources for long-term marine conservation in the Galápagos Islands to promote greater sustainability and improve the quality of life of Ecuadorians. The transaction, which included an \$85 million IDB guarantee and a \$656 million DFC political-risk insurance policy, allowed Ecuador to purchase existing public debt at better terms, generating lifetime savings of more than U.S.\$1.126 billion. In addition to providing the guarantee, the IDB also supported institutional strengthening policies for environmental and public-debt management in the country, which is estimated to generate savings to finance conservation activities of U.S.\$323 million. These resources have been used by the Republic to create the Galápagos Life Fund, which will finance conservation activities over the next 18.5 years in both the Galápagos Marine Reserve and the Hermandad Marine Reserve.

In September 2024, the debt-for-nature swap transaction came under scrutiny by the IDB’s oversight body, the Independent Consultation and Investigation Mechanism (the “**MICI**”), due to transparency concerns from 24 local groups citing lack of involvement in decision-making and pointing out that the promised funds resulting from the transaction were yet to arrive. If resolution through dialogue appears unlikely, it may bring the case to the IDB’s Executive Board in Washington for a formal investigation. If approved, MICI would have up to a year to impartially investigate the allegations of harm and assess potential non-compliance with the IDB Group’s environmental and social standards. Upon completing the investigation, MICI would produce a report for the Board, which would then determine any necessary corrective actions. Typically, this results in an “action plan” that MICI can monitor in

consultation with the complainants and other stakeholders for up to five years. This investigation process does not prevent the disbursement of funds from the debt swap.

SCHEDULE 8
STATUTORY AND POLICY REQUIREMENTS

1. DEFINITIONS AND INTERPRETATION

1.1 In this Schedule:

"**Anti-Money Laundering Laws**" means (a) the Bank Secrecy Act of 1970, Pub. L. No. 91-508, 84 Stat. 1114 to 1124 (codified as amended in scattered sections of 12 U.S.C., 15 U.S.C., and 31 U.S.C.) as amended by, *inter alia*, the USA PATRIOT Act of 2001, Pub. L. No. 107-56 (codified as amended in scattered sections of the U.S.C.), (b) the Money Laundering Control Act of 1986, 18 U.S.C. §§ 1956 and 1957, and (c) any other law, regulation, order, decree or directive of any relevant jurisdiction having the force of law and relating to anti-money laundering.

"**Applicable Law**" means, with respect to a given Person on a given date, any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, Consent of a Governmental Authority, or any published directive, guideline, requirement or other governmental restriction that has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, that is binding on such Person whether in effect as of the date hereof or as of any date thereafter.

"**Consent**" means any registration, declaration, filing, consent, license, right, approval, authorization, permit, or concession.

"**Corrupt Practices Laws**" means (a) the Foreign Corrupt Practices Act of 1977, 15 U.S.C. § 78dd-1 *et seq.*, and (b) any other Applicable Law relating to bribery, corruption, kick-backs, or similar business practices.

"**Governmental Authority**" means (a) any national, state, county, city, town, village, municipal or local government, or any political subdivision thereof, (b) any agency, authority, instrumentality, regulatory body, court, central bank, department, commission, board, or bureau, whether civilian or military, or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or the European Central Bank), or (c) a government-owned, government-run or government-controlled association, organization, business, or enterprise.

"**OFAC**" means the Office of Foreign Assets Control of the U.S. Department of the Treasury.

"**Official**" means (a) an employee, officer, or representative of, or any person otherwise acting in an official capacity for or on behalf of a Governmental Authority, (b) any person exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to the Governmental Authority, (c) a candidate for political office, (d) an individual who holds any other official, ceremonial, or other appointed or inherited position with a government or any of its agencies, or (e) an officer or employee of a public international organization.

"**Person**" means an individual; a legal entity, including a partnership, a joint venture, a corporation, a trust, and an unincorporated organization; and a government or any department or agency thereof.

"**Prohibited Payment**" means the giving or making by any Person (such Person, the "**Payor**") of any offer, gift, payment, promise to pay or authorization of the payment of any money or anything of value, directly or indirectly, to or for the use or benefit of any Official (including to or for the use or benefit of any other Person if the Payor knows, or has reasonable grounds for believing, that the other Person would use such offer, gift, payment, promise or authorization of payment for the benefit of any such Official), for the purpose of influencing any act or decision or omission of any Official in order to obtain, retain or direct business to, or to secure any improper benefit or advantage for this Borrower, or this Agreement, or any other Person; *provided that* any such offer, gift, payment, promise or authorization of payment shall not be considered a Prohibited Payment if it is expressly permitted by written Applicable Law.

"**Sanctioned Person**" means any Person, organization or vessel (a) designated on OFAC's list of Specially Designated Nationals and Blocked Persons, or on any list of targeted persons issued under the Sanctions of any agency or instrumentality of the U.S. government, (b) that is, or is part of, a government of a Sanctioned Territory, (c) owned or controlled by, or acting on behalf of, any of the foregoing, (d) located within or operating from a Sanctioned Territory, or (e) otherwise subject to or the target of any Sanctions.

"**Sanctioned Territory**" means any country or territory that is the subject or target of a general export, import, financial or investment embargo under Sanctions.

"**Sanctions**" means any economic or financial sanctions, or trade embargoes or restrictive measures, implemented, administered or enforced by OFAC, the U.S. Department of State, the U.S. Department of Commerce, or any other agency or instrumentality of the U.S. Government.

1.2 Unless otherwise defined herein, capitalized terms used in this Schedule 8 (*Statutory and policy requirements*) shall have the same meaning ascribed to them in this Agreement.

