Sustainable Development Mechanism (SDM)



Executed by:





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1. Background

The Sustainable Development Mechanism (SDM) is a technical document valued under universal economic precepts and executed by the Foreign Investment Company (FICO) which serves as a guide source of information to implement the Patrimonial Tittle under the Sustainable for Development Goal (SDG) for the indigenous communities of Fray Pedro, Sinchi Roca and Puerto Nuevo in Peru. Its implementation being affective after the evaluation of the Natural Capital in the area through the application of the Infinite Forest Carbon (IFC) methodology.

1.1. Infinite Forest Carbon - IFC

The IFC methodology works as a process that employs technical, statistical, and scientific assessments to quantify the carbon tonnage housed within primary forests. Following this evaluation, we issue financial instruments known as Patrimonial Titles. These titles, reflecting the assessed valuation, are subsequently introduced to the world's leading capital markets.

1.1.1. Assessment and certification

The IFC assesses and certifies the Natural Capital contained in tropical forests, which are voluntarily protected primarily by indigenous people. The certified process applied the Opportunity Cost as the economic principle to protect the ecosystem giving sustainability trough the commodities rather than its exploitation. The IFC is a disruptive methodology within the Capital Market being a milestone to develop cost-effective and sustainable mitigation projects.

1.1.2. Categorized as commodity.

The economic valuation comes from the tangible goods or goods that have a potential to grow along the years. Once the commodities are certified and acknowledge by the markets becomes a good which can be used for transactions in banking, finance and trade.

2. SDGs Patrimonial Titles

The SDGs Patrimonial Titles, representing economic assets, are structured in strict adherence to the guidelines settled by the United Nations and issued in accordance with the principles of the International Capital Market Association (ICMA). Guided by the principles of the Infinite Forest Carbon (IFC) methodology, they are linked by a technical report validating that the valuation of Natural Capital aligns with the UN's directives. This strategic alignment responds to the UN's call for countries to reshape their economies by creating innovative market mechanisms to finance the realization of the Sustainable Development Goals (SDGs). Notably, these titles are designed

not only to comply with the SDGs but also to safeguard Carbon Sinks in strict accordance with the SDGs' overarching proposals for economic, social, environmental, and human inclusion.

At their core, these titles emerge from the opportunity cost, symbolizing a profound respect for the ecosystem acknowledging the intrinsic value of ecosystems trough a commit to the environmental preservation and protection, against to short-term commercial gains as well as the impact caused by illegal mining, illegal logging and other types of crimes that affect the environment.

2.1. Framework

The SDG Patrimonial Titles are nominal, divisible, and transferable. They consist of two structural elements defined according to their functionality:

- a. <u>Volumetry</u> which integrates quantities of units determining the overall volume. This pertains to:
 - SDGs Impact: Consider the benefit represented by positive impacts on the framework of the Sustainable Development Goals that inspire it.
 - Commercial: Quantity of products considered commercially unexploited commodities.
 - Global Benefit: For carbon sinks and other greenhouse gases contained (Stock).
- b. <u>Value</u> calculated assuming the economic results if the territory had been commercially exploited. Generally, 5 commodities are proposed to calculate an average, but it may happen that there is some essential element that, due to its prevalence or value, defines the price as a single commodity.

2.2. Accreditation

The Infinite Forest Carbon (IFC) methodology is officially endorsed for scientific calculations (stored carbon) by the International Center for Leadership Training (CIFAL) Argentina of the United Nations Institute for Research and Training (UNITAR). The economic valuation is accredited for a fixed period of 30 years by the Embaixada do Clima, an observer member of the International Capital Market Association (ICMA).

2.3. Handling

Management of SDG Patrimonial Titles requires adherence to capital and financial market standards, though not environmental standards. However, the Voluntary Market accepts them as instruments to offset greenhouse gas emissions. Following a brief overview:

• **Patrimonial Titles SDGs:** Autonomous economic instruments capable of generating financial derivatives designed with a commitment to renounce the exploitation of the ecosystem.

