

PERU SUSTAINABLE BOND FRAMEWORK



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1.

Introduction: Peru's Context and Challenges to its Development

Essential Figures

In recent decades, Peru has shown significant progress in economic, environmental, and social terms. At the international level, these results are visible in free trade agreements and commitments for a low-carbon economy that meets the needs of all. In order to promote multi-sectoral coordination, Peru has the National Competitiveness and Productivity Plan, as well as the Green Finance and Green Bond Roadmaps, which identify opportunities to expand funding for environmental and social actions that improve the quality of life of citizens and increase the resilience of vulnerable populations.

The National Competitiveness and Productivity Plan consists of nine (9) Multi-Sectoral Priority Objectives and thirty-six (36) Policy Guidelines linked to these objectives, as well as indicators for monitoring and evaluation.

The Peruvian economy grew **4.8%¹** annually between 2000-2019

The poverty level fell from **2001**
54.8%² \Rightarrow **2019**
20.2%³

This reflects the impact of sustained growth over the years, as well as the policy measures and strategies implemented for the most vulnerable populations.

1.7%⁴
Annual rate

Total increase in population on average per year during the period 2016-2020

1,332,116
People

Joined the economically active population (PEA) in 2019



With an economic activity rate⁵ that reached:

Men
81.1%

Women⁵
64.5%

1 <http://m.inei.gob.pe/prensa/noticias/en-las-ultimas-7-decadas-economia-peruana-crecio-a-un-promedio-anual-de-38-12180/>

2 https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/Lib0500/Libro.pdf (p.11)

3 [https://www.inei.gob.pe/prensa/noticias/pobreza-monetaria-alcanzo-al-202-de-la-poblacion-en-el-ano-2019-12196/#:~:text=En%20el%20a%C3%B1o%202019%2C%20el,\(ENAH0\)%20del%20a%C3%B1o%202019](https://www.inei.gob.pe/prensa/noticias/pobreza-monetaria-alcanzo-al-202-de-la-poblacion-en-el-ano-2019-12196/#:~:text=En%20el%20a%C3%B1o%202019%2C%20el,(ENAH0)%20del%20a%C3%B1o%202019)

4 State of the Peruvian Population 2020 (Estado de la población peruana 2020) https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/Lib1743/Libro.pdf (p.6)

5 https://cdn.www.gob.pe/uploads/document/file/1014704/IAE_2020_propuesta_V4.pdf (p.3)

Table 1. Peru in Numbers

Total population (year 2019)	32,131,400
Men	15,938,284
Women	16,193,116
Rural population (year 2017) ⁶	6,069,991
PEA Total (year 2019)	17,830,400
Men	9,891,500
Women	7,938,900
Per capita income (S/)	23,730
Percentage of households consuming water from the public grid ⁷	90.8%
Percentage of households with at least one member who has a cell phone ⁸	92.1%
Percentage of households with internet access ⁹	35.9%

Source: National Institute of Statistics and Informatics



⁶ <https://www.inei.gob.pe/estadisticas/indice-tematico/poblacion-y-vivienda/> Evolution of the rural census population, according to department and census year

⁷ https://www.inei.gob.pe/media/MenuRecursivo/boletines/boletin_agua_junio2020.pdf (p.5)

⁸ <https://www.inei.gob.pe/estadisticas/indice-tematico/tecnologias-de-la-informacion-y-telecomunicaciones/>

⁹ <https://www.inei.gob.pe/estadisticas/indice-tematico/tecnologias-de-la-informacion-y-telecomunicaciones/>

The Impact of COVID-19

Despite efforts, due to multiple factors, the growth and economic development of recent years has not been sufficient to close economic and social gaps with respect to other countries and to create quality jobs in the right amount to absorb labor supply and further reduce poverty.

With the development of COVID-19, Peru has found itself in need of implementing one of the most important economic plans in the country's history - that represented around 20% in GDP¹⁰ - which includes a number of measures to improve the capacity to control, contain and respond to the health crisis.

Fiscal policy measures were implemented that included increased fiscal spending on health and tax relief, as well as measures to provide liquidity to families and businesses through public credit guarantee programs, and extraordinary private savings withdrawals such as Service Time Compensation (CTS) and Private Pension System Contributions (these are managed by Pension Fund Administrators, or AFPs in Spanish).

In this context, Peru used different mechanisms to meet the need for financing at a competitive cost in order to give solid support to the response to COVID-19, using different liquidity lines, including budget reallocations, management of available expenditures and access to the public debt market.



The latest developments in the world have exacerbated the size and complexity of social, economic, and environmental problems, so today it is of greater importance to take measures that can boost financing in the pillars of the economy that promote competitiveness, productivity, social welfare, and sustainable use of natural resources.

¹⁰ <https://www.bancomundial.org/es/country/peru/overview>

Economic Challenges

With economic growth and declining extreme poverty between 2000-2019, the Peruvian economy now has significant challenges to increase and improve physical infrastructure, raise the level of human capital training, and reduce informality through decent jobs in an economy with diversified productive activities.

Peru has the opportunity to diversify value added in multiple sectors, which would contribute to improved labor productivity and increase supply of export goods. In this sense, investment in workforce training, physical and digital infrastructure, innovation, and technology for new products, as well as cost efficiency of companies, is required to promote business development and market efficiency¹¹.

In the financial field, Peru has made significant progress in recent years. For example, as of December 2020, elements of the financial system are present in 85.4% of districts nationwide. This translates into approximately 1,128 points of service per 100,000 adult residents, as well as 72,553 physical points of service (including offices, affiliates, ATMs and specialized offices), according to figures from the Superintendency of Banking, Insurance and Private Pension Fund Managers¹². That said, the COVID-19 context has shown that financial inclusion in Peru is still insufficient and low relative to international levels, which is a public challenge, as it restricts the financial system's contribution to economic growth, productivity, and competitiveness, and to reducing poverty and inequalities.



In this regard, the **National Financial Inclusion Policy** has five **priority objectives** aimed at closing these gaps:

OP 1. To build greater confidence of all segments of the population in the financial system

OP 2. To have a sufficient and adequate supply of financial services to the needs of the population

OP 3. To mitigate frictions in the functioning of the market

OP 4. To develop telecommunications infrastructure and digital platforms to increase financial services coverage

OP 5. To strengthen institutional effort articulation mechanisms



¹¹ National Competitiveness and Productivity Policy (DS) number 345-2018-EF

¹² Report on Financial Inclusion Indicators of Financial Systems, Insurance and Pensions, December 2020 <https://intranet2.sbs.gob.pe/estadistica/financiera/2020/Diciembre/CIIF-0001-di2020.PDF>



Financial Support for MSMEs

Peru promotes access to an inclusive and modern financial system that provides financing at a moderate cost for business and job creation, based on a modern and agile guarantee system, which is one of the most important aspects for increasing competitiveness levels¹³.

It is also important to promote access to the financing of micro, small and medium-sized enterprises (MSMEs) and sectors with high productive potential and direct contribution to the Peruvian business community.

It is important to note that trade and services concentrate 86.9% of the sectors related to this market segment according to the Ministry of Production's 2019 MSME Statistical Yearbook (PRODUCE)¹⁴. Although 99.6%¹⁵ of companies in the country are micro and small enterprises (2,377,244 MSMEs), and are a central axis of growth, they maintain low levels of productivity. Financing is part of a comprehensive strategy to improve productivity while seeking to reduce the informality of the sector, which is a structural problem of the country, which reached 75.3% in 2020 according to INEI¹⁶.



Financing is part of a comprehensive strategy to improve productivity while seeking to reduce the informality of the sector, which is a structural problem of the country



13 https://www.mef.gob.pe/contenidos/archivos-descarga/competitividad_productividad.pdf (pp. 29-33)

14 <https://ogeiee.produce.gob.pe/index.php/en/shortcode/oeo-documentos-publicaciones/publicaciones-anuales/item/940-anuario-estadistico-industrial-mipyme-y-comercio-interno-2019> (pp.132-133)

15 <https://ogeiee.produce.gob.pe/index.php/en/shortcode/estadistica-oeo/estadisticas-mipyme>

16 <https://www.inei.gob.pe/media/MenuRecursivo/boletines/01-informe-tecnico-empleo-nacional-oct-nov-dic-2020.pdf> (p.17)

Environmental Challenges

Today, increasing risks and impacts caused by natural and anthropic hazards have a corresponding effect on the vulnerability of the population to climate change. Institutional challenges result in sub-optimal territorial management with a sustainable approach, which drives the loss of biodiversity, deterioration of environmental quality, and the increase of unsustainable products and services.

All of these factors reduce the goods and services provided by ecosystems that affect population development and environmental sustainability. Impacts include reduced response to emergencies and natural disasters, an increase in greenhouse gases (GHGs) and the deterioration of productive and sociocultural structures at the national level¹⁷.

With these challenges posed by climate change, in the framework of the Paris Agreement, Peru identified a series of sectors with activities that cause the majority of Greenhouse Gas Emissions (GHG), as well as measures to mitigate GHG emissions by way of innovative practices and technology. In the same way, Peru identified actions that increase the resilience (or adaptive capacity) of the population and ecosystems to climate change. These mitigation and adaptation measures comprise the Nationally Determined Contributions (NDC) to reduce emissions and increase the resilience of the population and ecosystems in the face of climate change.

In this regard, by way of NDC implementation, Peru prioritizes actions in the following sectors that substantiate the green financing categories (eligible categories) of the sustainable bond¹⁸:



1 Energy



2 Industrial processes and product use



3 Agriculture



4 Land use and forestry use



5 Waste

The NDCs also prioritize increasing the population's resilience and adaptive capacity to climate change in the following sectors:

- Agriculture • Forests**
- Fisheries and aquaculture**
- Health • Water¹⁹**



¹⁷ These causes and effects on the environment come from the current version of the National Environmental Policy (DS 012-2009-MINAM). The updated version is in the process of public consultation. (RM 062-2020-MINAM).

