



Govern d'Andorra



Govern d'Andorra

ANDORRA'S SUSTAINABILITY BOND OFFERING

Investor Presentation

February 2022

Presentation



Summary

1. Andorra at a glance
2. Andorra's Sustainability Strategy
3. Green, Social and Sustainability Bond Framework
4. Overview of Eligible Expenditures
5. Proposed Transaction
6. Disclaimer



Govern d'Andorra



Govern d'Andorra

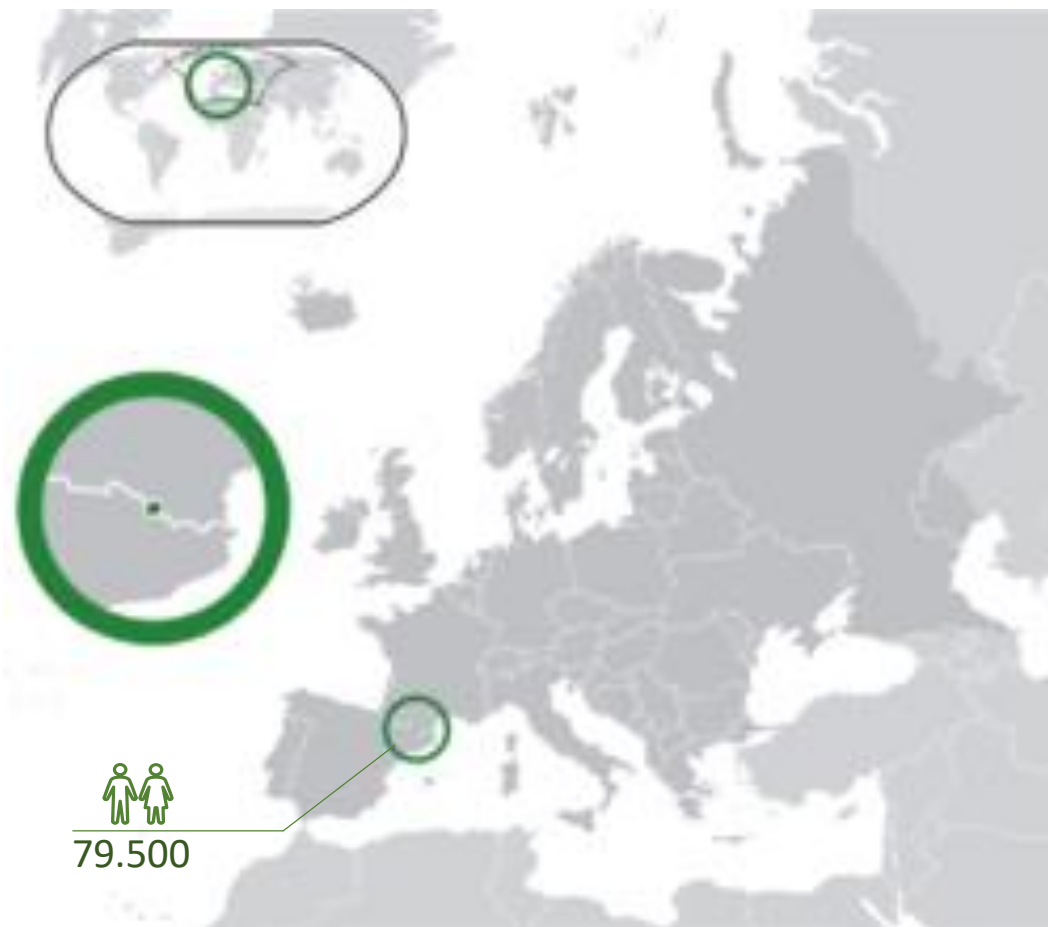
1. ANDORRA AT A GLANCE



ANDORRA AT A GLANCE



The Principality of Andorra in the world



- Andorra is located in the southwest of Europe, in the heart of the Eastern Pyrenees, bordering with Spain through the autonomous community of Catalonia and with France, through the department of l'Ariège.
- With 468 km² of surface, only 8% is urbanized land, which makes the country a paradise for nature lovers.
- Catalan is the official language, although the diversity of nationalities that make up the resident population means that other languages such as Spanish, French and Portuguese are very present.



ANDORRA AT A GLANCE

Assets



Stable institutional framework



High quality of life: health, safety, education and environment



Open & developed economy



Services oriented economy



Competitive framework & infrastructure



Strong tourism & commercial sectors

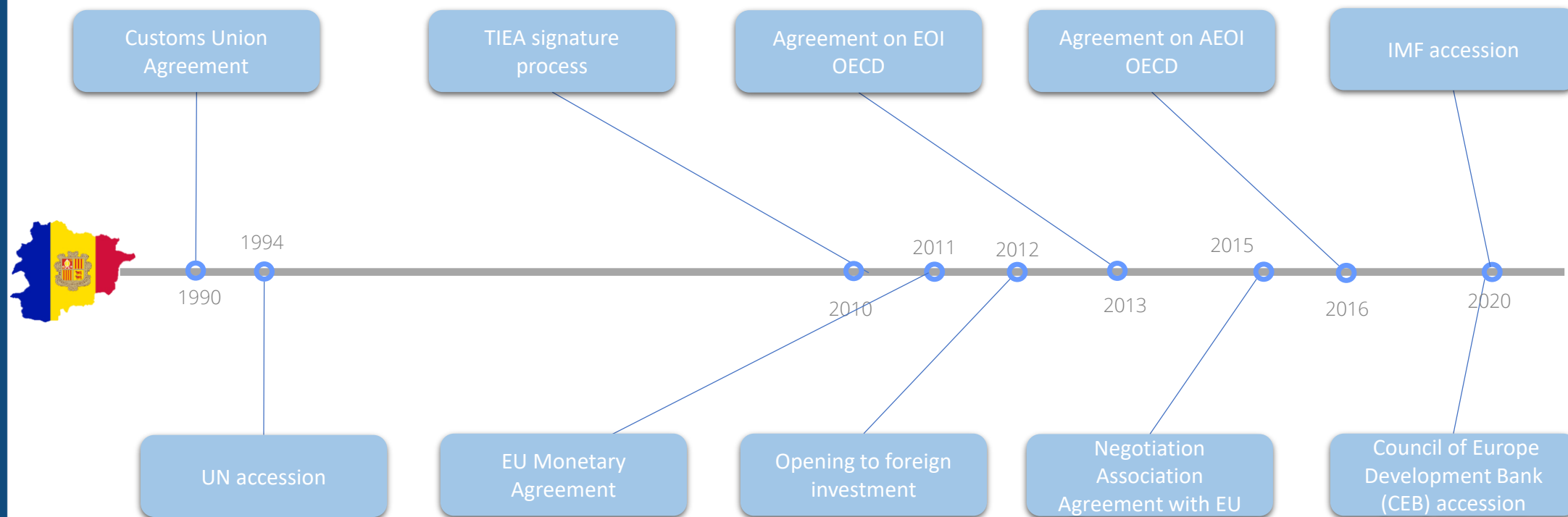


Sound public finances & tax system: competitive framework



ANDORRA AT A GLANCE

International cooperation and homologation framework

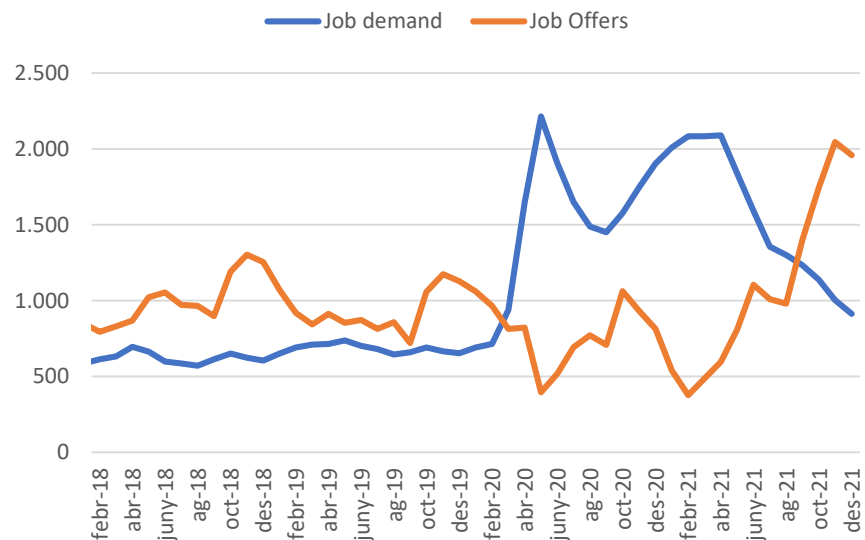




ANDORRA AT A GLANCE

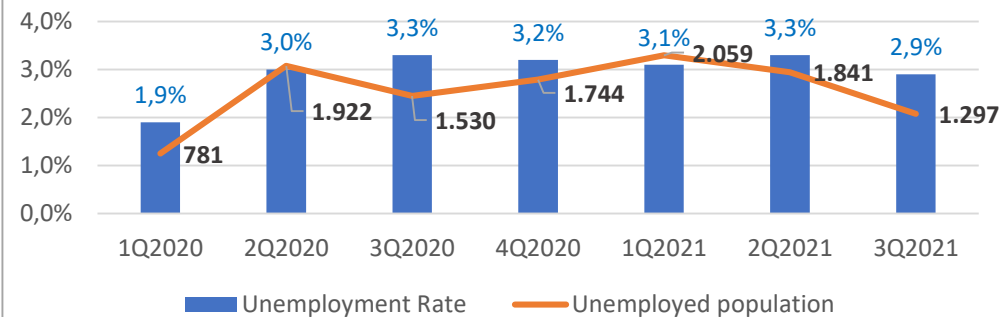
Open and developed economy: Unemployment rate

Employment Service Registration Evolution (# people)

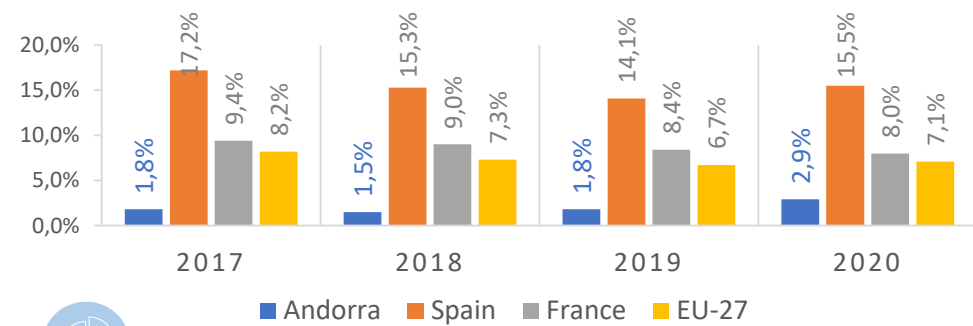


Andorran labour market is very flexible and adaptable to the economic evolution.

Quarterly Unemployment Rate Evolution (%)



Total Annual Unemployment Rate (%)



Unemployment rate remains among the lowest in Europe.

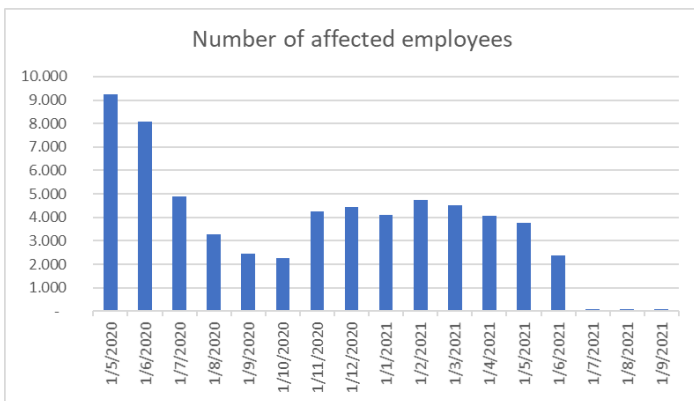


ANDORRA AT A GLANCE

Open and developed economy: COVID19 impact

Since May 2020 the Government put forward a Temporary Employer/Employee Relief System (TERS) to maintain existing working positions while helping companies to lighten their cost structures. The total cost amounted to €45MM (€28MM in 2020 and €17MM in 2021).