- **Carbon Credits**: Exclusively environmental documents expressed in Greenhouse Gas Emission Retention Certificates.
- **Green Bonds:** Traditional debt instruments considered "green" because their environmental impact is the aim, regardless of their application.

2.4. Market dynamics

The market dynamics for Certificates or SDGs Patrimonial Titles, as financial instruments, extend far beyond those of carbon credits or traditional debt securities. These versatile assets are designed to fill buyer's specific needs and expectations, serving various purposes such as support, guarantee, and justification. Following illustrative examples:

2.4.1 Private Sector Bonds

SDGs Patrimonial Titles can find a place in the private market, guided by the following criteria:

- a. **Financial Assets for the Banking Sector**: Banks, as with other financial assets, can use it as an asset to positively balance their ties. This will allow them to have greater liquidity to invest in.
- b. **Liquidity to Capitalize:** Through a dematerialization process involving verification, validation procedures, product analysis, guarantee registration for traceability, the instrument becomes eligible to ascertain an estimated price (Loan to Value). This can then be monetized through a Repurchase Agreement (REPO) operation or bank credit, to have capital that generates profitability in the capital market.
- c. **Tokens:** projects, justifications, or underlying assets. The Titles strictly comply with the essential requirements by providing high-value inputs.
- d. **Guarantees for Legal and Financial Structures:** The Titles are used as a guarantee of bonds for tenders, support for financial operations, and others.
- e. **Environmental and Humanitarian Investment:** Depending on the jurisdiction, investments in environmental initiatives come with benefits such as tax exemptions, bonuses, and prizes.
- f. **Advertising:** Products designed with a focus on environmental protection, improvement of quality of life of vulnerable communities, claims of rights or any other humanitarian justification, are subject to high demand for promotional purposes.
- g. **Social and Business Responsibility:** The core tenet of Corporate Social Responsibility (CSR) is effective management to positively impact the environment. The investment

or donation for this type of project and humanitarian benefit of our proposal makes it susceptible to participate.

2.5. Categorization

Classification	The SDGs Patrimonial Titles obtained from Natural Capital are classified bases on technical parameters for the capital market suggested by the International Capital Market Association (ICMA) ¹		
Principles of Issuance	The issuance of the SDGs Patrimonial Titles is carried out aligned with the ICMA principles. ² Green Bonds: Major Green Bondd (GBP) Corporate Titles: Main Corporate Title (SBP) Sustainable Titles: Sustainable Titles Guidelines (SBG)		
Value	USD 3,048,501,317.59. The IFC methodology determines the value of Natural Capital.		
Use of funds	Structuring, implementation, and development of programs that meet to achievement of Sustainable Development Goals - SDGs		
Currency	USD - United States of America Dollars.		
Origin	Sustainable Development Mechanism (SDM) aligned to the Sustainable Development Goals (SDGs) – 2030 Agenda ³		
Methodology	IFC Infinite Forest Carbon – FICO S/A, & subsidiary Banco FICO de Carbono Florestal Ltda. IFC - Infinite Forest Carbon - Technical and statistical information on intangible productive proposals is tabulated horizontally with ecosystem preservation records to obtain real data of the environmental benefit to generate reference value ⁴		
Support	Impact of SDGs added to the reference calculation of the Carbon Stock, tons of greenhouse gases equivalent to the accumulated natural capital, retroactively and prospectively, as		

¹ International Capital Market Association.ICMA.<u>https://www.icmagroup.org/</u>

² International Capital Market Association.ICMA.<u>https://www.icmagroup.org/sustainable-finance</u>

³ United Nations. Department of Economic and Social Affairs. <u>https://sdgs.un.org/goals</u>

⁴ FICO.<u>https://ficoglobal.com.</u>

a basis for the application of the universal scientific unit of measurement (representation in t.GEE retroactive accumulated and future prospection, as a application of the universal scientific technical measurement.				
Fundamentals	SDGs Patrimonial Titles developed under the universal concept of Opportunity Cost, supported by environmental of the capital market, or whether, financial, environmental, and social assets that have certification, qualification, and corporate accreditation for the capital market.			