¹⁸ NDCs are commitments made voluntarily by the member countries of the Conference of the Parties following the signing of the Paris Agreement with the aim of reducing greenhouse gas emissions.

¹⁹ Final Report of the Multisectoral Technical Group, created with RM 005-2016-MINAM. https://www.minam.gob.pe/cambioclimatico/wp-content/uploads/sites/127/2018/12/Informe-final-GTM-NDC_v17dic18.pdf

Social Challenges

Social welfare underlies economic performance and responsible management of the environment. The National Accord (El Acuerdo Nacional) stipulates that Peru is committed to give priority to fighting poverty and applying integral policies to guarantee equal economic, social and political opportunity²⁰. In practice, this is delivered through a series of initiatives for an inclusive society through key efforts to (1) promote productivity of micro and small businesses, (2) prioritize health and education as key vehicles for social inclusion for the poorest and most vulnerable populations. The Ministry of Development and Social Inclusion and the Ministry for Women and Vulnerable Populations are two ministries who catalyze policies and programs in these areas in concert with the ministries of Health and Education, as well as a variety of other national and subnational entities. Similarly, the Ministry of Production seeks to foment opportunity for small businesses, with special emphasis on increasing capacity and financial opportunity to access resources.

In this context and given its recent economic progress, Peru has a number of pending goals for achieving an egalitarian society with a special focus on poverty alleviation through development promotion, as well as an emphasis on social inclusion by intervening in programs aimed at reducing chronic child malnutrition, promoting early childhood development and comprehensive

development of children and adolescents. In particular, inequality in income distribution and opportunities, as well as discrimination against women and girls, have profound effects on human and family health as well as access to education and public services, and therefore, on their economic and civic participation in the development of the country.

Peru has the Ministry of Women and Vulnerable Populations (MIMP) as the governing body on women's rights that has promoted a series of regulations and initiatives aimed at reducing gender inequalities and contributing to eliminating stereotypes, as well as gender roles that cause inequality and vulnerabilities.

In addition, it advances programs that promote the financial and social security of older people and the well-being and interculturality of indigenous peoples.

Through the implementation of new standards and practices at the national level, women and girls are expected to be able to access education and income opportunities and decision-making spaces, both in their private and public settings. In this way, they will be able to count on equal participation in economic, social, political, and cultural life, as well as share responsibility in unpaid domestic work and the care of children and infants within the home.²¹

In addition to MIMP, there are a number of measures promoted by the **Ministry of Development and Social Inclusion of Peru (MIDIS) on social programs that cover the entire human life cycle**. This policy approach has meant intervention in three time horizons:

In the short term

Reducing extreme poverty



In the medium term

Increasing the rate of basic services in households (water, sanitation, electricity and telephone) and reducing extreme poverty by considering self-employment



In the long term

Decreasing chronic malnutrition in children under 5 years of age, as well as reducing the absenteeism of children between 3 to 5 years of age to regular basic education



²⁰ <http://www.acuerdonacional.pe/politicas-de-estado-del-acuerdo-nacional/politicas-de-estado%E2%80%8B/politicas-de-estado-castellano/ii-equidad-y-justicia-social/10-reduccion-de-la-pobreza/>, #10.

²¹ National Gender Equality Policy (DS-008-2019-MIMP)

With regard to health, Peru faces significant challenges. In 2019, nearly a third of children under the age of five were anemic (29.5%)²², and by 2017 only 12.8% of boys and 12.4% of girls under the age of four had insurance (SIS, Essalud and/or other insurance)²³. The incidence of gastrointestinal diseases is partly due to lack of access to (1) basic health services, (2) health education programs, (3) clean water and (4) fortified food products for growth, as well as reasons related to pregnancy health and prenatal controls, among others. Lack of equal access to health services is exacerbated by a shortage of quality and quantity of health infrastructure, as well as a lack of trained human capital.

In terms of education, Peru faces challenges in terms of infrastructure and educational quality, with gaps between public and private education, and between different private institutions. The gap can also vary depending on location, where there can also be little supply of schools and teachers, resulting in fewer opportunities and gaps in access to jobs and economic opportunities in the future.

With the COVID-19 pandemic and the need to teach virtual classes, these gaps widen based not only on school supply, but on the economic capacity of families. In the words of the Ombudsman's Office: "it is a major challenge in a country like ours, characterized by the lack and deficiency of public services such as electricity and the internet, by the situation of poverty and extreme poverty in rural areas of the country, among other reasons"²⁴.

In addition, children who received the school breakfast of the Qali Warma National School Food Program are prevented from receiving this benefit given the closure of schools, which negatively affects the family economy, its diet and its health.



2019



1/3 of children
under the age of five were anemic
(29.5%)

2017



12.8% of boys and
12.4% of girls
under the age of four had insurance
(SIS, Essalud and/or other insurance)

²² INEI - Peru: Demographic and Family Health Survey 2019 - National and Regional/Main indicators (p. 28)

²³ https://www.inei.gob.pe/media/MenuRecursivo/publicaciones_digitales/Est/Lib1587/libro01.pdf (p. 14)

²⁴ <https://www.defensoria.gob.pe/wp-content/uploads/2020/08/Serie-Informes-Especiales-N%C2%BA-027-2020-DP-La-educaci%C3%B3n-frente-a-la-emergencia-sanitaria.pdf>



2.

Peru's Comprehensive Development Vision

As a member of the United Nations, Peru has a comprehensive vision of development that aims to achieve the Sustainable Development Goals.

An integral part of this development vision is covered by the commitments made in the Paris Agreement, which establishes the NDCs to Reduce Greenhouse Gas (GHG) emissions and increase the resilience of the population to adapt to the effects of climate change²⁵.

Peru has a number of overarching policies that articulate this development vision. The cornerstone policy is the National Competitiveness and Productivity Policy of the Ministry of Economy and Finance.

The National Competitiveness and Productivity Policy priority objectives are:²⁶



1 Provide the country with quality economic and social infrastructure	2 Strengthen human capital	3 Build capacity building for innovation, adoption and transfer of technological improvements
4 Boost local and external financing mechanisms	5 Create the conditions for a dynamic and competitive labor market for decent job creation	6 Build the conditions to develop a productive business environment
7 Facilitate foreign trade conditions for goods and services	8 Strengthen the country's institutions	9 Promote environmental sustainability in economic activity operations

²⁵ The NDCs are described in the Final Report of the Multisectoral Technical Group, created by RM 005-2016-MINAM. https://www.minam.gob.pe/cambioclimatico/wp-content/uploads/sites/127/2018/12/Informe-final-GTM-NDC_v17dic18.pdf

²⁶ The economic diagnostic comes from the National Competitiveness and Productivity Policy (DS No. 345-2018-EF) and the pillars are aligned with the Priority Objectives of the National Competitiveness and Productivity Plan (DS No. 237-2019-EF).

Supreme Decree No. 024-2002-PCM and its amendments created the National Council on Competitiveness and Formalization (CNCF) as an instance of coordination of specific issues of the Ministry of Economy and Finance (MEF), responsible for supporting improving Peru's ability to compete in the international market.

Thus, the Competitiveness Agenda 2014 – 2018 was developed, establishing the public and private sector work route on competitiveness prospectively by 2021.



This is how, in July 2018, the document called Main Areas for Competitiveness and Productivity was disseminated to open the discussion in the development of the **National Competitiveness and Productivity Policy**.



Main Areas for Competitiveness and Productivity are:

- Infrastructure
- Formation and accumulation of human capital
- Labor market
- Foreign trade and logistics chains
- Science, Technology, and Innovation
- Institutions
- Business Environment
- Financing

Stable and long-term financing in these areas strengthens a strong foundation for social and economic inclusion, improved well-being, the adoption of efficient practices and technologies for increased productivity and competitiveness, as well as the transition to a low-carbon economy that values natural capital and uses natural resources sustainably.

Closing Gaps for Competitiveness

With the aim of charting a clear path to promote a more developed, competitive, and sustainable country, the National Infrastructure Plan for Competitiveness (PNIC) was created, which represents a roadmap for closing infrastructure gaps in a short, medium, and long-term horizon. While Peru is rated as a high-middle income country, it is still lagging behind regional peers and OECD countries in infrastructure development. For example, with respect to drinking water, in 2018, it has been identified that while the urban sector has coverage of drinking water service at 94.4%, the rural areas only have 72.20%, while sanitation services are at 88.90% and 48.30% coverage, respectively²⁷.

Thus, the PNIC seeks to be a great first effort to prioritize and articulate investments – from a sectoral and territorial perspective – with a view to enhancing the productivity and competitiveness that become a sustained development of the country.

According to research commissioned by the Government of Peru and conducted by the Pacific University with support from the Embassy of the United Kingdom in Peru and the Inter-American Development Bank (IDB), the gap in access to basic infrastructure between 2019-2038 is estimated at approximately S/ 363.45 billion²⁸.

The opportunity to increase infrastructure is concentrated in the following sectors:

- Transport
- Elecommunications
- Irrigation
- Electricity
- Water
- Sanitation
- Health
- Education

Identifying the need for resilience as an essential component of climate adoption to protect:

- Investment returns
- Business continuity
- Regulatory requirements

In order to address these gaps, the OCDE recommends²⁹:

- Using climate projections and facilitate inter-sector partnerships to better understand and address infrastructure interdependencies.
- Taking climate risks into account when making investments in the public sector. Review the allocation of liabilities and investment responsibilities between the public and private sectors in Public-Private Partnerships (PPP) in the light of climate change.
- Aligning spatial planning policies, national and international technical standards, and economic policies.
- Raising the climate risk disclosure profile by encouraging participation in voluntary initiatives.