TERS applications in 2021 reduced significantly and currently only affect to night leisure employees.



Up to €230MM Soft Loans program at 0% interest rate (up to 7-yrs), fully guaranteed by the Government to support Andorran enterprises. Only €152MM have been disbursed (16% of which have already been repaid).

The authorities responded with mitigating fiscal measures that allowed a fast economic recovery during 2021

Forbes

Dec 18, 2020, 03:25pm EST | 7090 views

The Mouse That Roared: What The US Can Learn From Andorra About Covid-19 Testing



William A. Haseltine Contributor
Healthcare

Follow



Current limitations include Covid Passport required for some social activities, with no impact on economy or mobility.

82.3% of target population (+12yrs) has been vaccinated vs 80.8% in Spain, 76% in France.



ANDORRA AT A GLANCE

Open and developed economy: Services-dominated Economy

Andorra generated a total GDP of €2,531MM in 2020.

GDP per capita reached €30,537 in 2020, above the European Union average of €26,380 in 2020.

Real GDP growth is expected to rebound to 6.0% in 2021.

Key Pillars of Andorran Economy



Tourism – 8 million visitors per year, with a very competitive offering in outdoor activities (skiing / mountaineering)



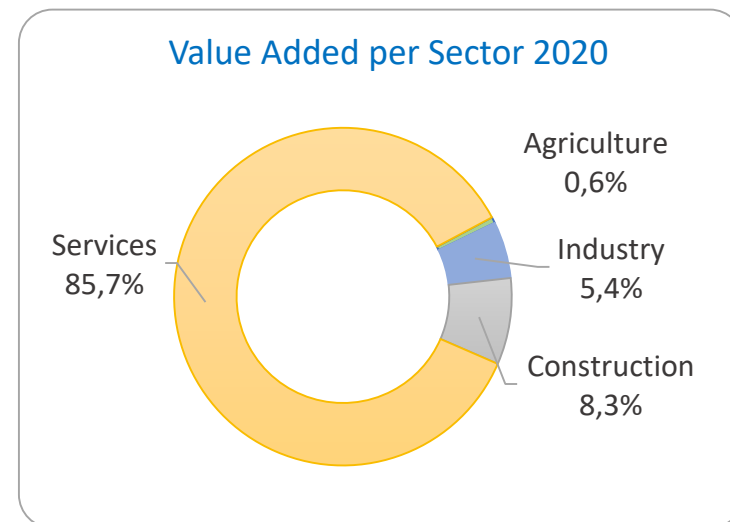
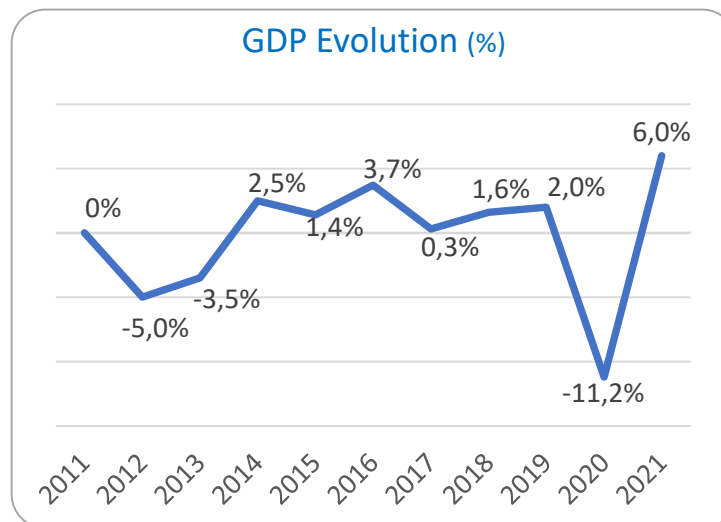
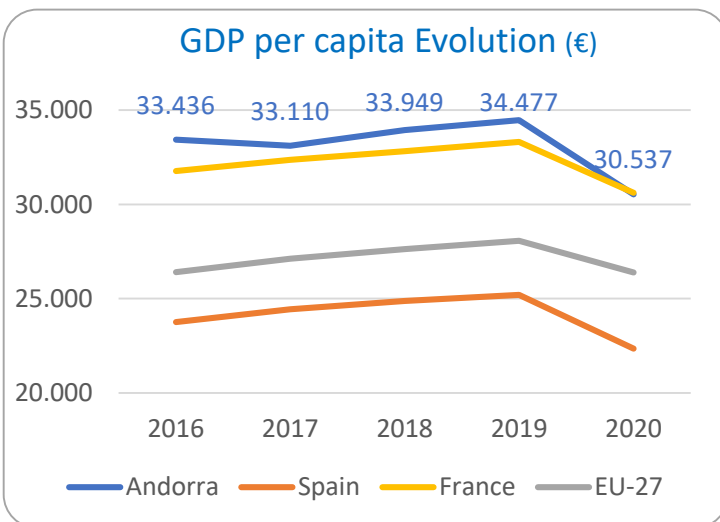
Commerce – Duty-free shopping for some products and the formal use of the euro as main currency have supported the growth of trade



Financial Services – it is considered a strategic sector in Andorra due to its contribution to GDP (approx. 11.5%), with the banking system at its core



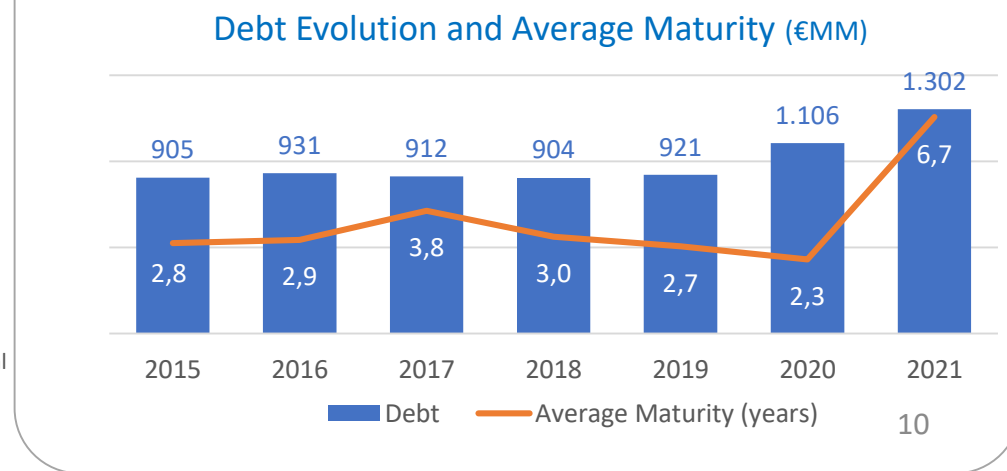
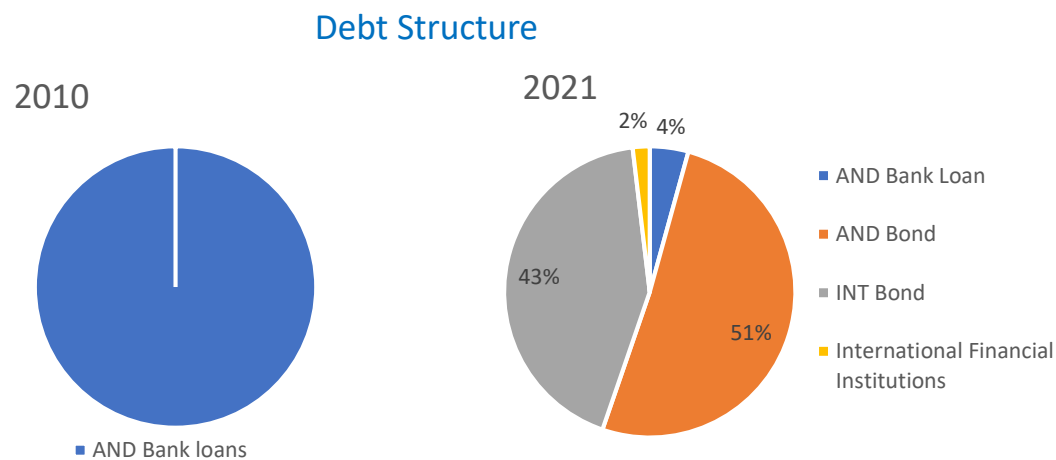
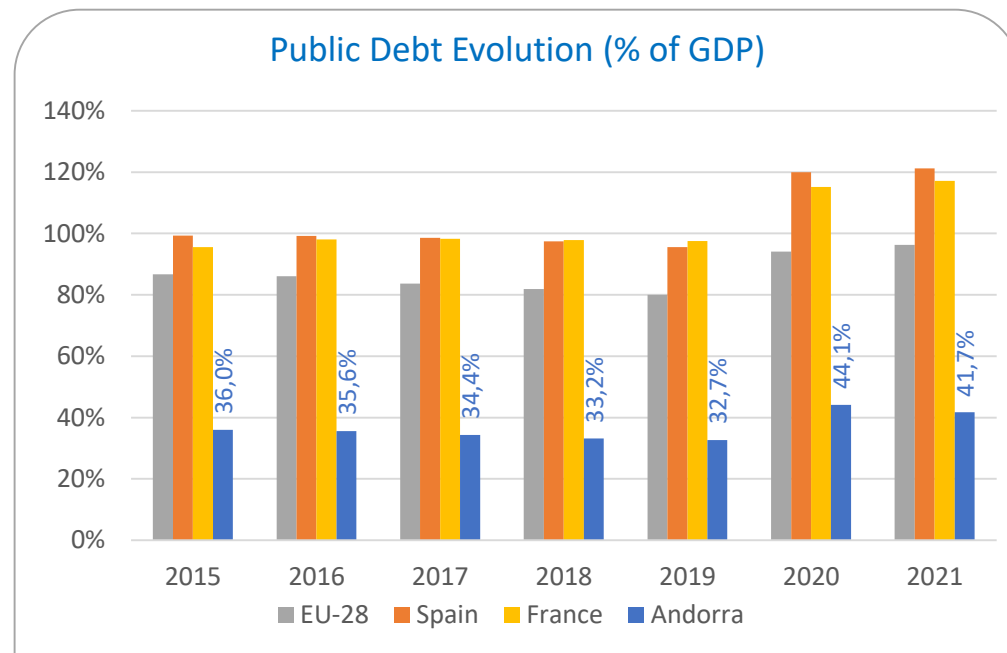
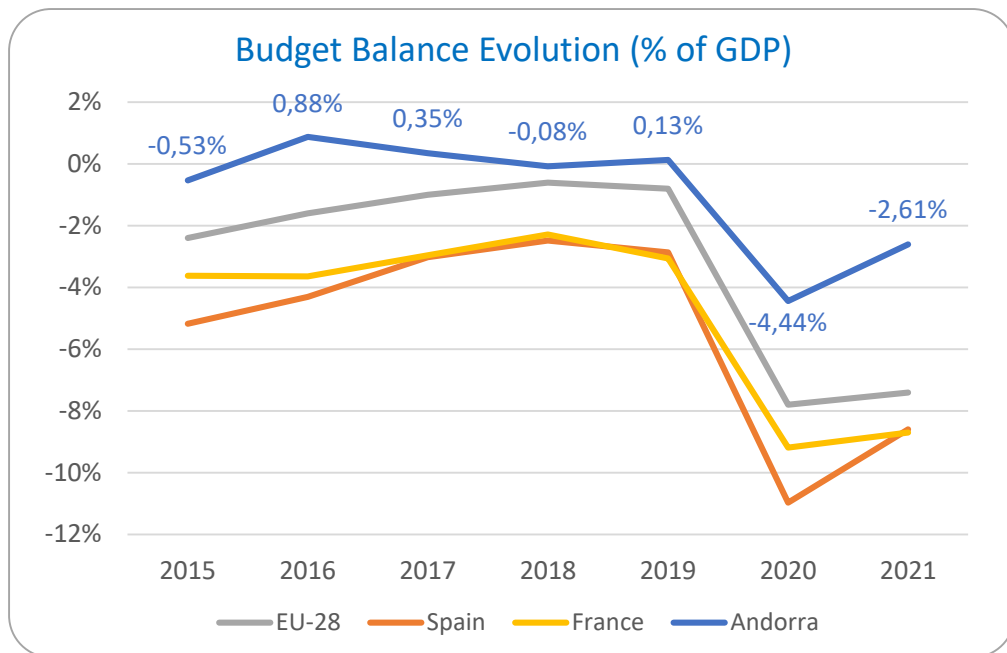
Real Estate– properties' market has developed in the last few years backed by tax benefits and residence permits' rights