The asset generated is the result of local market studies where commercial options are evaluated between existing commodities (wood, ores, fruits, beaches, rivers, others) and potential commodities (agriculture, livestock, mineral extraction).

2.6. Accreditation

lssuer	FICO S/A		
Custody	CCS – Chamber of Custody & Settlement of Fico Forest Carbon Bank		
Certifier/evaluator	FICO S/A – Fico Forest Carbon Bank		
Accrediting entity	CIFAL Argentina-UNITAR. By virtue of the incorporation of SDGs into the corporative strategy of the project, the accreditation is attended by the Sustainability and Climate Finance Department ⁵ . Moreover, the entity member of the Taskforce on Nature-related Financial Disclosures (TNFD) forum ⁶ .		
ICMA observer	Embaixada do Clima – Excellence Center of ODS as a verifier. Member Observer of the International Capital Market Association (ICMA) ⁷		
Entity responsible for the certification of Natural Capital	Luciernaga Foundation		
Support entities	Embaxaida do Clima and Carbon Bank FICO		
Measurement	The IFC Methodology determines the setting of the volume of Ecosystems Payment Services using the Voluntary Market through the SDGs Patrimonial Titles coming from the primary		

 ⁵ CIFAL Argentina/UNITAR. <u>www.cifalargentina.org.</u>
 ⁶ Taskforce on Nature-related Financial Disclosures (TNFD). <u>https://tnfd.global/about/the-tnfd-forum</u>

⁷ International Capital Market Association. https://www.icmagroup.org/

	forests under the legal application of the Peruvian Easement Forest Law (Temporal or perpetual renounce). To its calculation is applicated the initial parameter from the anthropic year (1950) to the aim year (2050) trough software calculations realized under technical, scientific and statistical considerations.				
Principles	 ICMA has stablished the following principles: 1. Use of resources 2. Evaluation process and projects selection 3. Management of resources 4. Description of general principles to increase transparency and accountability. (i) Frameworks of social securities and (ii) external verification. 				
Classification	Securities or patrimonial certificates structured according to the new capital market mechanism, non-financial, generators of documentary financial credit derivatives (assets).				
Security and traceability	The SDGs Patrimonial Titles remains in custody of the Fico Forest Carbon Bank and are protected in the Digital Platform of the Chamber of Custody and Settlement (CCS - Chamber of Custody and Settlement) that guarantees transparency, traceability and monitoring in real time.				

2.7. Standard

The standard complies with the legal framework hold by the Green Ethics Compliance – GEC, which allows a program to be structure in accordance with the ethical principles of the International Capital Market Association (ICMA). The structuring is recorded trough an external verification process that carries out a limited security by performing the pre-issuance bonds instances and Monitoring Reports, bases on the non-binding standard ISAE 3000. In addition, the standards include compliance with the requirements of the regulatory framework:

• **Legality:** The authenticity of all legal documentation, including powers of attorney and authorization, has been audited and reviewed by the Legal Consortium for Native Forests, a legal entity in Peru led by Dr. Italo Bizerra Osorio, PhD.

Indigenous communities possess legal personality duly registered with the SUNARP (National Superintendence of Public Registries of Peru), under the following Registry Entries:

- 1. Fray Pedro: 11018153
- 2. Puerto Nuevo: 11005664
- 3. Sinchi Roca: 11012934
- **Legitimacy:** On behalf the indigenous people right to self-determination and under the accomplishment of the Indigenous and Tribal Peoples Convention (No. 169) as well

international treaties, the project recognizes the Communal Assembly as the supreme body of the Indigenous community.