The PNIC is expected to be an essential input for a development agenda with sectoral and territorial considerations in the short term and provide tools to build a long-term vision with the use of a specialized methodology for prioritizing investment projects.

²⁷ National Infrastructure Plan for Competitiveness https://www.mef.gob.pe/contenidos/inv_privada/planes/PNIC_2019.pdf (p. 17)

²⁸ Ibid., (p. 19)

²⁹ <https://publications.iadb.org/publications/spanish/document/Brecha-de-infraestructura-en-el-Peru-Estimacion-de-la-brecha-de-infraestructura-de-largo-plazo-2019-2038.pdf>

International Environmental Commitments

Peru has numerous environmental cooperation agreements which give it clear objectives and demonstrate its commitment to environmental protection.



These include:

Paris Agreement

Ratified by Supreme Decree No. 058-2016-RE, which aims to address Climate Change, seeking to reduce net greenhouse gas emissions in the atmosphere by 30% by 2030. Peru was the first Spanish-speaking country in Latin America to ratify this landmark agreement.

Aarhus Convention

This is the United Nations Convention on Access to Information, Public Participation in Decision-Making and Access to Justice in Environmental Matters.

Minamata Market Convention

Which was ratified by the Peruvian Government on October 27, 2015, the government committing itself to a sustainable development policy, capable of ensuring that its activities are implemented by protecting health and the environment with measures aimed at reducing mercury pollution.

Agreement on Environmental Cooperation between the Republic of Peru and the Republic of Chile

Agreement ratified on December 10, 2014, whose objectives are to promote cooperation for the strengthening of the capacities and potentials of Parties, including non-governmental organizations, in order to develop environmental cooperation activities in water resources, protection of species of common interest, environmental risks, marine environment, climate change, biodiversity, mountain management, desertification, renewable energy, and green economy.

Marrakesh Agreement

Standards adopted in 2001 that specify implementations of the Kyoto Protocol.

















3.











**Overall Sustainable
Bond Objective**

This Sustainable Bond Framework is based on the economic, social, and environmental challenges described above, as well as the framework of political commitments in the National Accord and the Paris Agreement (among others) and aims to finance environmental and social projects to achieve the principles of a dignified and productive society with sustainable management of natural resources.


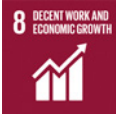







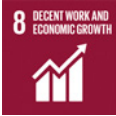


Table 2 summarizes the main public policies whose objectives drive economic, environmental, and social development, and which serve as pillars for the Sustainable Bond Framework.

Table 2. Summary of Public Policies, Their Importance to the Sustainable Bond and Its Alignment with Development Goals

Public policy	Main Objective	Importance for the Sustainable Bond	Priority Goals Sustainable Development
National Development and Social Inclusion Policy Supreme Decree No. 008-2013-MIDIS of April 26, 2013	<p>Social Protection: Ensure a basic level of economic and social well-being of the population.</p> <p>Inclusive Social Policies: Ensure access to quality services and products for the population to reduce inequalities and strengthen human development.</p> <p>Economic and Productive Inclusion: Generate opportunities and capacities to access the labor market and productive development.</p> <p>Citizen Participation and Territorial Governance: Ensure the adoption of inclusive, participatory, and representative decisions on development and social inclusion, responding to the needs of each territory.</p>	The objective of economic and productive inclusion aligns with those of the bond that seeks to promote the development of social projects – mainly projects for vulnerable people.	     
National Gender Equality Policy Supreme Decree No. 008-2019-MIMP of April 04, 2019	<p>OP 1: Reducing violence against women.</p> <p>OP 2: Ensuring the exercise of women's rights to sexual and reproductive health.</p> <p>OP 3: Ensuring women's access and participation in decision-making spaces.</p> <p>OP 4: Ensuring the exercise of women's economic and social rights.</p> <p>OP 5: Reducing institutional barriers that hinder equality in the public and private spheres between men and women.</p> <p>OP 6: Reduce the incidence of discriminatory sociocultural patterns on the population.</p>	Women are part of the vulnerable population that would benefit from projects sought to finance with the bond. This aligns with the policy of ensuring women's access and participation in decision-making spaces and ensuring the exercise of women's economic and social rights.	     

<p>National Policy on Older Adults Law No. 28803- Law on Older Adults July 19, 2006</p>	<ul style="list-style-type: none"> • Improve the quality of life of the entire elderly population, regardless of age, sex, or ethnicity, in order to live a healthy aging process. • Promote the integral development of the elderly, providing opportunities for a dignified and independent life in the context of their families and their community. • Ensure the ideal health and social security services, decent housing, recreation, and culture. • Promote the formation of an awareness, culture and sensitivity about aging, old age, and respect for the dignity of older adults, leading to the elimination of discrimination. • Expand and strengthen the capacity for coordination and institutional management to respond to the problems of older adults, making rational and efficient use of the capacities of local governments, non-governmental agencies, and other civil society organizations. • The creation of a social environment conducive to older adults that enhance their development and promote the exercise of their rights. 	<p>Projects that finance improvements in housing and health align with the objective of the sustainable bond.</p>	   
<p>National Environmental Policy Supreme Decree No. 012-2009-MINAM of May 23, 2009</p>	<p>The overall objective is to improve people's quality of life, ensuring the existence of healthy, viable and functional ecosystems in the long term and the sustainable development of the country, through the prevention, protection and recovery of the environment and its components, the conservation and sustainable use of natural resources, in a manner responsible and consistent with respect for the fundamental rights of the person.</p>	<p>Policy Area No. 1: Conservation and Sustainable Use of Natural Resources and Biodiversity</p> <p>Policy Area No. 2: Integral Environmental Quality Management</p> <p>Policy Area No. 3: Environmental Governance</p> <p>Policy Area No. 4: International Environmental Commitments and Opportunities</p>	     

<p>National Environmental Education Policy Supreme Decree No. 017-2012-ED of December 29, 2012</p>	<p>Develop environmental education and culture oriented to fostering responsible environmental citizenship and a sustainable, competitive, inclusive Peruvian society.</p>	<p>Specific objectives:</p> <ol style="list-style-type: none"> 1. Ensure an environmental focus in educational processes and institutions - in its different stages, levels, modalities and forms. 2. Develop an Appropriate environmental culture in public and private activities. 3. Ensure interculturality and social inclusion in the processes and resources of education, communication and environmental interpretation. 4. Develop an informed environmental citizenry fully committed in the exercise of their environmental duties, rights and in their participation in sustainable development. 5. Ensure public accessibility of environmental information, as well as research in environmental education and culture. 	     
<p>National Financial Inclusion Policy -PNIF Supreme Decree No. 255-2019 - EF of August 5, 2019.</p>	<p>OP 1: Building greater confidence of all segments of the population in the financial system.</p> <p>OP 2: Having a sufficient and adequate supply of financial services to the needs of the population.</p> <p>OP 3: Mitigating frictions in the functioning of the market.</p> <p>OP 4: Developing telecommunications infrastructure and digital platforms to increase financial services coverage.</p> <p>OP 5: Strengthening institutional articulation mechanisms.</p>	<p>The need to develop telecommunications infrastructure and digital platforms to increase financial services coverage.</p>	     

National Competitiveness and Productivity Policy Supreme Decree No. 237-2019 - EF of July 28, 2019	OP 1: Provide the country with quality economic and social infrastructure	The proper provision of infrastructure drives competitiveness by 1. Connecting people 2. Reducing the effects of distance and time on operations and workers, 3. Increase information flows and 4. Enable the integration of domestic markets into global value chains	   
	OP 2: Strengthening human capital	For their full development, people require skills; skills that are acquired in all educational forms and levels and/or at work. The accumulation of these skills and competencies will determine their performance and income (productivity), as well as their ability to live in society and generate well-being at the aggregate level.	  
	OP 3: Developing capacity building for innovation, adoption, and transfer of technological improvements	Innovation is a key determinant for long-term economic growth, in association with the introduction of improvements in technology through new products, processes, marketing methods or organizational practices. Innovation is manifested through the adoption of existing technologies or creation of new knowledge.	
	OP 4: Boosting local and external financing mechanisms	Deeper and more efficient financial markets tend to increase competitiveness through reduction in acquisition costs, processing and production of information on investment options so that investors can allocate their resources in the most productive way.	   

National Competitiveness and Productivity Policy Supreme Decree No. 237-2019 - EF of July 28, 2019	OP 5: Creating the conditions for a dynamic and competitive labor market for decent job creation	Seeks to promote the connection of members of the work force with jobs where their skills can be trained and used optimally in conditions of decent employment.	 
	OP 6: Generating the conditions for developing a productive business environment	Encourages the insertion of companies in value production chains, thus allowing the transfer of technologies, skills and financial resources.	 
	OP 7: Facilitating the conditions for foreign trade of goods and services	Foreign trade has a positive impact on productivity through: <ul style="list-style-type: none"> • Specialization and efficient allocation of resources. • Greater diversity of goods and services, usually at lower costs. • Promotion of economies of scale. • Higher level of competition. • Transfer of technology and skills. • Higher levels of investment. 	
	OP 8: Strengthening the country's institutions	Institutions set the rules that underpin political, economic, and social interactions. By reducing uncertainty, institutions permit better entrepreneurship and investment decisions that can incentivize economic activity	  
	OP 9: Promoting environmental sustainability in the operation of economic activities.	The right one natural resource management is an important element for productivity development, because it prevents its extinction and minimizes environmental pollution. On the other hand, an environment free of pollution preserves human health, elevating their educational and employment opportunities. In addition, it contributes to the decrease in the effects of climate change: rising temperatures, water scarcity and extreme climates.	   