ANDORRA AT A GLANCE

Sound public finances & Tax system: Budgetary results and Debt evolution

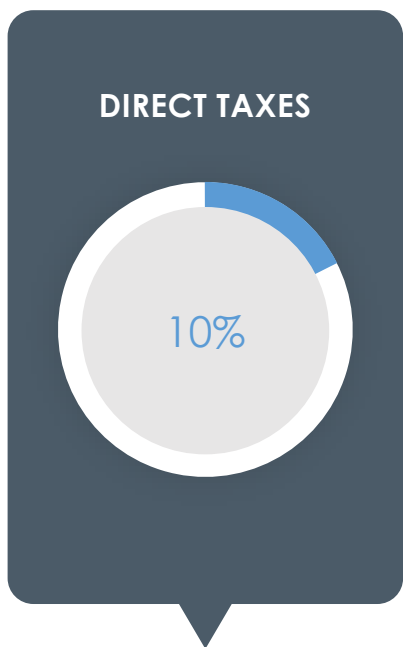




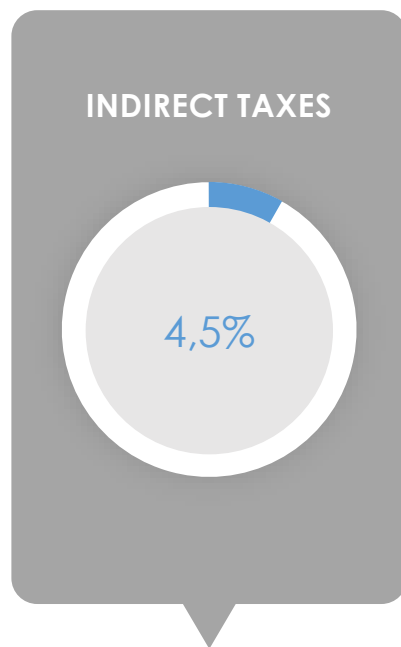
ANDORRA AT A GLANCE

Sound public finances & Tax system: competitive framework

TAX SYSTEM: Plain & Competitive



BASED ON **10%** RATE FOR CORPORATE TAX & PERSONAL INCOME



BASED ON **4,5%** RATE FOR VALUE ADDED TAX

#20 PAYING TAXES METHODOLOGY

INTERNATIONAL TAX FRAMEWORK



DTA with :

- | | |
|---------------|----------------------|
| France | Spain |
| Portugal | Luxembourg |
| Cyprus | Malta |
| Liechtenstein | United Arab Emirates |
| San Marino | |



DTA negotiations ongoing and announced:

- | | |
|-------------|----------------|
| Belgium | Austria |
| Italy | Germany |
| Netherlands | Hungary |
| Switzerland | Czech Republic |



Alignment with BEPS project (OECD)



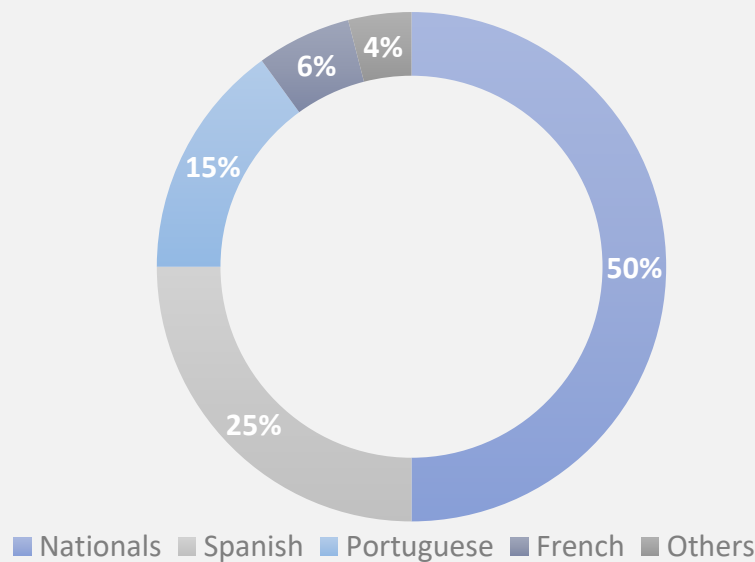
ANDORRA AT A GLANCE

High quality of life: society and education

POPULATION



The Principality of Andorra has a multicultural and plurilingual society. In 2021 the number of inhabitants was 79.535 people, spread across following nationalities:



EDUCATION



According to the EU HR Commissioner, the Principality of Andorra is considered as *“a model of inclusive education”*.

The educational system is based on three models of free public schools, all of them free of choice:

- Andorran public school
- Spanish public school
- French public school
- International Baccalaureate Diploma and British private education available



ANDORRA AT A GLANCE

High quality of life: safe & secure country; healthcare

#4 Institutional Stability & Absence of Violence

#5 Government Effectiveness

#1 Healthcare Access & Quality

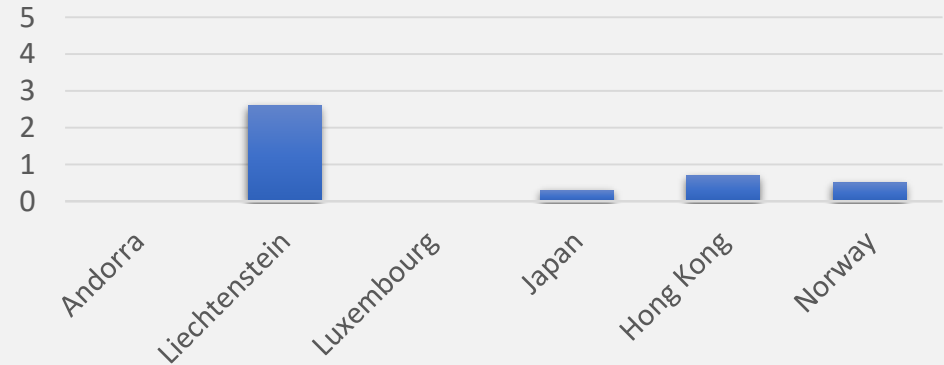
#2 Life Expectancy

#4 Health Condition

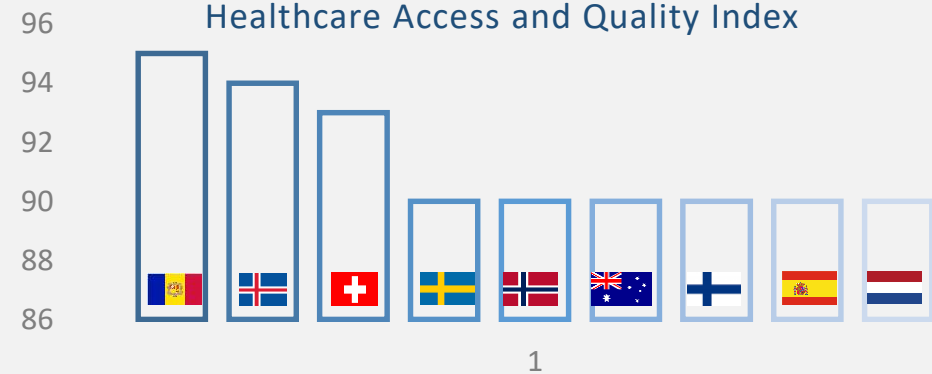
#36 Human Development Index

Source: World Bank, UN

Homicides/100k



Healthcare Access and Quality Index



Source: Lancet 2017, [https://www.thelancet.com/journals/lancet/article/PIIS0140-6736\(17\)30818-8/fulltext](https://www.thelancet.com/journals/lancet/article/PIIS0140-6736(17)30818-8/fulltext)



ANDORRA AT A GLANCE

High quality of life: Environment



Project to be declare as the first country worldwide Reserve of the Biosphere by 2023

Biosphere

Andorra has a preserved natural, historical and cultural environment:

- 15% of the territory has the consideration of **Natural Park** (Vall de Sorteny & Valls del Comapedrosa)
- In addition, Vall Madriu-Perafita-Claror is also recognized as **UNESCO heritage**.
- Ordino parish is already a Reserve of the Biosphere (2020)

Protected Environments in Andorra:

- **Vall de Sorteny** - 1.000 ha
- **Valls del Comapedrosa** – 1.542 ha
- **Vall Madriu-Perafita-Claror** - 40.000 ha (UNESCO's World Heritage)



ANDORRA AT A GLANCE

Competitive framework & infrastructure

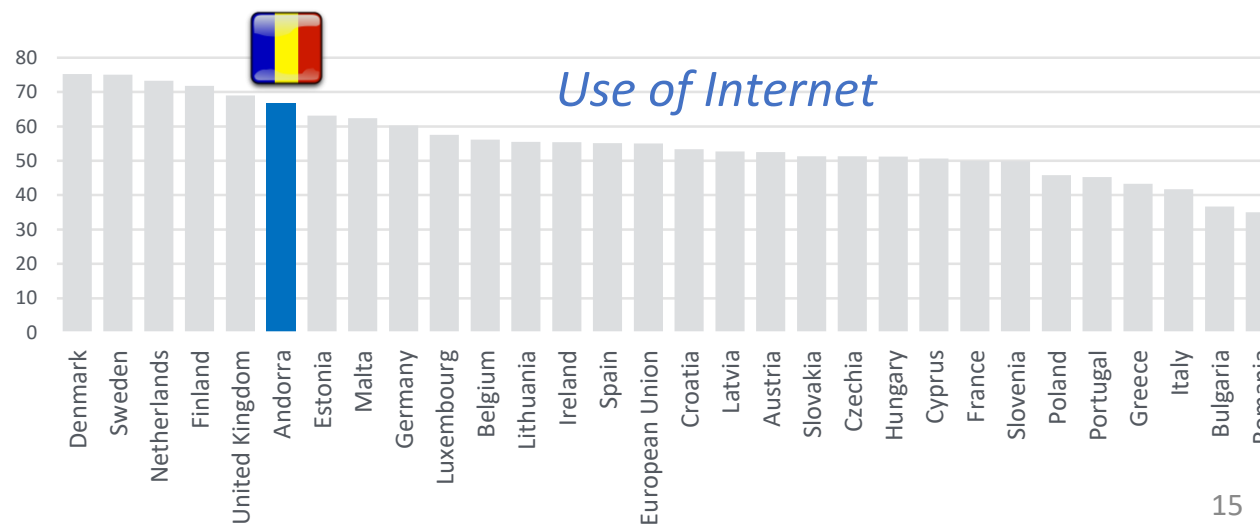
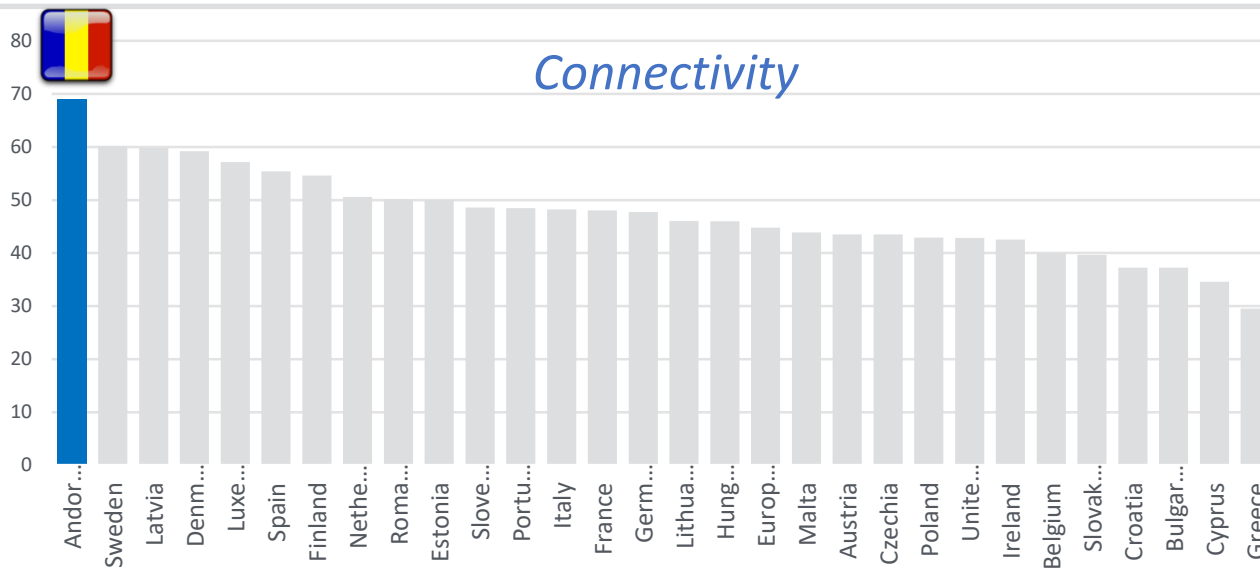