Therefore, the project holds the approval of Communal Assembly that had been by a Notary Public sign and registered with the SUNARP (National Superintendence of Public Registries of Peru) with the following detail:

"a. Highlight Get Life as a trustee of the ecosystem rights of the forest on behalf of each indigenous community for the issuance of patrimonial assets. Its mandate holds the aim to preserve primary forest in natural conditions, providing conditions to avoid logging, deforestations and subsequent loss of territory and natural resources. Likewise renounce to develop, execute and/or allow extractive activities for a period of 30 years removable or perpetuity.

b. Authorize GetLife to take care of all the necessary steps for the issuance and certification of patrimonial assets." (annex 1)

- **Verifiability:** The IFC methodology, is conducted through an integral project formulation to a rigorous verification process by the legal, risk, and compliance departments of the Latin American Confederation COLAC. Furthermore, the compliance department of Latin Trust Fiduciary successfully executed its compliance processes throughout the year 2022.
- **Traceability:** SDG Patrimonial Titles employ a Blockchain system developed to enhance controls against double accounting risks, asset laundering, corruption, or any illegal or criminal use of financial instruments.
- **Achievement:** The International Center for Leadership Training, Luciérnaga Foundation, and the SDGs Center of Excellence have integrated a certification process that validates the program's alignment with the SDGs.

The process involves the application of verification protocols for legal, technical bases, and mechanisms used in the issuance of SDGs Corporate Securities or other instruments tackling its impact. This norm generates a feasibility study for the project, providing the necessary support for the financial instrument under the principles of environmental sustainability.

2.8. Justification

Aimed to contribute significantly to sustainable development by addressing key challenges related to climate change and environmental conservation, with a primary focus on the preservation of forests – crucial ecosystems that serve as carbon sinks. Highlight on playing a pivotal role in mitigating climate change and fostering biodiversity hand-to-hand with indigenous communities providing capacity-building initiatives and economic empowerment

opportunities for them, as well enabling them to actively participate in and benefit from sustainable forest management practices.

Moreover, under the consideration of the 17 SDGs, the project is strongly engaged to the following:

- 1. Climate Action (SDG 13): The project actively participates in climate action efforts, contributing to the global response against climate change. By prioritizing forest preservation and sustainable management, the initiative directly supports SDG 13 and promotes practices that reduce greenhouse gas emissions.
- 2. Life on Land (SDG 15): The preservation of forests, a key component of the project, aligns with SDG 15 by promoting life on land. This includes safeguarding biodiversity, protecting indigenous flora and fauna, and respecting the delicate balance of ecosystems.
- 3. Equitable Partnerships (SDG 17): The project actively embraces partnerships with indigenous communities, local organizations, and relevant stakeholders, ensuring that the planning, implementation, and benefits of the project are equitable and inclusive.

The IFC methodology ascribes economic value to primary forests, classifying them under the category of Well Supreme Planetarium, acknowledging their role as an ecosystem service attached to economic assets. This classification distinguishes the forest's value by emphasizing intangible usage factors.

2.9. Transparency and accountability

The administration of resources, ensuring the effective and transparent development of projects, is facilitated through the implementation of a Money Flow system utilizing the Trust-Fiduciary structure. This process is subject to rigorous supervision by globally recognized auditing entities, ensuring a world-class standard of transparency and accountability.

3. Addressing Peruvian Indigenous Communities

In Peru there are 4 million indigenous peoples in Peru, comprised by some 55 groups speaking 47 languages⁸. While their territory is surrounded by the enormous diversity of flora and fauna. According to the FAO, Peru has around 72 million hectares of forested land which constitutes to 56% of the total land area⁹.

Due the lack of intercultural policies to address the Indigenous Communities by the State, those faces social and economic challenges. For example, due extractives activities more than 20% of the national territory is covered by mining concessions, which overlap with 47.8% of the territory of the peasant communities. In the Peruvian Amazon, hydrocarbon concessions cover 75% of the region, affecting almost all villages¹⁰ and their livelihoods.