An aerial photograph of a vast, dense tropical rainforest. A winding river flows through the lower-left portion of the image, surrounded by lush green trees. In the background, rolling hills and mountains are visible under a hazy sky. A red rectangular box is overlaid on the right side of the image, containing the section header.

4. **Sustainable Bond Framework**

The Sustainable Bond Framework has been developed following the highest market standards. The eligible categories and expenditures established in the Framework are aligned with:

- ICMA Green Bond Principles 2021*
- Social Bond Principles 2021*
- Sustainability Bond Guidelines 2021*
- The United Nations Sustainable Development Goals

* Published by the International Capital Market Association (ICMA).

**In line with ICMA Sustainability Bond Guidelines,
the Framework has the following key pillars:**

1 Use of
Proceeds

2 Process for Project
Evaluation and Selection

3 Management
of Proceeds

4 Reporting and
External Review

The Sustainable Bond Framework establishes the obligations that the government, through the General Directorate of the Public Treasury, will comply with as the bond issuer.



Use of Proceeds

The proceeds obtained from any government issue under this Framework shall be allocated to finance new Eligible Green or Social Expenditures (as defined below) and/or refinance existing Eligible Green and/or Social Expenditures.

Under this Framework the Government of Peru may issue three types of bonds:

Green Bonds

Where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Green categories.

Social Bonds

Where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within the Eligible Social categories.

Sustainable Bonds

Where an amount equal to the net proceeds will be exclusively used to (re)finance eligible expenditures falling within both Eligible Green and Social categories.



Eligible Green and Social Expenditures are expenditures considered to meet the requirements of one of the defined sectors. They are aimed at promoting Peru's transition to a low-carbon, climate-resilient economy and sustainable development.

A. Exclusion List

Any project or expenditure associated with the following activities will be excluded from the eligible expenditures:

- Exploration and production of fossil fuels
- Energy generation exclusively based on burning fuels or hybrid plants with more than 15% fossil fuel support
- Construction of rail infrastructure to transport fossil fuels
- Generation of nuclear energy
- Electricity transmission infrastructure and electricity systems where an average of 25% or more is fossil-fuel-generated
- Industries for alcohol, arms, tobacco or gambling
- The production or trade of any product or activity that is considered illegal according to national laws or regulations or international agreements and conventions
- Deforestation or forest degradation, land use change
- Activities in protected areas or activities that violate indigenous peoples' rights

B. Eligible Social Expenditures

Definition of Target Beneficiaries

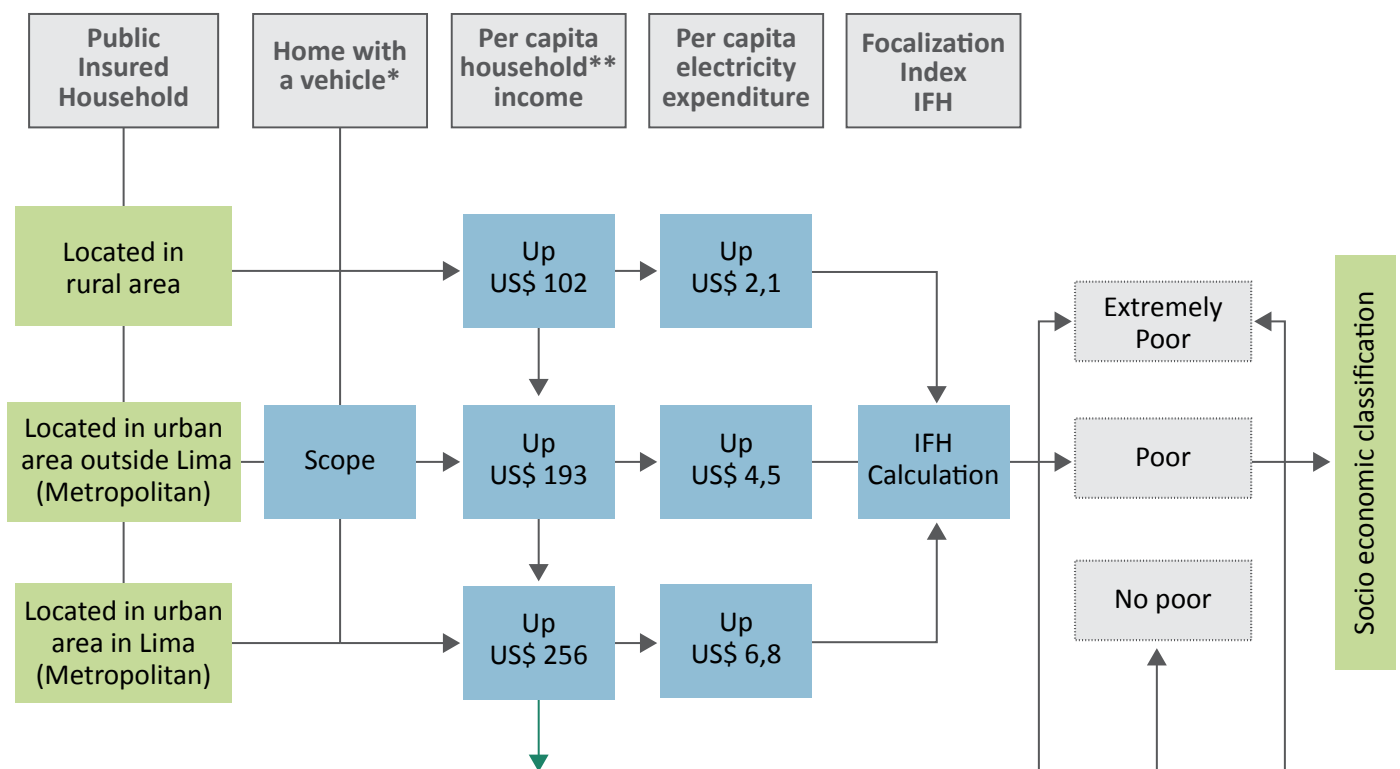
The definition and identification of vulnerable populations is conducted through the Household Targeting System (Sistema de Focalización de Hogares, SISFOH). The SISFOH is an intersectoral and intergovernmental system employed by the Government of Peru to identify vulnerable poor and extremely poor communities and prioritize public spending in alignment with the country's social targets.

The SISFOH utilizes a combination of socioeconomic, geographic and intervention-specific criteria to identify people, households and groups in situations of poverty, vulnerability or exclusion. The selection criteria and instruments to collect information for the SISFOH are found on the website of the Ministry of Development and Social Inclusion: <https://www.gob.pe/437-sistema-de-focalizacion-de-hogares-sisfoh>

Law 29911 of 2011 mandates the use of SISFOH for all social programs funded by the government. The SISFOH allows government agencies to access to up-to-date socioeconomic information of households and individuals throughout the country.

SISFOH employs a combination of socio-economic, geographical, and intervention-specific criteria to identify and categorize people, households and groups in situations of vulnerability or exclusion. The flowchart below outlines SISFOH's process and criteria employed to identify target poor and extremely poor target beneficiaries.

Graphic 1: Methodology for Socioeconomic Categorization
(Ministerial Resolution 184-2019-MIDIS)



* Head of household or partner/spouse

** Car, truck or a pick up no more than 10 years

Articulation of Initiatives

The Ministry for Development and Social Inclusion (MIDIS) has the National Strategy for Development and Social Inclusion: Inclusion for Growth, which has a life cycle focus.

This cornerstone strategy has five strategic areas: (1) Infant Nutrition, (2) Early Infant Development, (3) Integrated Development for Childhood and Adolescence, (4) Economic Inclusion and (5) Protection of the Elderly. This strategy seeks to integrate development and social inclusion policy with a results-based approach to management and the public policy framework for management: (a) planning, (b) execution, (c) follow up and evaluation, as related to the initiatives in each sector (health, education, etc.) as well as regional and local governments as it relates to the reduction of gaps.

As of mid-2021, MIDIS also has developed a new National Policy for Development and Social Inclusion, which will provide a strengthened framework for results-based social inclusion planning.

The National Strategy for Development and Social Inclusion: **"Inclusion for Growth"** has five strategic areas:

1. Infant Nutrition
2. Early Infant Development
3. Integrated Development for Childhood and Adolescence
4. Economic Inclusion
5. Protection of the Elderly



The Framework identifies three Eligible Social Expenditures aligned with the Social Bond Principles (2021):

1. Support for vulnerable groups and people in vulnerable situations (as defined by the SISFOH)
2. Access to affordable housing, education and essential health services
3. Support for MSMEs³⁰ and social programs to alleviate and/or prevent unemployment.




³⁰ The Government of Peru defines MSMEs based on their annual revenue:

- Microenterprise: annual revenue < 150 UIT
- Small enterprise: 150 UIT < annual revenue < 1,700 UIT
- Medium enterprise: 1,700 UIT < annual revenue < 2,300 UIT

As of May 2021, 1 UIT = 4,440 soles

Table 3: Eligible Social Categories

Eligible Categories	Eligibility Criteria	Social Benefits	Contribution to SDGs
Support for vulnerable groups and people in vulnerable situations ³¹	Financing of programs and projects to improve financial and social inclusion and access to essential services in alignment with public policies for poverty reduction.	Programs aimed at ensuring the well-being of girls, boys, young people, the elderly, and women, to ensure adequate care that is closely related to three factors: the achievement of economic security, access to health services, and housing and quality education. Therefore, these programs require intersectoral and intergovernmental efforts that reflect the timely articulation of effective interventions.	   
Access to affordable housing, education and essential health services ³²	<ul style="list-style-type: none"> Financing of programs and projects aimed at improving and/or increasing access to education, housing and health services for vulnerable groups. Financing for the acquisition, repair, expansion, improvement of social housing (via schemes such as capped rent/rent control and other affordable home schemes to support home ownership). Financing of programs aimed at improving the quality and access to basic, middle and higher education for vulnerable boys, girls and young people. Financing for the development of health programs for preventive and curative purposes associated with vulnerable groups. 	<ul style="list-style-type: none"> Increase the quality of and access to education, health and housing services to vulnerable groups. Promote equitable access to essential services without discrimination on the basis of gender, ethnicity, religion, socioeconomic class or others. 	    
Support for MSMEs and social programs to alleviate and/or prevent unemployment ³³	<ul style="list-style-type: none"> Loans or other financial support to MSMEs facing financial distress Lines of financing or other financial support to MSMEs that promote their competitiveness Financial support to promote employment of vulnerable people and groups 	<ul style="list-style-type: none"> Prevent and reduce unemployment. Strengthen support environment to MSMEs which represent 99.6%³⁴ of the country's economic units and predominant source of employment generation in 2019. 	  