100% FTTH coverage
300Mb / 700Mb / 1Gb
33K households



85% Mobile coverage
109% penetration

Digital Society & Digital Index (DESI)





ANDORRA AT A GLANCE

Sound public finances & Tax system: Standard & Poor's, Fitch and Moody's Ratings

← BBB S&P Global Ratings		Fitch Ratings BBB+ →
	FISCAL PRUDENCE <i>"Andorra's consistent record of fiscal prudence supports our view that it will resume budgetary consolidation in 2022"</i>	01
	COVID IMPACT <i>"The resilience of the country's budgetary position over the past two years mitigates the downside risks relating to the evolution of the pandemic"</i>	02
	FAST RECOVERY <i>"We expect Andorra's accelerating economic recovery and steady fiscal consolidation to put government debt-to-GDP on a downward trajectory from 2022 Onward"</i>	03
		01
		INTERNATIONAL INVESTMENT POSITION (IIP) <i>"Andorra has also taken the first steps to produce international investment position (IIP) statistics. These show potentially a very positive net IIP position over time"</i>
		02
		COVID IMPACT <i>"Andorra's public finances have been resilient to the Covid-19 pandemic"</i>
		03
		RESILIENT PUBLIC FINANCES <i>"Relative resilience of public finances amid the pandemic stems from buoyant tax receipts from foreign trade, reallocation of capital to current spending and large fiscal reserves at SOEs"</i>

Both ratings were re-affirmed in January 2022, improving Outlook to **Positive** as a consequence of the accelerated economic recovery

MOODY'S **Baa2 / Stable Outlook**



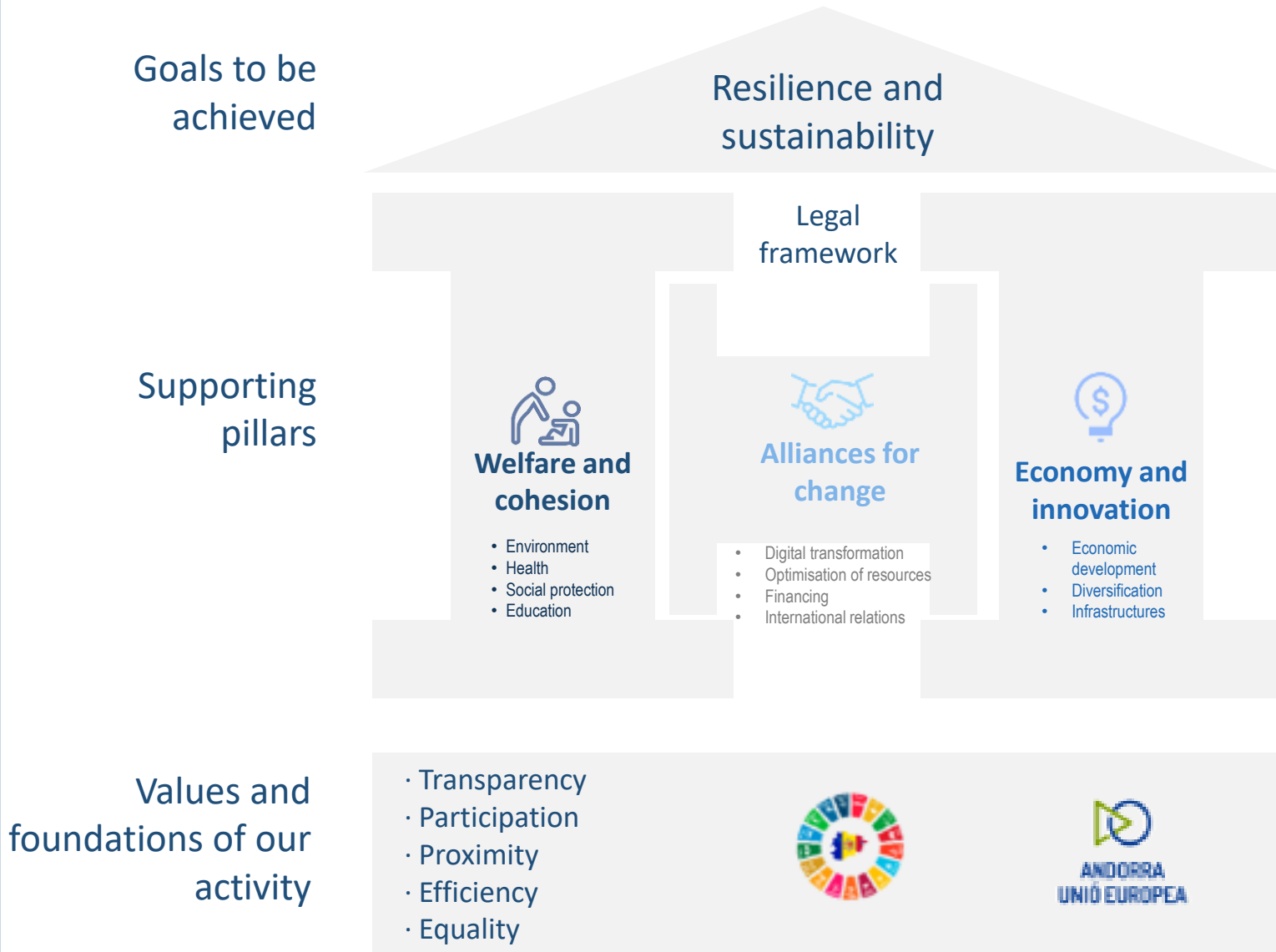
Govern d'Andorra

2. ANDORRA'S SUSTAINABILITY STRATEGY



ANDORRA'S SUSTAINABILITY STRATEGY

Horizon Action Plan 2020-2023



Sustainability, innovation and resilience are the principles which have guided Andorra in the development of the Action Plan Horizon 2020-2023

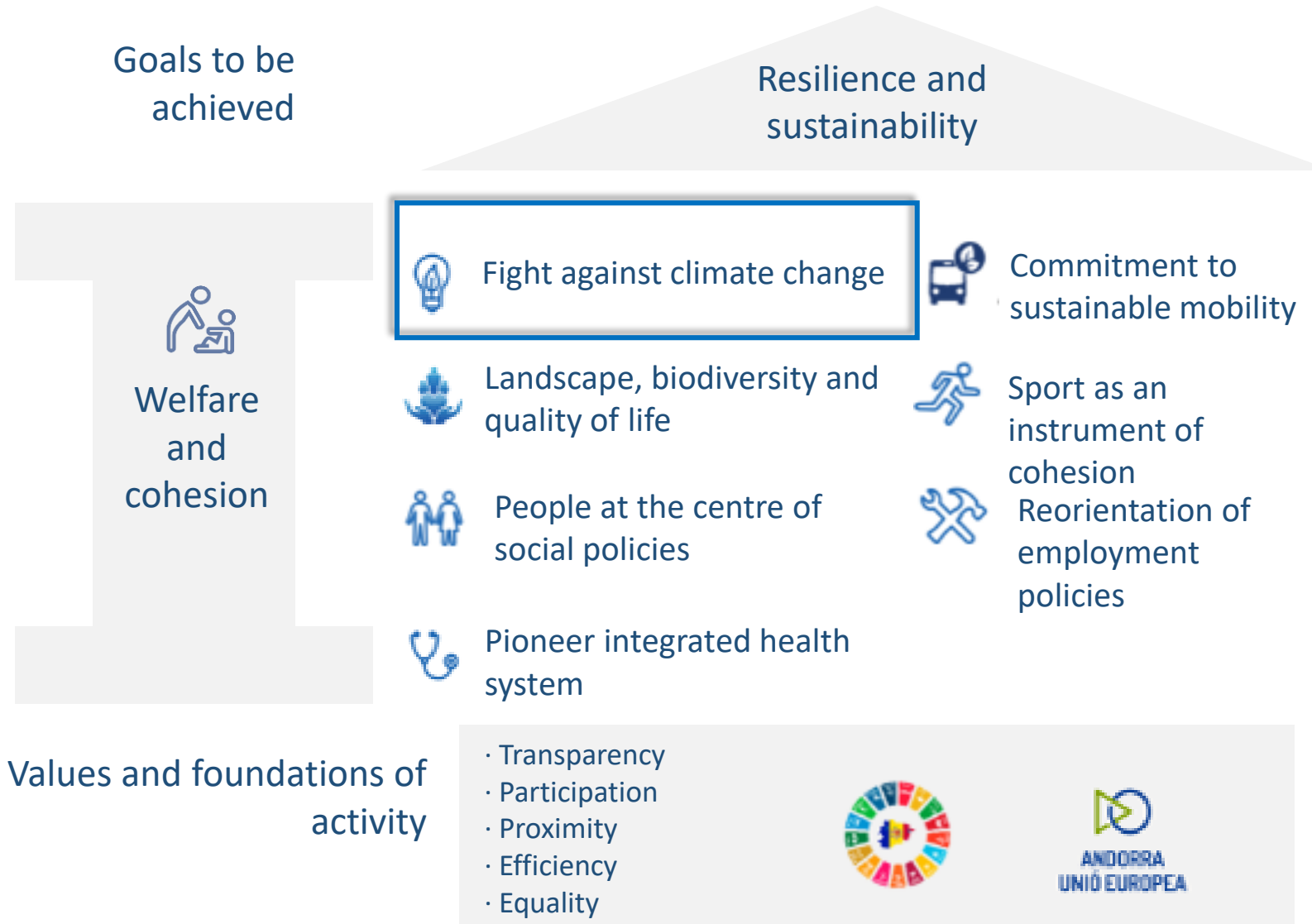
The roadmap is based both on the **country's strengths** (healthcare and social protection system, educational model, high level of public safety, historical singularity, cultural diversity and exceptional natural environment) and **identified improvement aspects** (connections, administrative agility, sources of financing, and economic diversification)

The plan comprises a total of **twenty initiatives**, all mapped against the United Nations Sustainable Development Goals (SDGs)



ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 1: Welfare and cohesion



Scope of work

Definition of 7 key initiatives

Welfare and cohesion

1. Fight against climate change
2. Commitment to sustainable mobility
3. Landscape, biodiversity and quality of life
4. Sport as an instrument of cohesion
5. People, at the centre of social policies
6. Reorientation of employment policies
7. Pioneering adapted healthcare system

Main actions associated with each initiative

1. Lluita contra el canvi climàtic i reducció de la dependència energètica
2. Una aposta per la mobilitat sostenible
3. Paisatge, biodiversitat i qualitat de vida
4. L'esport com a eina de cohesió i de foment dels hàbits saludables
5. La persona al centre de les polítiques socials
6. Una nova orientació de les polítiques d'ocupació
7. Un sistema de salut adaptat

Individual files listing the key aspects to be considered: participants, economic impact, calendar planning, indicators...