2. REPRESENTATIONS AND WARRANTIES

2.1 The Borrower represents and warrants to the Finance Parties that:

(a) the Borrower and the representatives, public officers, public servants, employees or agents (where such employees or agents are acting in an official capacity) and affiliated entities of the Borrower have:

(i) complied with applicable Corrupt Practices Laws in obtaining all consents in respect of this Agreement; and

(ii) conducted and are conducting themselves in compliance with applicable Corrupt Practices Laws;

(b) the Borrower has codes of conduct or other procedures instituted and maintained which are sufficient to:

- (i) provide reasonable assurances of compliance with applicable Corrupt Practices Laws and the prevention of Prohibited Payments; and
 - (ii) ensure that the Borrower does not provide material or financial support for terrorism, drug trafficking, or human trafficking, or orders or otherwise directs serious or gross violations of human rights. None of the Borrower, nor any Person acting on its behalf, has made any Prohibited Payment.
- (c) the Borrower is in compliance with the applicable requirements of (i) the Anti-Money Laundering Laws, (ii) Sanctions, and (iii) all other applicable export control, anti-boycott and sanctions laws.
- (d) the Borrower has not taken or knowingly agreed to take actions within the past three (3) years, which demonstrate or otherwise evidence intent to comply with, further, or support any boycott in violation of 58 U.S.C. § 4842(a).

3. COVENANTS

- 3.1 The Borrower shall comply with and conduct itself in compliance with the applicable requirements of (i) all Corrupt Practices Laws, (ii) the Anti-Money Laundering Laws, (iii) Sanctions, and (iv) all other applicable export control, anti-boycott and sanctions laws relating to it.
- 3.2 The Borrower shall maintain policies and procedures, and accounting practices and controls that are sufficient to (i) provide reasonable assurances of compliance with applicable Corrupt Practices Laws and the prevention of Prohibited Payments, and (ii) ensure that it does not provide material or financial support for terrorism, drug trafficking, or human trafficking, or orders or otherwise directs serious or gross violations of human rights.
- 3.3 The Borrower shall not and shall ensure that none of the representatives, public officers, public servants, agents, employees and affiliated entities of the Borrower, or any other Persons acting on its behalf, will, directly or indirectly, use, lend, make payments of, contribute or otherwise make available, any funds in connection with the Facility to fund any trade, business, or other activities (i) involving or for the benefit of any Sanctioned Person, (ii) in any country or territory that is a Sanctioned Territory, or (iii) that could result in any Person (including the Finance Parties and DFC) being in breach of Sanctions or becoming a Sanctioned Person.
- 3.4 Neither the Borrower nor any Person acting on their behalf, shall make any Prohibited Payment.
- 3.5 The Borrower shall not use any funds in connection with the Facility in a manner or for a purpose that would violate applicable Corrupt Practices Laws.

SCHEDULE 9
FORM OF CONSERVATION EVENT NOTICE

Dated: []

To: The Bank of New York Mellon as Facility Agent

From: [The Nature Conservancy] as Project Coordinator

Cc: [The Bank of New York Mellon as Securities Intermediary]
[Amazon Conservation DAC as Original Lender]
Inter-American Development Bank
U.S. International Development Finance Corporation

Re: Facility Agreement dated 3 December 2024 (the “Agreement”) by and among the Ministry of Economy and Finance acting for and on behalf of the Republic of Ecuador (the “Borrower”), The Bank of New York Mellon (the “Facility Agent”), and Amazon Conservation DAC. Terms used but not defined herein shall have the meaning given to them in the Agreement.

1. We refer to Clause 6.4 (*Additional Conservation Payments*) of the Agreement and this letter notice serves as a Conservation Event Notice delivered pursuant to such Clause.
2. We hereby notify you that the Ministry of Environment has [failed to achieve Conservation Milestone [●] when due, subject to the applicable grace periods received by the Ministry of Environment pursuant to Section 2.2 of the Conservation Commitments Agreement]² [affirmatively taken an action that has caused the Ministry of Environment to no longer be in compliance with Conservation Milestone [●] and such non-compliance has continued for a period of thirty (30) days after the Project Coordinator has submitted notice thereof to the Ministry of Environment]³ (the “Noticed Event”).
3. In connection with the occurrence and continuation of the Noticed Event and in accordance with Clause 6.4 (*Additional Conservation Payments*) of the Agreement, the Facility Agent shall promptly provide an Original Notice to the Borrower requiring the Borrower to pay an Additional Conservation Payment in the amount of U.S.\$[●] due and payable no later than sixty (60) days following the date of receipt by the Borrower of such Original Notice from the Facility Agent.
4. On each Semi-Annual Date following the delivery of such Original Notice, until such time as the Facility Agent has received notice from the Project Coordinator otherwise, the Facility Agent shall provide a notice to the Borrower requiring payment of an Additional Conservation Payment with respect to the Noticed Event in the amount of

² **Note to Form:** Include for Conservation Event caused by failure to meet a Conservation Milestone in accordance with clause (a) of the definition of Conservation Event.

³ **Note to Form:** Include for Conservation Event caused by non-compliance Conservation Milestone in accordance with clause (b) of the definition of Conservation Event.

U.S.\$[●] due and payable no later than sixty (60) days following the date of receipt by the Borrower of each such notice from the Facility Agent.

[Signature Page Follows]

Yours faithfully

.....
authorized signatory for
[The Nature Conservancy]

**Acknowledged as of the
first date written above:**

THE BANK OF NEW YORK MELON

By: _____
Name:
Title:

SIGNATURES

THE BORROWER

**THE MINISTRY OF ECONOMY AND FINANCE ACTING FOR AND ON BEHALF
OF THE REPUBLIC OF ECUADOR**