On this regard, Get Life is aimed to enhance the quality of life and living standards of families residing in Indigenous Communities, while respecting and bolstering their indigenous modes of production, social structures and cultural heritage. The objective is to fortify self-governance, communal well-being, sustainable livelihoods, and community stewardship of their assets within a framework of balanced and sustainable progress.

3.1. Our work within the indigenous communities "Puerto nuevo", "Fray Pedro Rio" and "Sinchi Roca"

Region	Indigenous	Hectares	Gob. Resolution	No. SUNARP -	Community Chief
	Community			Perú	
Loreto	Fray Pedro	192.696	262-2006-GR-	No. 11058272	Tito Fasabi Arriaga
			DRA-L		
Ucayali – Huanuco	Puerto	68.924	0244-93-AG	No. 40001483	Nefi Abraham
	Nuevo				Bolivar Boncano
Ucayali – Huanuco	Sinchi Roca	27.116	537-86-GR-DRA-L	No. 40007381	German Guerra
					García
Total		288.736			

General Information of Indigenous communities

According to the national law and international treatments (OIT 169), GET LIFE EIRL holds in its mandate the capacity to find external resources in the trade market to protect the forests of detailed indigenous communities while improving the quality of life of them.

⁸ IWGIA. https://www.iwgia.org/en/peru.html

⁹ Timber Trade Portal.https://www.timbertradeportal.com/en/peru/96/country-context

¹⁰ UN.The Indigenous World 2023.

3.2. Empowerment and Sustainable Development Initiatives for Indigenous Communities

3.2.1. Objectives of the project

- Empower Indigenous Community organizations. Optimize the utilization of communal natural resources. Foster mechanisms to bolster social and productive endeavors. Establish fundamental social amenities and infrastructure encompassing education, healthcare, housing, potable water, and sanitation.
- Safeguard community forests through the establishment of forest management units dedicated to both production and conservation, ensuring the preservation of developmental alternatives.
- Provide support for community initiatives aimed at preserving traditional cultural values and customs.

3.2.2. Specific actions in the project

a. Strengthening of Organizations

Objective: Enhance the capacity for self-management and adaptation of Indigenous communities to evolving socio-economic conditions.

Activities:

- Conduct governance training sessions to improve communication, relationships, and leadership.
- Strengthen and modernize community document information centers.
- Establish operational and coordination units to facilitate project management and execution.

b. Protection of Indigenous Territories

Objective: Secure Indigenous territories through improved sanitation, delineation, and technological surveillance

Activities:

- Plan sanitation and territorial adjudication processes.
- Organize community surveillance using modern technology.
- Coordinate closely with other projects to ensure effective protection and utilization of resources.

c. Sustainable Use of Natural Resources

Objective: Analyze socio-economic conditions and optimize natural resource utilization for community development.

Activities:

- Assess community socio-economic situation and resource usage.

- Introduce sustainable production methods and technologies.
- Explore alternative income-generating options such as ecotourism and crafts.

d. Instruments to Support Production and Social Development

Objective: Provide financial support for productive and social activities within Indigenous communities.

Activities:

- Facilitate credit actions for productive purposes and housing improvement.
- Improve marketing, transportation, and communication infrastructure.
- Empower communities to access resources and opportunities for development.

e. Education and Culture

Objective: Implement an educational model to improve quality of life and preserve cultural identity.

Activities:

- Conduct adult literacy programs and teacher training.
- Establish distance education schools and distribute pedagogical materials.
- Support preservation of traditional cultural practices and intercultural education.

f. Health and Sanitation

Objective: Enhance community health and sanitation practices while respecting traditional medicine.

Activities:

- Conduct vaccination campaigns and vector control measures.
- Provide health and nutrition education.
- Improve accessibility to healthcare facilities and medicines, and implement telemedicine programs.

g. Training for Development

Objective: Develop self-management capabilities and technical skills within Indigenous communities.

Activities:

- Implement training programs based on community development plans.
- Enhance technical skills for addressing community issues and executing projects effectively.