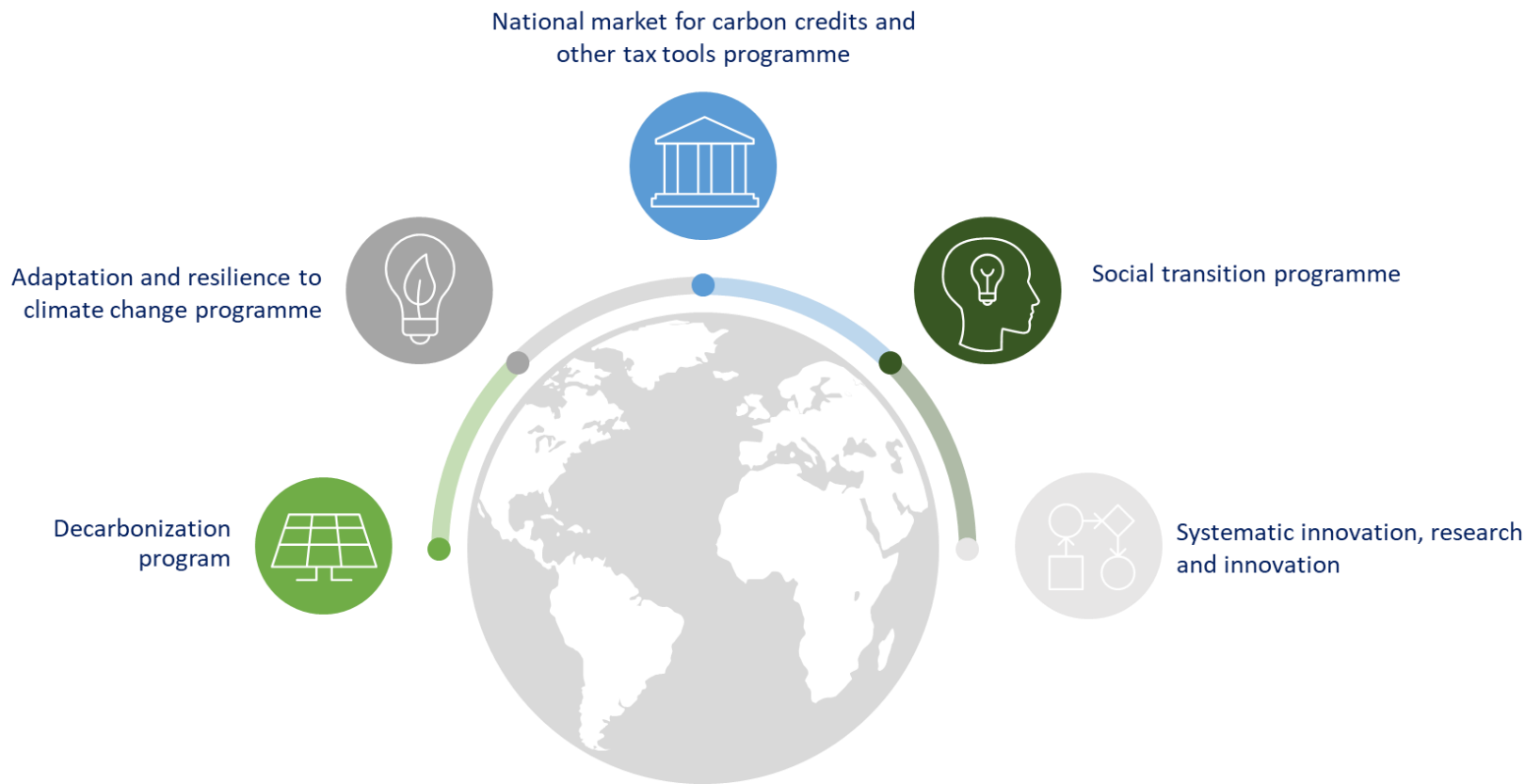
Examples of projects





ANDORRA'S SUSTAINABILITY STRATEGY

The National energy strategy for the fight against climate change (2020 - 2050)



Andorra was one of the pioneering UNFCCC Parties in communicating its Contribution at the National Level (INDC) in 2015 and in updating it to 2020 with the aim of achieving **carbon neutrality in 2050**.

Publication of the National energy strategy for the fight against climate change in December 2020: five action programs and seventeen activities to meet the emission reduction targets in order to achieve carbon neutrality in 2050.



- 2030**
50% reduction in emissions in internal mobility
20% of electric cars
- 2050**
Decarbonization of the car fleet



- 2030**
40% reduction in energy consumption in the building sector
- 2050**
Decarbonization of the construction sector



- 2030**
33% of national electricity production and 100% decarbonized imported electricity
- 2050**
50% of national electricity production



ANDORRA'S SUSTAINABILITY STRATEGY

FEDA's contribution to LITECC



- The Law to promote energy transition and climate change (LITECC) entered into force in September 2018. FEDA, as Andorra's public State company and the country's energy engine will play a key role in achieving the main objectives pursued by LITECC:



Reduce national energy intensity by a minimum of 20% in 2030 horizon and by a minimum of 30% in the 2050 horizon year compared with base year 2010



Reduce annual non-absorbed greenhouse gas emissions compared to the Business-as-usual scenario by a minimum of 37% in the 2030 horizon year



Increase domestic electricity production at least 33% of demand in the 2030 horizon year, and at least up to 50% in the 2050 horizon year



Ensure a percentage of energies from renewable sources in relation to national electricity production not less than 75%



Increase the percentage of electric propulsion vehicles in the national car fleet to 20% at least in the 2030 horizon year and up to 50% at least in the 2050 horizon year



Reduce the emissions derived from the internal transport sector by half



29 M €

Forecasted in renewable electricity generation projects



+ 40%

Electric production



+ 44 GWh/year

Provided by renewable sources



24

Public charges in 3 years



2.206.413

Bus journeys managed in the Intermodal Mobility Platform in 2020

FEDA is committed with developing projects that generates new renewable energy sources that will help to reduce CO2 emissions

These new projects will guarantee in only three years, increase the electric national production in 40%

Increasing renewable production in Andorra and also establishing Power Purchase Agreements with France and Spain energy suppliers, that includes minimal amounts of renewal sources energies

FEDA contributes to it developing a public electric charges grid and offering domestic charging solutions

FEDA is developing an Intermodal Mobility platform that pretends to foment the use of public transport and clean transportation



ANDORRA'S SUSTAINABILITY STRATEGY

FEDA's Investment Plan 2018-2023



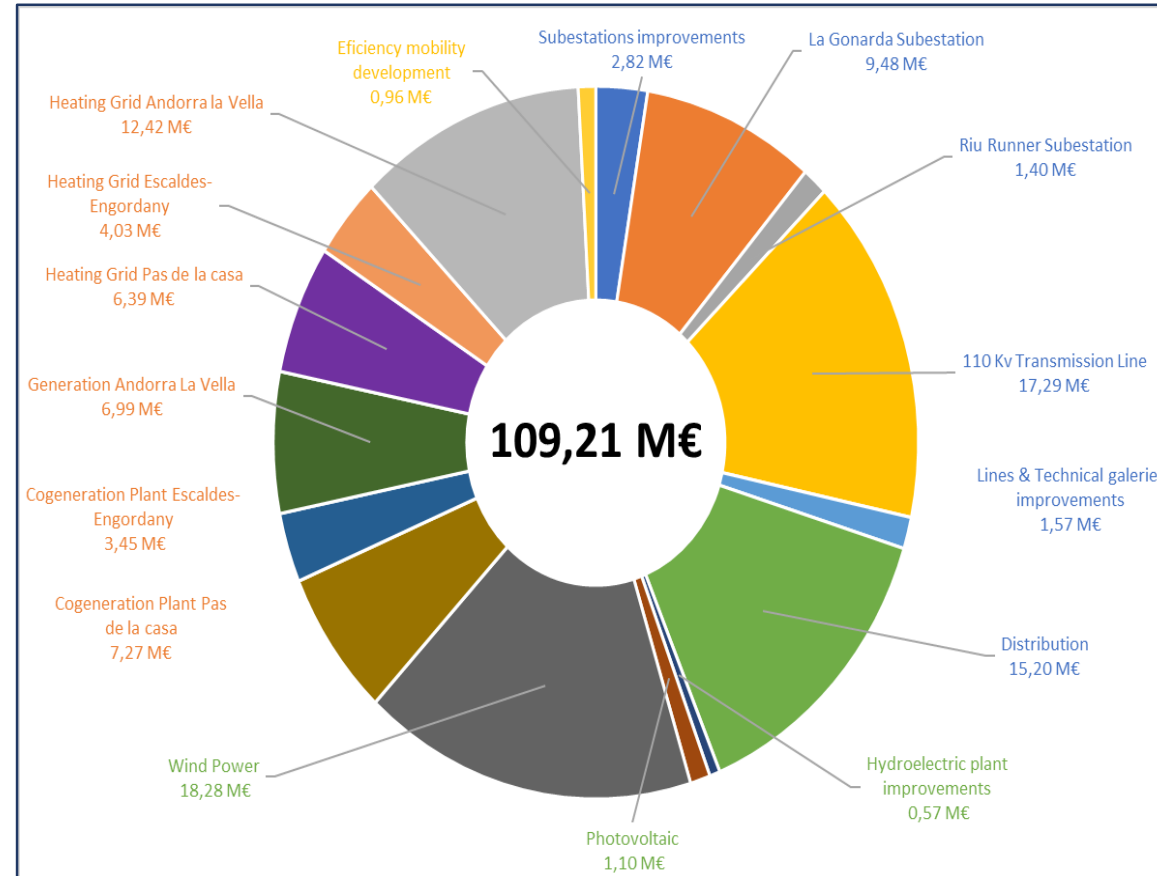
EFICIENCY & SUSTAINABILITY 0,96 millions euros

Sustainability projects that helps to promote electric vehicles use and collaborates to reduce internal emissions from internal transport.



DISTRICT HEATING 40,55 millions euros

These investments, have the main objective to limit the increase of electric heating systems and works towards the increase of national production.



ELECTRICAL GRID 47,75 millions euros

Investment cycle oriented towards the strengthening and expansion of the capacity of our electrical grid and the transmission and distribution of renewable energy

RENEWABLE ELECTRICITY GENERATION 19,96 millions euros

New investment cycle oriented to CO2 emissions reduction and to decrease our importation energy needs.

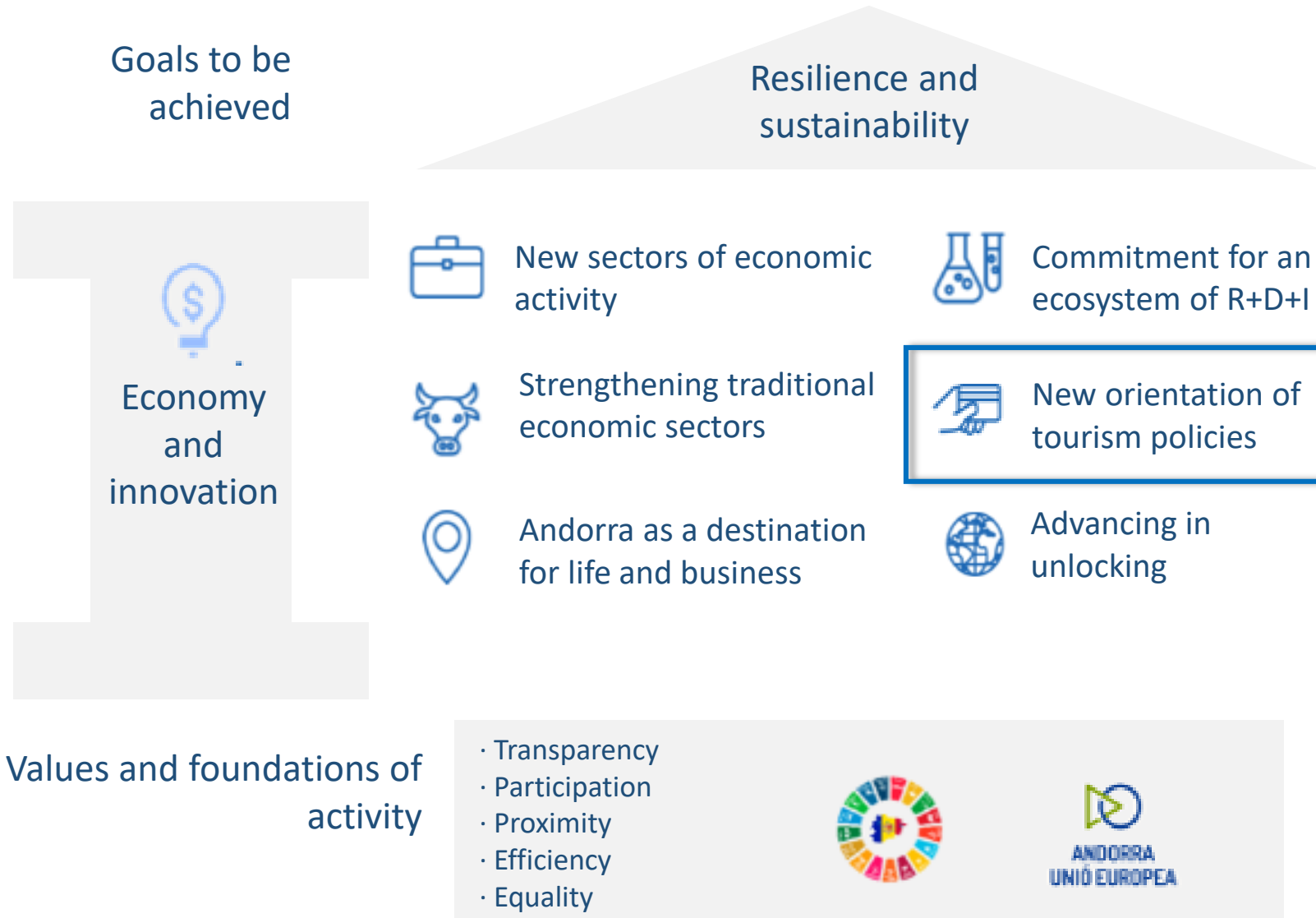


representació



ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 2: Economy and innovation



Scope of work

Definition of 6 key initiatives

Economy and innovation

1. New sectors of economic activity
2. Strengthening of traditional economic sectors
3. Andorra as a life and business destination
4. Commitment to an RDI ecosystem
5. Reorientation of the tourism policy
6. Advancing towards geographical disengagement