31 According to the SISFOH definition. Relevant sectors: Health, Housing and Sanitation, Education, Agriculture, and Social Development and Inclusion.

32 Relevant sectors: Health, Education, Labor and Employment Promotion, Social Development and Inclusion, and Women and Vulnerable Populations.

33 Relevant sectors: Agriculture and Development, Environment, Production, Development and Social Inclusion, Labor and Employment Promotion, Energy and Mines, Foreign Trade and Tourism, Housing, Construction and Sanitation, Transportation and Communications, and Economy and Finance.

34 <https://ogeiee.produce.gob.pe/index.php/en/shortcode/estadistica-oe/estadisticas-mipyme>

C. Eligible Green Expenditures




The Sustainable Bond Framework identifies eight Eligible Green Categories relevant when classifying budgetary expenditures and which can be considered as eligible Green Expenditures.

Eligible Green Categories:




1 Green buildings	2 Renewable energy	3 Energy efficiency	4 Low carbon transport
5 Efficient and resilient water and wastewater management	6 Sustainable management of natural resources, land use and marine protected areas	7 Sustainable agriculture	8 Sustainable waste management



Table 4: Eligible Green Categories

Eligible Category	Eligible Expenditure	Environmental Benefits	Contribution to SDG	Alignment with Peru's NDC mitigation and adaptation measures
Green Buildings	<p>The financing and refinancing of expenditures related to:</p> <ul style="list-style-type: none"> i. Construction and modernization of public buildings, with a 30% minimum reduction in carbon emissions ii. Design, construction and maintenance of public buildings certified under the "LEED"³⁵, "EDGE", or "CERTIFICACIÓN LIVING BUILDING CHALLENGE" certifications iii. Costs associated with the modernization of existing public buildings to comply with one of the certifications recognized by this Framework, or to improve the current certification level within three years 	<ul style="list-style-type: none"> • Climate change mitigation • Energy savings • Water savings • GHG reduction 	  	ECE-19 Promotion of sustainable construction practices in new buildings

³⁵ LEED GOLD or above

Renewable Energy	<p>The financing and refinancing of expenditures related to:</p> <ol style="list-style-type: none"> Design, construction, operation, and maintenance of facilities that produce electricity from: <ol style="list-style-type: none"> Wind power³⁶, Solar PV³⁷, concentrated solar power and solar thermal Hydropower (below 25MW)³⁸, including pumped storage facilities Bioenergy³⁹ Geothermal⁴⁰ Transmission and distribution infrastructure supporting power generation systems eligible under this Framework Investments in solar/wind power projects (onshore) that include energy generation and storage (batteries) Training programs to increase technical knowledge in vocational education centers for renewable energy installations 	<ul style="list-style-type: none"> Climate change mitigation GHG reduction Long-term provision of low carbon Infrastructure Promote energy generation for renewable sources 	  	<p>ECE-1 Increase the share of renewable energy in the country's energy mix</p> <p>ECE-2 Promote with renewable energy solutions in areas currently not connected to the grid</p> <p>ECE-12 Promote distributed energy generation</p> <p>ECE-13 Replacement of boilers with solar thermal collectors</p> <p>ECE-23 Use of renewable energies and energy generation in sanitation services systems</p>
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36 Wind installations must not have more than 15% of the electricity generated from non-renewable sources. Expenditures related to the production of electricity from wind power will be considered eligible only when ensuring recycling at end of life based on waste management plans, dismantling/decommissioning processes at time of decommissioning, for example through contractual agreements.

37 Solar installations must not have more than 15% of the electricity generated from non-renewable sources. Expenditures related to the production of electricity from Solar PV will be considered eligible only when ensuring durability and easy dismantling and reparability through accessibility and exchangeability of the components, refurbishment, and recycling, for example through approved sourcing or certifications.

38 Facilities are operating at life cycle emissions lower than 100gCO₂e/kWh

39 Biogas plants will be considered for bond issuance if they comply with an emissions threshold of 100g of CO₂e per kWh of energy generated. Eligible expenses meet three conditions:

- Facilities operate above 80% of GHG emissions-reduction in relation to the relative fossil fuel comparator
- Demonstrate woody carbon stocks maintained or enhanced
- For installations that produce electricity from biomass / biofuel, the electricity generated must have GHG emissions not exceeding 100gCO₂e / kWh




Eligible feedstock for the purposes of this Framework includes all feedstocks except:

- Wood (and all woody biomass)
- Third generation biofuels
- Biodegradable Municipal Solid Waste, including sewage sludge and food waste




For Crop-based Feedstock related criteria will be considered eligible only if accompanied with traceability confirming its environmentally sustainable management or origination aligned with the best practices but not limited to certifications like RSB/ISSC EU/BONSUCRO/ RTRS. We are considering accepting future certifications that may emerge in line with market standards and meets the criteria described in the certifications listed above. Biofuel feedstock production is not allowed in high biodiversity areas.

40 Eligible expenditures need to meet two conditions:

- An assessment of the product's carbon footprint has been conducted and life cycle impacts have been demonstrated to be less than 100gCO₂e / kWh;
- The gas source is renewable



Energy Efficiency	<p>The financing and refinancing of expenditures related to energy efficiency measures in buildings and public spaces. Eligible expenditures include⁴¹:</p> <ul style="list-style-type: none"> i. Installation of energy efficient appliance and lighting including the replacement of existing street lighting system with new efficient lighting appliances and systems (e.g., replacement with LEDs) ii. Investments in energy efficiency in public buildings which result in savings higher than 20%: including (but not limited to) retrofit, thermal insulation and/or upgrades of air-conditioning systems iii. Subsidies dedicated to energy efficiency improvements in housing, including (but not limited to) a) improvements on houses' insulation, b) air-conditioning, c) solar heating systems, d) photovoltaic systems iv. Subsidies dedicated to energy efficiency improvements in MSMEs, including (but not limited to) a) improvements on insulation, b) air-conditioning, c) refrigeration systems, d) solar heating systems, e) photovoltaic systems v. Training programs to increase technical knowledge in vocational education centers for energy efficiency audits and installations 	<ul style="list-style-type: none"> • Climate change mitigation • Energy savings • GHG reduction 	  	<p>ECE-5 Replacement of High-Pressure Sodium Vapor (VSAP) street lighting lamps with LED lamps</p> <p>ECE-8 Replacement of low-efficiency lamps with LED lamps in public buildings</p> <p>ECE-10 Promote energy efficiency measures in the industrial sector</p> <p>ECE-11 Promote energy efficiency measures in the commercial sector</p> <p>ECE-17 Promote energy efficiency measures in the cement production processes</p> <p>ECE-18 Promote energy efficiency measures in the manufacturing and industrial sectors</p> <p>ECE-20 Promote energy efficiency in sanitation services systems</p>
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41 Energy efficiency measures on motorized equipment powered by fossil fuels are not considered eligible expenditures.




<p>Low carbon transport</p>	<p>The financing and refinancing of expenditures related to:</p> <ul style="list-style-type: none"> i. Design, construction, operation, and maintenance of public transport programs and projects with zero direct emissions land transport activities, including: <ul style="list-style-type: none"> • Metro lines: new lines, expansion • Light rail transit • Electric buses • Tram, trolleybus, bus and rail • Trains ii. Other public fleets with direct emissions below 50gCO₂/pkm⁴² (e.g., newly publicly procured cars and vans) iii. Design, construction, operation, and maintenance of infrastructure for low carbon transport, including: <ul style="list-style-type: none"> a. Infrastructure required for zero direct emissions transport (e.g., electric charging points, electricity grid connection upgrades, hydrogen fueling stations or electric highways) b. Infrastructure and equipment (including fleets) for active mobility (walking, cycling, e-bikes and e-scooters) c. Infrastructure that is predominantly used for low-carbon transport⁴³ d. Intermodal infrastructure to connect different means of clean public transportation, monitoring and control systems, passenger safety systems and infrastructure along with bicycle paths and parking iv. Subsidies or incentives to promote public transport v. Training programs to increase technical knowledge in vocational education centers in low carbon transportation 	<ul style="list-style-type: none"> • Climate change mitigation • Greenhouse gases reduction through the promotion of low carbon mean of transportation • Air quality improvement • Promote the transition to low-carbon transportation 	  	<p>ECM-27 Implementation of Lines 1 and 2 of the Lima and Callao Metro</p> <p>ECM-28 Promotion of Natural Gas Vehicles (NGV) for light vehicles</p> <p>ECM-29 Promotion of cleaner fuels</p> <p>ECM-30 Promotion of electric vehicles</p> <p>ECM-33 Development of National Sustainable Urban Transport Program</p>
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⁴² Load factor of one passenger per vehicle

⁴³ Only infrastructure that is essential for the operation of the transportation service will be considered. Investments will not be used to finance or refinance infrastructure dedicated to fuel transportation.

