

MINISTRY OF ECONOMY AND FINANCE ("MEF") APPROVES THE DOCUMENT CALLED "PERU SUSTAINABLE BOND FRAMEWORK" ("Framework Document") TO IMPLEMENT THE ISSUANCE OF SUSTAINABLE SOVEREIGN BONDS

By Ministerial Resolution N° 221-2021-EF/52, published in the official gazette El Peruano on July 17, 2021, the MEF approved the aforementioned document, which establishes the framework under which green and social bonds or a combination of both (sustainable) shall be issued, in accordance with the provisions of the National Competitiveness and Productivity Plan, adopted by Supreme Decree N° 237-2019-EF, and the Comprehensive Assets and Liabilities Management Strategy 2021 - 2024, adopted by Ministerial Resolution N° 031-2021-EF/52, which provides for the issuance of a sovereign bond with social sustainability and governance criteria for the purpose of financing investment projects that meet the aforementioned criteria.

The Framework Document follows the principles and recommendations established by the International Capital Market Association - ICMA, for sustainable bond issues, according to which it is necessary to have an instrument that defines the terms under which the Republic of Peru shall carry out such issues, and that establishes, for example, the list of eligible expenses categories to which the resources from such issues may be directed.

According to the Framework Document, published in the Single Digital Platform of the Peruvian State (www.gob.pe) and in the Institutional Portal of the MEF (www.gob.pe/mef), the framework for the issuance of sustainable bonds has four main pillars: (i) use of resources; (ii) process for the evaluation and selection of the project to be financed; (iii) administration of the resources raised; and, (iv) reporting and external review: (i) use of resources; (ii) process for the evaluation and selection of the project to be financed; (iii) management of the resources raised; and, (iv) reporting and external review.

Regarding the use of the resources, it is established that they shall finance new eligible green or social expenses and/or refinance existing eligible green or social expenses, which may lead to the issuance of three types of bonds:

- a.** Green Bonds, which shall exclusively finance eligible expenses in the "Eligible Green Categories", defined in the document, linked to environmental care;

b. Social Bonds, which shall finance the same with respect to the "Eligible Social Categories", also defined therein, related to the achievement of social purposes such as support to vulnerable populations or in vulnerable situations, access to housing, education and health, and unemployment relief or prevention; or,

c. Sustainable Bonds, which shall exclusively finance eligible expenses related to both categories.

The Framework Document also expressly establishes the type of expenses that may not be incurred with such resources, related to activities that may generate a negative impact on the environment or at the social level.

The process of evaluation and selection of projects to be financed shall be the responsibility of the MEF, with the participation of agencies such as the General Directorate of Multiannual Investment Programming, the General Directorate of the Public Budget and the General Directorate of the Public Treasury. The public entities benefiting from the financing must also provide the information required. The projects to be financed must comply with the National Environmental Impact Assessment System established by Law N° 27446.

The resources raised with the aforementioned issues shall be administered by the General Directorate of the Public Treasury of the MEF, in the General Account of the Public Treasury, until they are invested in the projects to be financed. The MEF guarantees that an amount at least equivalent to the funds raised shall be invested in such projects.

Finally, the document provides that the MEF shall be responsible for providing investors with a Placement Report and an Impact Report during the life of the Bonds, which shall be published on its website.



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