Main actions associated with each initiative

- Lluita contra el canvi climàtic i reducció de la dependència energètica
- Una aposta per la mobilitat sostenible
- Paisatge, biodiversitat i qualitat de vida
- L'esport coma a eina de cohesió i de foment dels hàbits saludables
- La persona al centre de les polítiques socials
- Una nova orientació de les polítiques d'ocupació
- Un sistema de salut adaptat

Individual files listing the key aspects to be considered: participants, economic impact, calendar planning, indicators...



Examples of projects





ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 2: Economy and innovation / Reorientation of tourism policies



Already a first class destination with 8M visitors per year



SPORTS (Premium Ski resorts, Tour de France, Ski World Cup)



MOUNTAIN & ENVIRONMENT



CULTURAL HERITAGE



PROMOTING HEALTH (increasing trend with COVID-19)

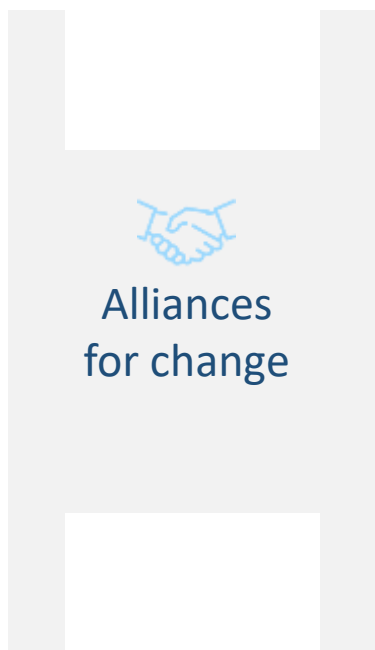


ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 3: Alliances for change

Goals to be achieved

Resilience and sustainability



Alliances for change



Modernization of the administration



Digital transformation



Regional cooperation space



Efficiency and rationalization of public spending



Association agreement with the European Union



Foreign policy



State funding and sustainability of pensions

Values and foundations of activity

- Transparency
- Participation
- Proximity
- Efficiency
- Equality



Scope of work

Definition of 7 key initiatives

Alliances for change

1. Modernization of the Public Administration
2. Establishment of a regional cooperation area
3. Association agreement with the EU
4. Diversification of financing and sustainability of pensions
5. Towards a digital transformation
6. Efficiency and rationalization of public expenditure
7. Foreign policy

Main actions associated with each initiative

1. Lluita contra el canvi climàtic i reducció de la dependència energètica
2. Una aposta per la mobilitat sostenible
3. Passatge, biodiversitat i qualitat de vida
4. L'esport com a eina de cohesió i de foment dels hàbits saludables
5. La persona al centre de les polítiques socials
6. Una nova orientació de les polítiques d'ocupació
7. Un sistema de salut adaptat

Individual files listing the key aspects to be considered: participants, economic impact, calendar planning, indicators...



Examples of projects



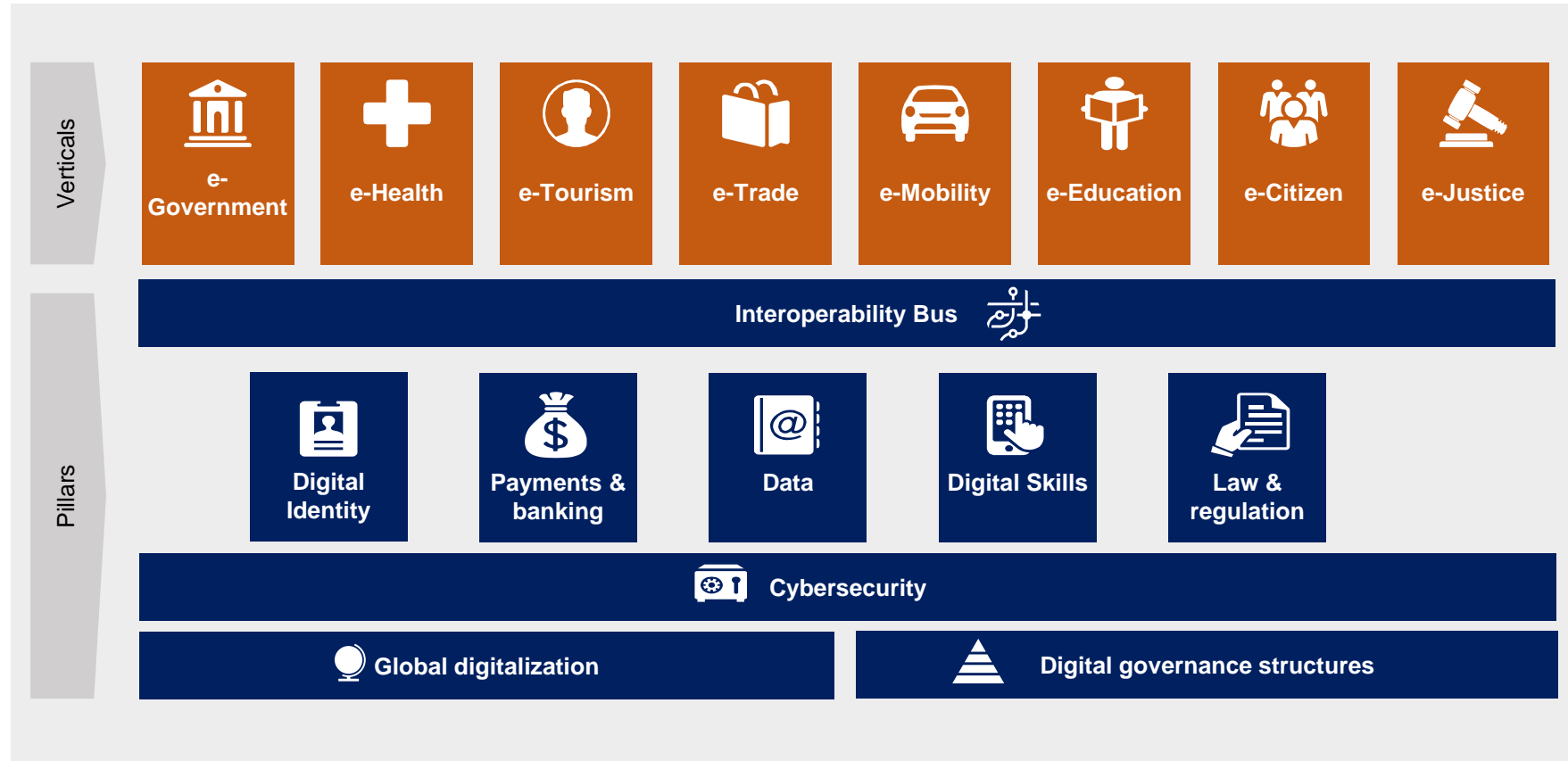
PdTA 25



ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 3: Alliances for change / Digital transformation

The country initiatives are identified and built based on this framework



In 2021 +70% Investment compared to 2019 budget



Govern d'Andorra

3. GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK



GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Designed in alignment with best market practices

Andorra's Green, Social and Sustainability Bond Framework is in line with the International Capital Markets Association's (ICMA) 2021 Green Bond Principles (GBP), 2021 Social Bond Principles (SBP) and 2021 Sustainability Bond Guidelines (SBG) and has been externally verified by Vigeo Eiris.












GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Use of Proceeds (1/2)

- **Eligible Expenditures** are those projects i) which promote whether directly or indirectly, in whole or in part Andorra's energy transition ii) which are funded, whether directly or indirectly, in whole or in part through Andorra's Budget or any entity fully owned by Andorra including investment, tax, intervention, operating expenditures, as well as subsidies, grants and loans (Andorra's own expenditures, net of EU funding or any other earmarked funding)
- The net proceeds of Bonds may finance and/or refinance different branches of Andorra's central Government as well as the State's dedicated agencies, public entities, enterprises and households.

Overview Eligible Green categories:

Eligible Green Categories	Description	EU Environmental Objectives	Contribution to the SDGs
Renewable energy	Expenditure relating to the production, acquisition, operation and distribution of renewable energy such as: solar PV, concentrated solar power, wind power, hydro, bioenergy and geothermal. All facilities are operating at life cycle emissions lower than 100gCO2e/kWh	Climate change Mitigation	
Energy efficiency	Expenditure relating to the improvement of energy efficiency in both public and private sectors leading to at least 30% of energy savings	Climate change Mitigation	
Low carbon transport	Expenditure relating to the deployment of low carbon public transportation means such as electric, hybrid or biofuel or buses, trams, metros, and trains, as well as the promotion of individual low carbon transportation use including hybrid and electric vehicles	Climate change Mitigation	
Sustainable water and wastewater management	Expenditure relating to the development, construction, operation and maintenance of sustainable water, waste and waste-water projects that contribute to the improvement of water supply, distribution and quality, sanitation as well as waste and wastewater collection and treatment.	Sustainable use and protection of water and marine resource	
Circular economy	Expenditure relating to the extension of a product's life cycle, promotion of material recycling and reuse	Transition to circular economy	
Sustainable management of living natural resources	Expenditure to the development of sustainable agriculture or to projects that contribute to reforestation, preservation and restoration of natural landscapes	Protection and restoration of biodiversity and ecosystems	
Adaptation	Expenditure relating to the improvement of resilience and adaptive capacities with the goal of adapting to climate change consequences	Climate Change Adaptation	










GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Use of Proceeds (2/2)

- **Eligible Expenditures:** Eligible Green and Social Expenditure may be linked to several budgetary expenses including investment, tax, intervention, operating expenditure as well as subsidies, grants and loans. The net proceeds may finance and/or refinance different branches of Andorra's central Government as well as the State's dedicated agencies, public entities, enterprises and households
- **Exclusions:** expenditures related to controversial sectors including alcohol, tobacco, gaming, armament and defense sector, deforestation, degradation of forest, fossil fuel production and power generation, palm oil industries, nuclear power

Overview Eligible Social categories :