Resilient and efficient water and wastewater management	<p>The financing and refinancing of expenditures related to the design, construction, operation, maintenance, enlargement, and adaptation for the efficient and sustainable management of water and wastewater and to ensure reliable supply of water, including:</p> <ol style="list-style-type: none"> Infrastructure and systems that improve the efficient and sustainable management of water and urban wastewater in accordance with the requirements and objectives of the National Strategy for the Improvement of the Quality of Water Resources⁴⁴, excluding any wastewater related to fossil fuel activities (i.e., fracking) Wastewater management: installation or improvement of wastewater infrastructure, including transport, treatment and disposal systems Conservation of water resources: including protection of water catchments and prevention of pollution affecting water supplies Defense systems against river floods accompanied by supporting vulnerability assessment and adaptation plan, including the construction of reservoirs to control water flows Monitoring systems, including: smart networks, early warning systems for droughts and floods, and water quality monitoring systems (e.g., remote water quality/ quantity monitoring systems, stormwater warning systems, floodwater warning systems, dam failure warning systems) Training programs to increase technical knowledge in vocational education centers in water and wastewater management 	<ul style="list-style-type: none"> Promote the conservation of water resources Climate change adaptation Water savings 	 	<p>AGU-5 Technical assistance and capacity building to agriculture producers for the sustainable use of water</p> <p>AGU-11 Increase water availability in urban areas vulnerable to climate change</p> <p>AGU-13 Expansion, optimization and/ or improvement of drinking water supply</p> <p>AGU-15 Implementation of redundant infrastructure in water supply systems</p> <p>AGU-24 Implementation of water saving technologies in urban areas</p> <p>AGU-28 Implementation of water quality monitoring and surveillance systems</p> <p>AGU-30 Implementation of information services for improved planning and management of water resources</p> <p>DES-8 Treatment and use of wastewater</p>
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44 <http://repositorio.ana.gob.pe/handle/20.500.12543/210>

<p>Sustainable management of natural resources, land use and marine protected areas</p>	<p>The financing and refinancing of expenditures related to sustainable management, care, protection and restoration of natural resources, biodiversity and marine protected areas. Eligible expenditures include:</p> <ul style="list-style-type: none"> i. Sustainable forest management: commercial management of natural forests in a sustainable manner for wood production⁴⁵ ii. Programs for conservation and restoration of native and exotic forests⁴⁶ iii. Management and maintenance of National Parks and Conservation Areas⁴⁷ iv. Protection and restoration of terrestrial and inland freshwater ecosystems, biodiversity, habitats and soil and their services v. Protection and oversight for protected marine areas (including research) 	<ul style="list-style-type: none"> • Climate change mitigation • Conservation and sustainable use of terrestrial ecosystems • Conservation of biodiversity and protection of terrestrial and marine ecosystems 	  	<p>USCUSS-1 Sustainable Forest Management in forest concessions</p> <p>USCUSS-2 Community Forest Management</p> <p>USCUSS-3 Forest Conservation Mechanisms in Native Communities</p> <p>USCUSS-6 Promote commercial forest plantations</p> <p>USCUSS-7 Promote forest plantation to restore forest ecosystems</p>
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⁴⁵ Compliance with this criterion must be demonstrated via FSC or PEFC certification.

⁴⁶ Compliance with this criterion must be demonstrated by a Sustainable Management Plan or via FSC or PEFC certification

⁴⁷ Compliance with this criterion must be demonstrated by a Sustainable Management Plan or via FSC or PEFC certification

<p>Sustainable agriculture</p>	<p>The financing and refinancing of expenditures related to:</p> <ul style="list-style-type: none"> i. Agriculture inputs, including seeds and fertilizers for agriculture practices deemed eligible under this Framework (excluding inorganic and synthetic fertilizers)⁴⁸ ii. Agricultural production under agroforestry system with supporting forest management plan in place iii. Agriculture monitoring, information and data management systems and software (such as weather monitoring stations for sustainable agriculture practices deemed eligible under this Framework) iv. Drip-irrigation systems v. Irrigation systems with superior water efficiency compared to existing systems and practices 	<ul style="list-style-type: none"> • Climate change adaptation • Climate Change mitigation • Greenhouse gas reduction • Increased ecosystem resilience 	<div data-bbox="1050 248 1166 360"> <p>3 GOOD HEALTH AND WELL-BEING</p>  </div> <div data-bbox="1050 383 1166 495"> <p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  </div> <div data-bbox="1050 517 1166 629"> <p>13 CLIMATE ACTION</p>  </div> <div data-bbox="1050 651 1166 763"> <p>15 LIFE ON LAND</p>  </div>	<p>AGU-2 Implementation of interventions for the sowing and harvesting of water</p> <p>AGU-3 Implementation of infrastructure for transmission, distribution and application of irrigation</p> <p>AGRI-3 Implementation of pasture management techniques through silvopastoral systems to reduce GHG in the rainforest</p> <p>AGRI-4 Conversion of rice cultivation to other permanent crops</p> <p>AGRI-5 Intermittent flood irrigation systems in rice cultivation to reduce GHG</p>
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⁴⁸ Provided a nutrient management plan is in place that identified the right rate of N fertilizer use. The word "right" in this category refers to producing the lowest emissions possible while maintaining productivity.

Sustainable waste management	<p>The financing and refinancing of expenditures related to:</p> <ul style="list-style-type: none"> i. Design, construction, operation, and maintenance of facilities for the collection, classification, sorting and disposal of non-hazardous waste with the aim of preparing for reuse and/or recycling ii. Purchase, operation and maintenance of waste collection vehicles (provided that they satisfy the criteria for Low Carbon Transport as defined by this Framework) iii. Facilities processing food and/or green/garden/yard waste to produce compost for agricultural, municipal or consumer applications with zero measurable methane emissions iv. Projects to capture biogas from closed landfill facilities⁴⁹ 	<ul style="list-style-type: none"> • Circular economy • Greenhouse gases reduction • Air quality improvement 	 	<p>DES-2 Segregation of organic solid waste for its material recovery in composting plants</p> <p>DES-3 Construction of landfills with centralized biogas capture and burning</p> <p>DES-4 Capture and energy valorization of biogas generated in landfills</p> <p>DES-6 Coverage of anaerobic lagoon for methane capture and burning</p>
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⁴⁹ Provided that the following conditions are met:

1. Gas capture $\geq 75\%$
2. Gas is used to generate electricity and/or input to the natural gas grid and/or used as vehicle fuel

D. Legal Framework for Sustainable Bond Issuance

Legal Framework for Bond Issuance

The process of the issuance of sustainable bonds takes place in the framework of the Legislative Decree No. 1437 of the National System for Public Debt, which establishes the undertaking of public debt operations and public debt management operations are subject to the principles of capacity for payment, efficiency, prudence and transparency and predictability. This law also establishes the General Directorate of the Public Treasury of the Ministry of Economy and Finance as the Steward of the National Debt System. The purview of the entities subject to the Legislative Decree No. 1437 can be found in Annex.

Sustainable Bond issuances are subject to conditions established in the Regulation of the Market Makers Program or any mechanism that substitutes it, and in the Regulation of Sovereign Bonds that are in effect at the moment of their issuance, as well as the conditions established in the legal norms that approve the aforementioned bond issuances.

Complementary Legal Framework

Projects financed by the issuance of Sustainable Bonds take place in the framework of the Directive 001-2019-EF/63.01, the General Directive for the National System for Multiannual Programming and Investment Management, whose Chapter 2 includes corresponding material on the Multiannual Investment Programming Phase of the (overall) Investment Cycle⁵⁰.

The National System for Multiannual Programming and Investment Management (INVIERTE.PE), governed by Legislative Decree No. 1252 has the following guiding principles:

- a. Multiannual investment programming should be undertaken considering its principal objective of closing gaps in infrastructure or access to public services for the population.
- b. Multiannual investment programming links national, regional and local objectives established in strategic planning in the framework of the National System of Strategic Planning with the prioritization and multiannual allocation of public funds in the budgeting process that is implemented in accordance with the projections of the Multiannual Macroeconomic Framework.
- c. Public funds for investment are linked to the effective provision of services and infrastructure needed for the development of the country with a territorial approach.
- d. Investment Funds allocated to investments should seek to maximize positive impact on society
- e. Investment should be programmed bearing in mind the supply of resources for their execution and their appropriate operation and maintenance in the context of the Investment Cycle.
- f. Investment management should be undertaken applying mechanisms that promote greater transparency and quality through competition.

⁵⁰ Article No. 10- Criteria for multiannual investment programming, Article No. 11. Elaboration and approval of indicators of infrastructure gaps and access to public services and in Chapter IV of the Operational Phase of the Investment Cycle and Article No. 42 on the ex-post evaluation of investments.

Process for Project Evaluation and Selection

As part of the process to determine the eligibility, evaluation and selection of the projects and expenditures, the Ministry of Economy and Finance defines and leads the Governance Structure for Sustainable Bonds with the objective of supervising the full implementation of this Sustainable Bond Framework, including the allocation of funds raised for financing the eligible projects and expenditures and consolidate the submission of reports to investors, as defined in the Management of Income and Reports and External Review.