3.2.3. Identification and formulation of further projects

Get Life provide a consistent work of building capacities and improve the quality of life of the Indigenous communities, moreover Get Life also provide mechanisms to encourage them to developed projects aim to strengthen their capacity for self-management through planification and execution of sustainable projects. The funding procedures may be under enforcement of compliance and accountability by the end of indigenous communities.

4. Further information of the SDM

4.1. Institutional Management of Sustainable Development Initiatives

Under the auspices of Buró ARKA Inc, Fundacion Luciérnaga, an NGO for development established in 1987 in Argentina, operates with efficacy, driven by its pluralistic approach, operational autonomy, and steadfast dedication to socio-environmental objectives. Presently, it serves as the hosting institution for CIFAL Argentina International Center, a collaborative venture with UNITAR, the United Nations Institute, specializing in international certifications in Sustainable Climate Finance in alignment with the 2030 UN Agenda. Additionally, it participates in the TNFD Forum Taskforce on Nature-related Financial Disclosures for Argentina, a collaborative effort with the New York Stock Exchange aimed at offering a premier platform for listing natural asset companies, thus facilitating the conversion of natural assets into financial capital. These Natural Capital Companies (NACs) endeavor to capture the intrinsic and productive value of nature, serving as a repository of value grounded in the vital assets essential for sustaining life on earth.

4.2. Structuring of Sustainable Development Mechanism and Natural Capital Valuation Certification

The SDM structure and Natural Capital Valuation Certification result from exhaustive studies culminating in the issuance of an ODS heritage certificate. This certificate is assessed using the Infinite Forest Carbon (IFC) methodology developed by Foreign Investment Company - FICO SA, accredited by a United Nations body for compliance with the Sustainable Development Goals of the 2030 UN Agenda. It represents a concerted response to the international scientific community's call for safeguarding tropical rainforests, recognized for their unparalleled biodiversity and role as pivotal carbon sinks critical for mitigating greenhouse gas emissions.

4.3. Custodianship of Sustainable Development Mechanism

The Clearing House, employing the CCS Code Web System, functions as an administrative custodial mechanism for documentary credit financial assets, specifically ODS Corporate Bonds. These bonds constitute assets of the SDM/SDM project with physical settlement, facilitating transactions within the over-the-counter market. The system, operating as a private entity, administers custody and settlement of assets, accessible to assignees and customers

within the broader market. Moreover, it is registered within the global Blockchain system, ensuring the verification and tracing of derivative backgrounds of controlling certifications.

4.4. The principles of green and social links

In the pursuit of sustainability for Indigenous Communities, income bonds serve as a means to raise funds for both new and existing projects, yielding positive social outcomes. The ICMA Social Bond Principles (SBP) offer guidance for asset issuers seeking to finance socially responsible and sustainable projects that deliver substantial social benefits. Issuance aligned with SBP principles necessitates transparent disclosure of social credentials alongside investment opportunities. By advocating for issuers to report the allocation of Social Bond resources, SBP management catalyzes a significant shift towards transparency, enabling effective monitoring of resources allocated to social projects while enhancing the perceived impact.

Updated in June 2021, SBPs constitute voluntary procedural guidelines promoting transparency, disclosure, and integrity in the development of the social securities market, elucidating the approach to issuing Bonds. SBP issuance underscores the importance of a clear and transparent process for issuers, enabling investors, banks, underwriters, arrangers, and others to grasp the characteristics of any SBP Social Bond. The SBP framework emphasizes the necessity for transparency, accuracy, and completeness of information disclosed and reported by issuers to stakeholders through key components and recommendations.

"Updates to the Green and Social Bond Principles ensure alignment with evolving market dynamics as environmental concerns escalate. The recent pandemic and ongoing climate crisis have underscored the imperative for sustainability in capital markets, aiming to provide issuers and investors with guidance on best practices for utilizing sustainable bonds to access essential capital for transitioning towards a fair, low-carbon economy."

5. Annex



Annex 1.



Annex 2. CIFAL Argentina/UNITAR Accreditation and Statement of Responsibility