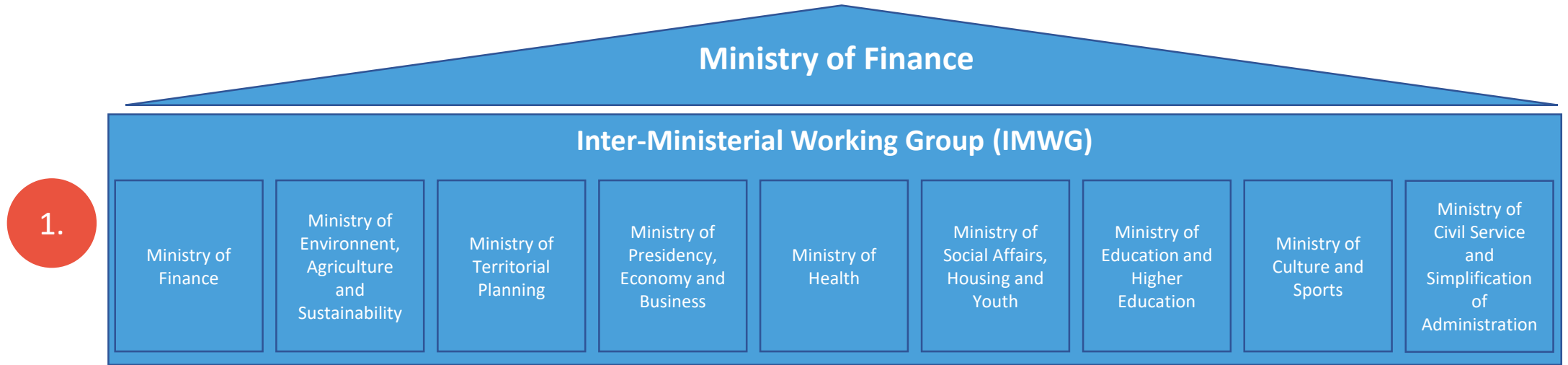
Eligible Social Categories	Description	Social Objectives	Contribution to the SDGs
Access to essential services: Health	Expenditure relating to provision of healthcare infrastructure and services as well as healthy habits	Increase access to health	
Access to essential services: Education	Expenditure relating to provision of education infrastructure and services	Increase access to education	
Employment generation	Expenditure relating to the support and promotion of stable employment creation and preservation including through the support of the SME sector as well as the integration of people with disabilities into the labour market	Increase job creation and preservation	
Affordable housing	Expenditure relating to the production and access to affordable housing	Increase access to housing supply	
Socio-economic advancement and empowerment	Expenditure relating to the reduction of social and economic inequalities and promotion of social and economic inclusion	Reduction of inequalities	
Civil protection, territorial and digital inclusion	Expenditure relating to the provision of emergency civil protection as well as digital infrastructure and services with the goal of fostering and facilitating social integration	Increase social and digital inclusion	 



GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Process for Project Evaluation and Selection

- To oversee the implementation and Governance of the Framework, a two-fold process will be established and performed on annual basis:



- The Inter-Ministerial Working Group (IMWG) coordinated by the Ministry of Finance ensures that each ministry prepares and submits a preliminary list of Eligible Green and Social Expenditures and collects the necessary data to demonstrate the alignment of the aforementioned with the definition set out in the Use of Proceeds section**
- The IMGW monitors the eligibility** of selected Green and Social Expenditures in order to determine if any changes are necessary



- composed by representatives from the Ministry of Finance**
- Validates the final list** of Eligible Green and Social Expenditures to be financed by Andorra's Green, Social or Sustainability Bond issuance
- Manages the reporting publication and any future updates** of the Framework



GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Management of Proceeds

Selection period

- Eligible Green and Social Expenditures might include expenditures from:
 - the past 3 years preceding the issue
 - the same year as the issue
 - future voted expenditures, up to 1 year succeeding the year of issue

Green and Social Eligible Expenditures from the General Budget 2019, 2020 and 2021

Green and Social Eligible Expenditures from the General Budget 2022 and 2023

Refinancing

New financing

Internal tracking and monitoring

- The net proceeds will be deposited in Andorra's Central Government Treasury
- After approval by the Steering Committee, the net amount will be allocated to Eligible Green and Social Expenditures on nominal equivalence basis within 24 months following the issuance of Andorra's Green, Social and Sustainability Bonds
- Eligible Green or Social Expenditures that no longer comply with the definition provided in the Use of Proceeds section replaced on a best effort basis and as soon as reasonably practicable
- Pending the full allocation, the Government of Andorra will manage the unallocated proceeds in line with its treasury policy



GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Reporting

- The government of Andorra is committed to provide investors with an **annual Green, Social and Sustainability Bond Reporting until full allocation of the proceeds**, or more frequently as the Government of Andorra deems necessary, in case of material change
- **Each relevant ministry will be requested to provide a list of the Eligible Expenditures**, as well as draft a description of the projects financed and their environmental and/or social impacts
- The Inter-Ministerial Working Group is then responsible for reviewing each section of the report and the final validation is performed by the Steering Committee
- The Green, Social and Sustainability reporting will be available on the **Government of Andorra's website**

Allocation report

The allocation reporting will provide, on an aggregated basis, information such as:

- the total amount of Green, Social and Sustainability Bonds issued
- the breakdown of allocated proceeds by Eligible Green and Social Expenditures categories as well as the description of emblematic projects and/or expenditures
- the amount of new financing versus refinancing
- the balance (if any) of unallocated proceeds

Impact report

Example of key impact indicators:



Number of low carbon vehicles deployed by type



Number of education infrastructures financed



Total renewable energy capacity (in MW)



Number of healthcare infrastructures financed



GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

External review

Focus on V.E Second Party Opinion

Pre issuance verification:

- The Government of Andorra has mandated Vigeo Eiris to provide an independent Second Party Opinion on this Green, Social and Sustainability Bond Framework
- The Second Party Opinion will be publicly available on the Government's website.

Post-issuance verification:

- The Government of Andorra will appoint an independent external auditor to provide third party assurance on the allocation report and its conformity with the Framework until full allocation
- The audit report will be made publicly available on the Government's website.

January 2022



SECOND PARTY OPINION

on the sustainability of Andorra's Green, Social and Sustainability Bond Framework

V.E is of the opinion that Principality of Andorra's Framework is aligned with the four core components the Green Bond Principles 2021 ("GBP") and Social Bond Principles 2021 ("SBP") from ICMA. ✓

Framework

Contribution to Sustainability :

Expected impacts: Weak, Limited, Robust, Advanced

ESG risks management: Weak, Limited, Robust, Advanced

SDG Mapping

Characteristics of the Framework	
Green and Social Categories	⇒ 7 Green Categories ⇒ 5 Social Categories
Project locations	Andorra
Target Population	Andorra's population, including those identified as vulnerable
Existence of framework	Yes
Share of refinancing	To be communicated before each issuance
Look back period	3 years



Govern d'Andorra

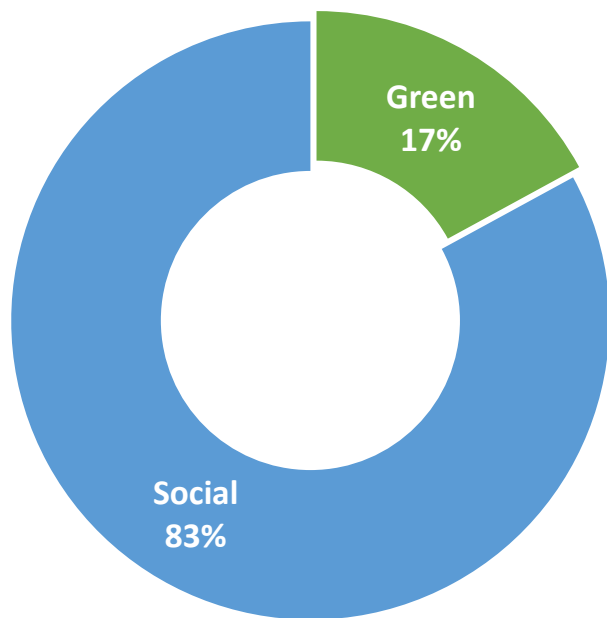
4. OVERVIEW OF ELIGIBLE EXPENDITURES



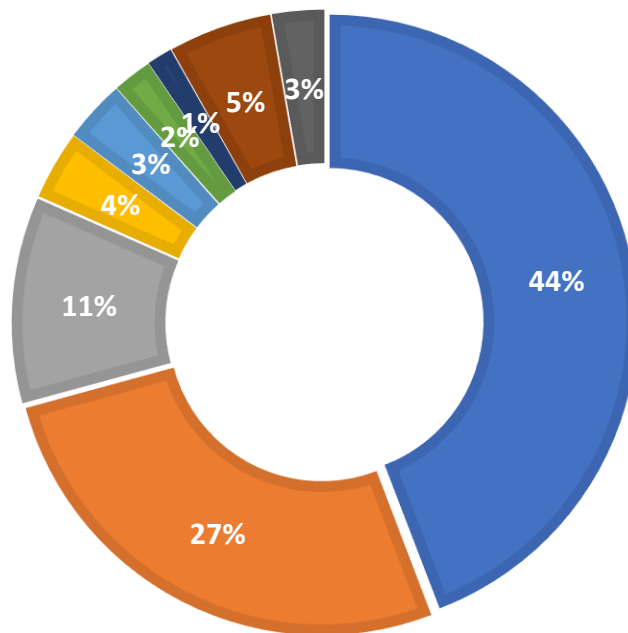
OVERVIEW OF ELIGIBLE EXPENDITURE

Over €511MM of Eligible Green and Social Expenditures for 2021 - 2023

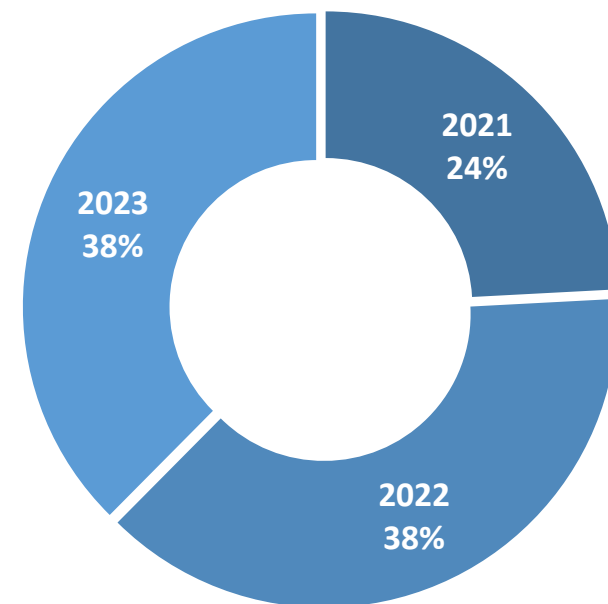
Breakdown by Green/Social



Breakdown by Eligible Expenditure Categories



Breakdown by budget year



- Health
- Socio-economic advancement and empowerment
- Education
- Circular Economy
- Sustainable water, waste and wastewater management
- Sustainable management of living natural resources, land use and biodiversity protection
- Affordable Housing
- Renewable Energy
- Other



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Green Eligible Expenditures

Eligible Green Categories	Examples of Eligible Expenditures	Amount 2021-2023 in EUR MM
Renewable energy	<ul style="list-style-type: none"> ○ Acquisition and installation of photovoltaic solar panels ○ Transmission and distribution networks with the purpose of connecting renewable sources and improving the overall efficiency of the electrical grid. 	27.7
Energy efficiency	<ul style="list-style-type: none"> ○ Construction, acquisition and refurbishment of buildings meeting national, regional or internationally recognized energy efficiency regulations, standards or certifications (aligned with the European Nearly-Zero-Energy Buildings (NZEB) building standard, Energy Performance Certificate (EPC) A (or above), 30% improvement in energy savings) ○ Projects contributing to the reduction of energy consumption including efficient district heating and cooling systems 	10.7
Low carbon transport	<ul style="list-style-type: none"> ○ Incentives to support Andorra's car fleet renewal through the promotion of hybrid and electric mobility 	0.3
Sustainable water and wastewater management	<ul style="list-style-type: none"> ○ Construction and/or extension of centralized wastewater systems including collection (sewer networks), treatment and discharge ○ Water recycling and reuse related projects ○ Support waste and management and prevention including waste reception, sorting, treatment, recovery as well as the increase of recycling and/or reuse of waste materials 	16.6
Circular economy	<ul style="list-style-type: none"> ○ Expenditures to prevent waste generation, ensure proper waste management and implement measures to encourage the circular economy 	18.5
Sustainable management of living natural resources	<ul style="list-style-type: none"> ○ Certified agricultural practices falling under certification schemes, such as the EU Organic ○ Green urban projects such as Natural Parks and green areas ○ Programmes to protect and/or restore ecosystems, conservation areas, wildlife fauna and flora species ○ Aquatic and terrestrial biodiversity conservation programmes ○ Biotic water quality monitoring as well as the protection of aquatic environment ○ Monitoring of river and torrent's maintenance operations ○ Fire risk management activities 	10.6
Adaptation	<ul style="list-style-type: none"> ○ Development of climate change extreme weather events observation systems including meteorological services ○ Air quality monitoring ○ Expenditures related to the Office of Energy and Climate Change, responsible for the promotion of projects related to energy transition and climate change ○ Awareness raising programmes on climate change 	2.9
Total		€ 87.2MM