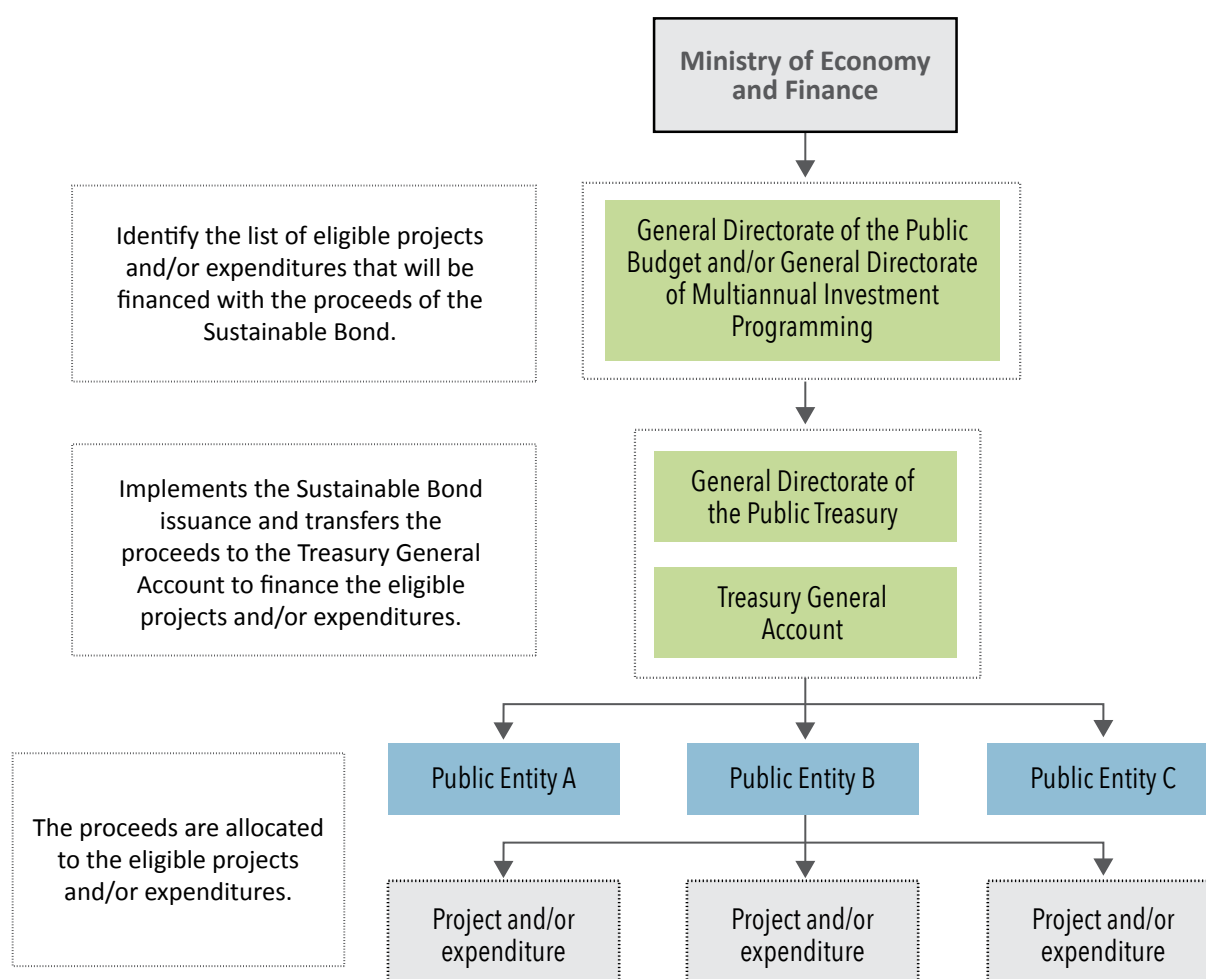
The process of evaluation and selection of projects and expenditures requires the participation of the General Directorate of Multiannual Investment Programming and/or the General Directorate of Public Budget to prepare the list of eligible projects and expenditures identified as a result of the multiannual investment planning process and/or that are part of the formulation of the public budget. Public entities involved in the process include those at the three levels of government (national, regional and local), both financial and non-financial.

The list of projects and expenditures is submitted to the General Directorate of the Public Treasury of the Ministry of Economy and Finance for inclusion in the database of green and/or social projects and expenditures that meet the criteria and objectives established in the section on the Use of Resources. These projects and expenditures are apt for financing with the resources obtained from the issuance of green, social and/or sustainable bonds.

The public entities whose eligible projects and expenditures were financed by green, social and/or sustainable bond emission, will submit all documentation requested by the Ministry of Economy and Finance, as well as any other additional required information.

Figure 2:

Identification of Eligible Projects and/or Expenditures and Allocation of Financial Resources



The Ministry of Economy and Finance shall be responsible for the following:

- Review, validate and select eligible green and social projects and expenditures as established in the section on the Use of Proceeds
- Coordinate with appropriate general directorates or other entities regarding the eligibility of projects and ensure the availability of impact information ex-ante and post-issuance in order to comply with the requirements related to presentation of reports described in the Reports and External Review section.
- Supervise the allocation of funds for eligible projects and expenditures
- Manage any future update of the Framework
- Coordinate the preparation of reports as described in the Reporting and External Review section.



If a project and/or expenditure contemplated in the bond is involved in any activities included in this Framework's Exclusion List, the corresponding project and/or expenditure shall be withdrawn for the bond by decision of the Ministry of Economy and Finance.

A. Environmental and Social Risk Mitigation

All projects financed by the sustainable bonds issued under this Framework will comply with Peru's National Environmental Impact Assessment System (SEIA in Spanish).

This system is the main way in which Peru manages social and environmental risk for all investment projects, including those financed by the public sector. Mandated and defined by Law No. 27446, the SEIA requires that all projects that might cause significant environmental damage to prepare Environmental Studies (ES). The Law states that prior to any project authorization from the relevant ministry, corresponding measures must be put in place to guarantee the protection of nature, natural resources and/or affected communities. The entity(ies) leading the investment project must develop the ES, which will be carried out by specialists registered in the National Registry of Environmental Consultants administered by the National Service of Environmental Certification for Sustainable Investments (SENACE in Spanish), and are subject to supervision by the Environmental Control and Evaluation Agency (OEFA in Spanish).

Depending on a project's environmental and social risk level, the OEFA may mandate the completion of Environmental Impact Assessment (EIA), when the estimated environmental and social impact is high or moderate, or Environmental Impact Statements (EIS) when the estimated environmental and social impacts is minimal. The EIA and EIS include measures for the prevention, mitigation, remediation, and compensation of the environmental and social impacts of the projects that are mandatory and subject to strict supervision by the OEFA.

In accordance with the Regulation of the SEIA Law, any reference to environmental impact within the framework of the SEIA includes the related social impacts, in which the necessary measures must be considered corresponding to each investment project. This ensures adequate social management, process transparency, conflict prevention, as well as prevention, control, mitigation and eventual compensation and indemnification for the social impacts that may occur⁵¹.

Once completed, the ES are rigorously evaluated by SENACE, an entity with technical, functional, and budgetary autonomy, or through the ministries, depending on the sector or the category of the environmental study. Upon completion of the evaluation, the government awards a certification if the ES is approved. The evaluation includes an ample process of citizen participation, with emphasis on citizens in the areas of influence of the project, as well as indigenous peoples. A project may only be undertaken once it receives its environmental certification (approval of the EIA).

51 https://cdn.www.gob.pe/uploads/document/file/309873/Identificacion_y_Caracterizacion_de_Impactos.pdf (p.10)



Management of Proceeds

This Framework establishes a general approach applicable to future issuances. The Ministry of Economy and Finance will guarantee that an amount at least equivalent to the Green, Social and/or Sustainable Bond's proceeds will be allocated to financing and/or refinancing of projects and/or expenditures that fulfill the eligibility criteria defined in Section I: Use of Proceeds.

Pending full allocation, the proceeds from bond emissions undertaken will be managed by the General Directorate of the Public Treasury in the Treasury General Account in accordance with the Government of Peru's regulatory framework and treasury policies. The Ministry of Economy and Finance guarantees that allocation of the proceeds does not permit the same project to be counted twice.

In the context of this Framework, expenditures shall include recent expenditures (all expenses incurred in the three preceding fiscal years, considering the current credit amount available at the time) and Current Expenditures (all expenditures to be made in the current fiscal year) and, if necessary, could also include future expenditures (in other words, to be made in coming years). The Ministry of Economy and Finance intends to allocate the proceeds of the Green, Social and/or Sustainability Bond at the earliest convenience and in any case commits on a best effort basis to reach full allocation of the bond proceeds.