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Social Eligible Expenditures

Eligible Social Categories	Examples of Eligible Expenditures	Amount 2021-2023 in EUR MM
Access to essential services: Health	<ul style="list-style-type: none"> ○ Construction, extension, equipment, operation and maintenance of public healthcare facilities including hospitals, health centers including primary care ○ Subsidies to ensure health coverage of the Andorra's vulnerable population including elders, persons with disabilities, low-income households ○ Prevention and promotion of health, vaccine programmes, drug abuse prevention ○ Emergency measures to face sanitary crisis such as the Covid-19 pandemic 	225.9
Access to essential services: Education	<ul style="list-style-type: none"> ○ Construction, extension, equipment and maintenance of public education facilities including kindergarten, primary, secondary schools as well as universities, technical and vocational training ○ Dissemination and promotion of research including grants ○ Public and national libraries ○ Scholarship programmes 	55.4
Affordable housing	<ul style="list-style-type: none"> ○ Investment in a public private fund intended to create social housing for low-income population 	6.8
Socio-economic advancement and empowerment	<ul style="list-style-type: none"> ○ Support programs for Young People in Guardianship and Ex-Guardianship with of reaching autonomy and social integration ○ Emergency shelters for homeless children or those in a situation of risk or social danger such as the Residential Center for Educational Action ○ Social rehabilitation programmes for vulnerable youth ○ Subsidies to Non-profit organisations operating in the field of social promotion programs, projects and actions ○ Solidarity pension programmes for people with disabilities and elderly ○ Programmes to support athletes with physical disabilities ○ Grants to sports organizations to support sport practice for people with disabilities ○ International cooperation programmes dedicated to the support of associations, non-profit and international United Nations bodies in the promotion of inclusive socio-economic development projects 	135.9
Civil protection, territorial and digital inclusion	<ul style="list-style-type: none"> ○ Natural disasters relief ○ Digital alphabetisation programmes, online health assistance for elderly or dependent people facing difficulties to get to the healthcare facilities 	0.08

Total

€424.1MM



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Case study 1: RENOVA PROGRAMME



Grants for the rehabilitation of existing buildings

Total expenditures EUR 5.7m

RENOVA PROGRAMME TARGETS



Promote the refurbishment of existing buildings through a system of public subsidies to improve the habitability conditions, accessibility conditions, industrial and general safety of the buildings, as well as sustainability and energy efficiency



Promote the implementation of renewable energies in both existing and new buildings

RENOVA PROGRAMME ACTIONS



- Improvement of accessibility and removal of architectural barriers in existing buildings
- Improvement of the industrial safety of installations in existing buildings
- Improving the sustainability of existing buildings
- Improvement of the energy efficiency of existing buildings
- Beautification of façades, interiors walls and roofs of existing buildings
- Implementation of renewable energies in existing and new buildings



OVERVIEW OF THE ELIGIBLE EXPENDITURES

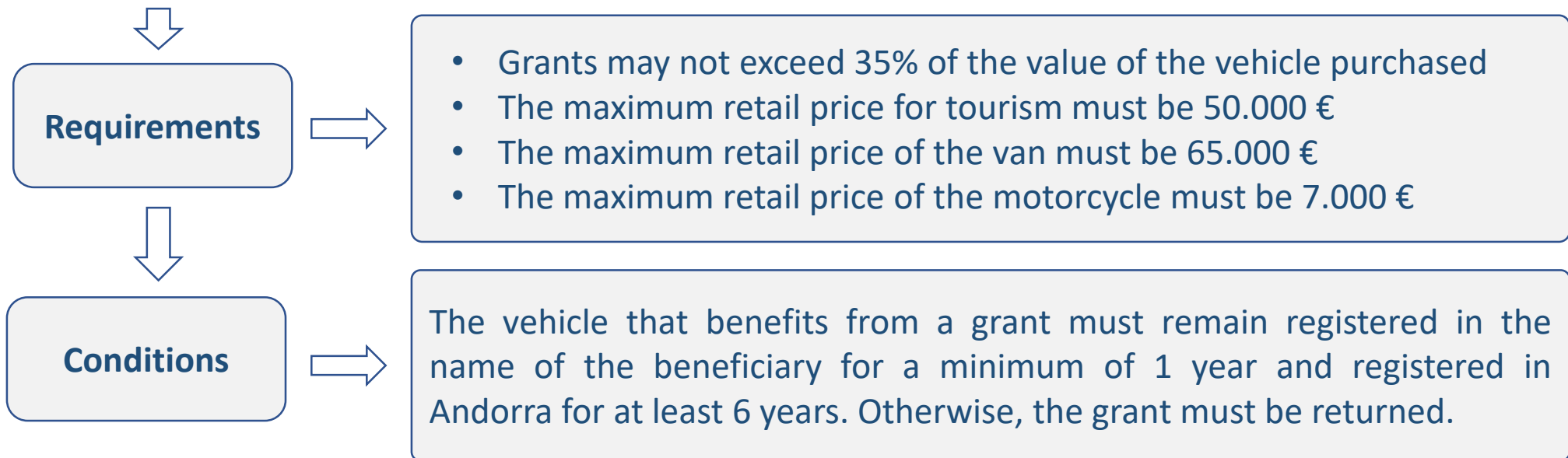
Case study 2: PLA ENGEGA



Grants for the purchase of new electric mobility vehicles

Total expenditures EUR 2.8m

Type of vehicle	Amount by Government	Amount by point of sale
Pure electric tourism or extended range (M1)	8.000 €	1.000 €
Electric van (N1)	13.000 €	1.000 €
Electric motorcycle (L3)	1.500 €	250 €



Presentació



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Case study 3: SAAS and CASS, Andorra's main healthcare branches



The aim of the Andorran social security system is to guarantee the protection, in its contributory and non-contributory modalities, of insured people, directly or indirectly, by means of the appropriate benefits.

*"The right to health protection and to receive benefits to meet other personal needs is recognized. For these purposes, the State shall guarantee a Social Security system". **Andorran Constitution, article 30***

The Caixa Andorrana de Seguretat Social, known as CASS is the body in charge of this administrative, financial and technical management of the Andorran social security system.



The SAAS was created in 1986 as a parapublic entity, with its own legal personality and financial autonomy that assumes the management and administration of all public resources - human, material and financial - dedicated to health care.

Fundamental objectives of the SAAS:

- To promote the most efficient use of all available resources to improve the level of health of the population of the Principality of Andorra.
- To provide individual or collective health services for the entire population residing or passing through the Principality of Andorra, in the form and conditions legally established for each case.
- To establish the appropriate organization to facilitate health care that includes preventive, curative and rehabilitative aspects, in a coordinated manner between the different levels of care.
- To integrate all public health resources into a single administrative and functional body.
- To guarantee the quality of healthcare provision and control of expenditure.



Govern d'Andorra

5. PROPOSED TRANSACTION



Proposed Transaction

Term sheet

Issuer	Principality of Andorra
Issuer Ratings:	BBB/BBB+/Baa2(Positive/Positive/Stable) S&P/Fitch/Moody's
Exp. Issue Ratings	BBB/BBB+/Baa2(Positive/Positive/Stable) S&P/Fitch/Moody's
Format	RegS, Bearer Dematerialised
Ranking	Senior Unsecured
Size	EUR 500 million
Maturity	5 years
Settlement	T+[5]
Coupon	Fixed, Annual, Act/Act
Docs/Listing	EMTN/Luxembourg
Gov Law	Luxembourg Law
Min Denoms	€100k + €100k
Use of Proceeds	Eligible project under the Principality of Andorra Sustainable Bond Framework.
Target Market	The target market for the Bonds is professionals and eligible counterparties (all channels for distribution), each as defined in MIFID II
Advertisement	The final prospectus, when published, will be available at [www.bourse.lu]
Bookrunners	Citi, Credit Agricole CIB and Santander



Govern d'Andorra



Govern d'Andorra

6. DISCLAIMER



INAUGURAL SUSTAINABILITY BOND

DISCLAIMER (1/2)

IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

Certain statements contained herein may be forward-looking statements including, but not limit to, statements that are predictions of or indicate future events, trends, plans, expectations, or objectives. Undue reliance should not be placed on such statements because, by their nature, they are subject to known and unknown risks and uncertainties and can be affected by other factors that could cause the results to differ materially from those expressed or implied in such forward looking statements or any other material discussed in this presentation. This presentation does not disclose all the risk and other significant issues related to the investment in the bonds described in this presentation (the **Notes**) and it has not been approved by any regulatory authority.

This presentation is strictly confidential and for information purposes only and does not constitute an offer to sell or the solicitation of an offer to buy any Note, and shall not constitute an offer, solicitation or sale in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of that jurisdiction. The distribution, publication or release of this presentation or any information contained therein or relating thereto may be prohibited by law in certain jurisdictions. Persons into whose possession this presentation or any related verbal or written communications in connection with it and information comes are required to inform themselves and to observe there restrictions. Persons reading this presentation agree to be bound by the limitations contain herein in relation to the existence of such presentation and all information (including without limitation, any statements, targets, estimates or forecasts) or opinions contained herein or in connection with. Non-compliance with these restrictions may result in the violation of legal restrictions in such jurisdictions. The Principality of Andorra does not accept any liability to any person in relation to the distribution of such presentation or information in any jurisdiction.

This presentation does not constitute a recommendation concerning any issue of Notes and its content is not to be construed as legal, credit, business, investment or tax advice. Potential investors should consult a professional adviser as to the suitability of the Notes referred herein for the person concerned. This presentation and the information it contains may be subject to legal restrictions in some countries. People who might come into possession of it must inquire as to the existence of such restrictions and comply with them. In particular may not be published, released, forwarded, transmitted or distributed, directly or indirectly, in or into of the United States.

This presentation is an advertisement and not a prospectus for the purposes of Regulation (EU) 2017/1129 of June 14/2017 (as amended, the **Prospectus Regulation**) and Delegated Regulation 2019/979 of March 14, 2019, as amended. Investors who wish to obtain information on the terms and conditions of the Notes, and determine whether or not they may, and wish to, subscribe thereto are urged to read, and refer exclusively to, the base prospectus to be submitted by the Principality of Andorra for approval to the Luxembourg Financial Markets Authority (*Commission de Surveillance du Secteur Financier*) (the **CSSF**) and the applicable final terms for the Notes, before making an investment decision in order to fully understand the potential risks and rewards associated with the decision to invest in these Notes. Such base prospectus will be published on the website of the Luxembourg Stock Exchange at www.bourse.lu and on the website of the Issuer at <https://www.finances.ad/emissions-de-deute-public>. The approval of the base prospectus by the CSSF should not be understood as an endorsement of the Notes offered or admitted to trading on a regulated market.



INAUGURAL SUSTAINABILITY BOND

DISCLAIMER (2/2)

IMPORTANT LEGAL INFORMATION AND CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING STATEMENTS

The Notes referred to herein are not intended to be offered, sold, or otherwise made available to and should not be offered, sold or otherwise made available to, and no action has been or will be undertaken to offer, sell or otherwise make available any Notes, to any retail investor in the EEA. For the purpose of this provision: (a) "retail investor" means a person who is one or more of the following: (a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of EU MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of EU MiFID II. Consequently no key information document required by Regulation (EU) No 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation. Additionally, the Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (**UK**). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (**EUWA**); or (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation. The Notes referred to herein may only be offered, sold or distributed in the Principality of Andorra in accordance with the requirements set forth by the laws of Andorra, in particular, Law 7/2013, of 9 May (**Law 7/2013**) and Law 8/2013, of 9 May (**Law 8/2013**) as well as any other related regulation that may be in force from time to time, as further amended, supplemented or restated governing the issue, offer and sale of Notes in Andorra. Accordingly, the Notes can only be publicly offered, marketed, promoted or negotiated in Andorra by locally licensed financial entities "*entitats operatives del sistema financer andorrà*", as defined in Law 8/2013, as long as the selling of such Notes is expressly solicited by such investors.