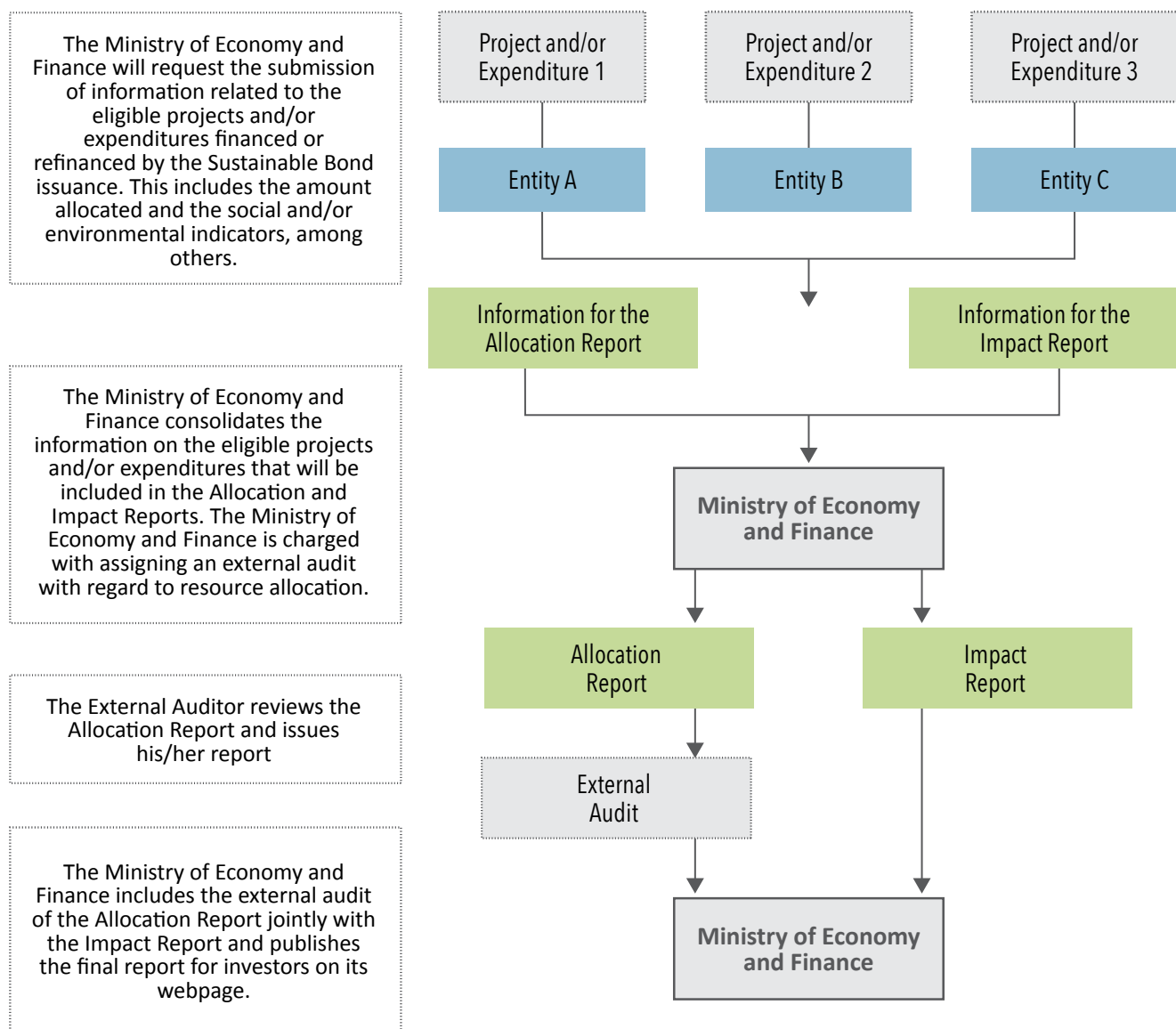
In the event where some projects and/or expenditures initially included in an issuance no longer fulfills the eligibility criteria of this Framework due to changes in its nature or its execution, the expenditures financed or refinanced will not be counted toward the specific bond in question. The Ministry of Economy and Finance will reallocate on a best effort basis the proceeds to other eligible expenditures which are compliant with the Eligibility Criteria as described in the Use of Proceeds section as soon as reasonably practicable.

Reporting and External Review

The Ministry of Economy and Finance is responsible for providing an Allocation Report to investors along with an Impact Report during the period of the validity of the amount in circulation for all the bonds issued under this Framework.

This information will be published on the website of the Ministry of Economy and Finance (<https://www.gob.pe/mef>). The first report will be published during the year following the issue and will include information available at the time. Figure 3 below details the process for report development.

Figure 3: Reporting Process



A. Impact Report

As long as the Sustainable Bond remains in effect, and to the extent possible, the Ministry of Economy and Finance will publish an annual impact report. The Ministry of Economy and Finance shall be responsible for consolidating information regarding social and environmental indicators that the public entities must report with respect to the selected projects with allocated bond resources. When available information permits, the Impact Report may include the following:

- The expected impact of projects and expenditures
- The methodologies and assumptions used to prepare the impact indicators.

At least one indicator for each eligible category will be reported. The indicator will be equal or similar to the examples provided in the tables below:

Table 5: Social Impact Indicators

Eligible Social Categories	Impact Indicators
Support for vulnerable groups and people in vulnerable situations	<ul style="list-style-type: none"> • Number of total beneficiaries disaggregated by gender and age • Number of beneficiaries for each program being implemented • Number of beneficiaries living in poverty • Number of beneficiaries living in extreme poverty
Access to affordable housing, education and essential health services	<ul style="list-style-type: none"> • Number of jobs created as related to education, housing and health infrastructure • Number of beneficiaries disaggregated by gender • Number of beneficiaries disaggregated by level of education • Number of homes built, disaggregated by new or improved homes • Number of beneficiaries disaggregated by type of hospital network
Support for MSMEs and social programs to alleviate and/or prevent unemployment	<ul style="list-style-type: none"> • Number of MSMEs supported by public programs • Number of women-led MSMEs supported • Number and value of publicly financed loans to MSMEs • Number of jobs created as related to MSME competitiveness programs

Table 6: Environmental Impact Indicators

Eligible Green Categories	Impact Indicators
Green Buildings	<ul style="list-style-type: none"> • Estimated ex-ante annual energy savings (in MWh) • Annual GHG emissions in tons of CO2 equivalent avoided • Number of buildings which have obtained one of the certifications recognized by this Framework • Number of studies completed
Renewable Energy	<ul style="list-style-type: none"> • Installed renewable energy capacity (in MW) • Annual renewable energy generation (in MWh) • Estimated ex-ante annual energy savings (in MWh) • Estimated annual GHG emissions reduced/avoided (in tons of CO2 equivalent) • Number of people who benefitted from training programs • Number of studies completed
Energy Efficiency	<ul style="list-style-type: none"> • Number of energy efficiency equipment and appliances installed • Estimated ex-ante annual energy savings (in MWh) • Estimated annual GHG emissions reduced/avoided (in tons of CO2 equivalent) • Number of households/people/MSMEs with access to energy efficiency systems and appliances • Number of people who benefitted from training programs • Number of studies completed
Low carbon transport	<ul style="list-style-type: none"> • Number of low carbon vehicles deployed by type of transport (e.g. number of trains/buses) • Number of users served • Number of vehicles replaced by hybrid, electric or natural gas vehicles • Estimated annual GHG emissions reduced/avoided ((in tons of CO2 equivalent/ passenger * kilometer) • Estimated annual PM 2.5 emissions reduced/avoided ((in tons of PM 2.5) • Number of people who benefitted from training programs • Number of new electric trains lines/bus lines/metro lines created/maintained • Number of studies completed
Efficient and Resilient Water and wastewater management	<ul style="list-style-type: none"> • Volume of water collected and / or treated (m3) • Increase water efficiency of systems (% reduction in water consumption/loss) • Number of users with access to clean drinking water • Annual volume of clean drinking water in m3 supplied for human consumption • Other relevant indicators based on the projects considered • Number of people benefited by training programs • Number of efficient pumps installed • Km of new water pipes installed • Number of new reservoirs / flood defenses built • Number of studies completed

Sustainable management of natural resources, land use and marine protected areas	<ul style="list-style-type: none"> • Area of land or ocean conserved/recovered (km2) • Area (km2) of marine/forest reserves under active monitoring • Number of climate observation stations installed • Number of studies completed • Number of people who benefitted from training programs
Sustainable agriculture	<ul style="list-style-type: none"> • Area (hectares) cultivated with agroforestry and / or silvopastoral systems • Area (hectares) of plantations and natural forest under active monitoring • Area (hectares) cultivated with drip irrigation system • Area (hectares) cultivated with organic fertilizers • Area (hectares) of rice converted to other crops • Number of people benefitted by the training programs • Number of studies completed
Sustainable waste management	<ul style="list-style-type: none"> • Number of waste treatment plants built • Tons of waste collected, classified and recovered • Tons of recycled waste • Number of people benefitted by the training programs • Number of studies completed

B. Allocation report

The Ministry of Economy and Finance, through the General Directorate of the Public Treasury, will provide information about the allocation of proceeds until complete allocation of funds, including:

- A brief description of the projects, expenditures and amounts disbursed
- Percentage of proceeds allocated per project or expenditure
- Percentage of proceeds allocated for financing and refinancing
- Remaining balance of unallocated proceeds
- Percentage of co-financing per project or expenditure (if applicable)

Confidentiality agreements or considerations of competition could limit the amount of details that can be disseminated may arise, in response to which the information would be presented in generic and/or aggregated terms.

Amendments to this framework

The Ministry of Economy and Finance reserves the right to modify this framework according to international best practices and Peru's international commitments.

Annex

Legislative Decree No. 1437 is applicable to the following Public Sector entities:

Non-Financial Public Sector	Financial Public Sector
a. Public Entities: <ul style="list-style-type: none"> i. Legislative, Executive and Judicial Branches. ii. Public Ministry, National Jury of Elections, National Office of Electoral Processes, National Registry of Identity and Civil Status, National Council of the Magistracy, Ombudsman's Office, Constitutional Court, Comptroller General of the Republic and Superintendence of Banking, Insurance and Private Pension Fund Administrators iii. Public Universities iv. Regional Governments v. Local Governments vi. Other public agencies at the regional and local government levels 	a. Public Financial Enterprises: <ul style="list-style-type: none"> i. Public Financial Enterprises of the National Government, Regional Governments and Local Governments, outside the scope of FONAFE. ii. Public Financial Enterprises under the scope of FONAFE.
b. Non-Financial Public Enterprises: <ul style="list-style-type: none"> i. Non-Financial Public Enterprises of the National Government, Regional Governments and Local Governments, outside the scope of the National Fund for Financing the State's Entrepreneurial Activity (FONAFE) ii. Non-Financial Public Enterprises under the scope of FONAFE 	b. Other financial organizational forms that manage Public Funds
c. Other non-financial organizational forms that manage public funds, such as: <ul style="list-style-type: none"> i. Military Police Pension Fund ii. Social Health Insurance (EsSalud) iii. Public Funds Administrators 	





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