



Govern d'Andorra



Govern d'Andorra

INAUGURAL SUSTAINABILITY BOND

Investor Presentation

April 2021

Presentation



Summary

1. Andorra at a glance
2. Andorra's Sustainability Strategy
3. Green, Social and Sustainability Bond Framework
4. Overview of eligible expenditure
5. Inaugural Sustainability Bond
6. Disclaimer



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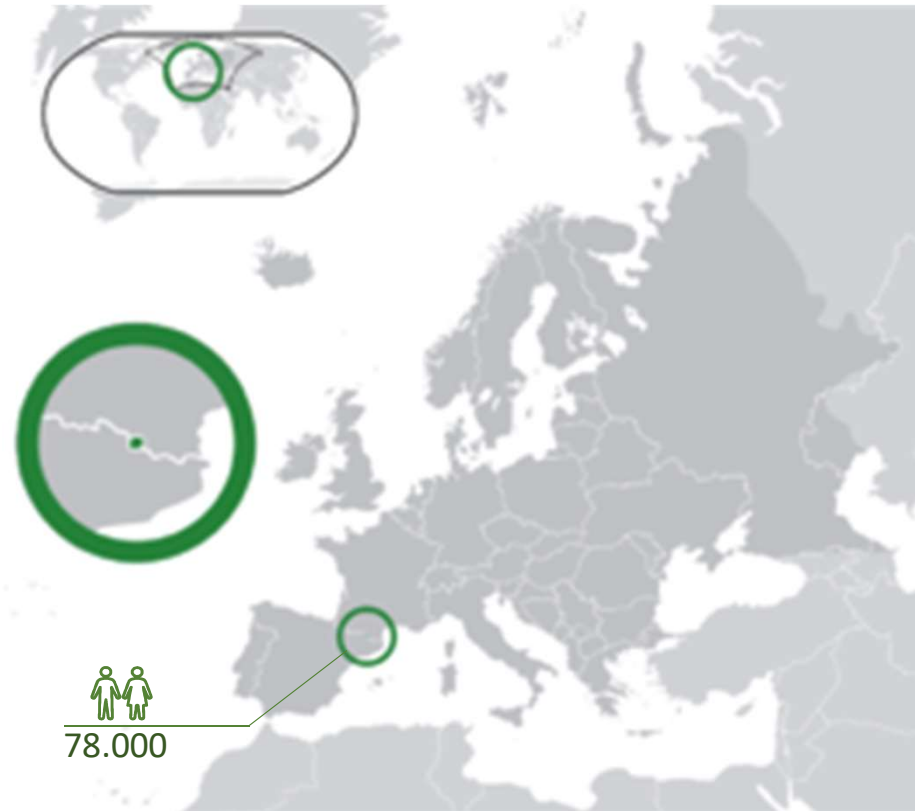
1. ANDORRA AT A GLANCE



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. The country borders Spain through the autonomous community of Catalonia, and 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 used.



ANDORRA AT A GLANCE



The history of the Principality of Andorra

The Principality of Andorra was founded in 1278 as a coprincipality, and this has prevailed for more than seven centuries. Nowadays the Andorran head of State is the President of the French Republic and the Bishop of la Seu d'Urgell, a neighbouring Catalan town.

In 1993 citizens approved a constitution consolidating the Andorran political regime as a democratic parliamentary coprincipality.

In 2011, 2015 and 2019 Demòcrates per Andorra, a center reformist political party won the elections. From 2019 onwards, there has been a coalition government, the first time since the country's opening in 2011.



ANDORRA AT A GLANCE

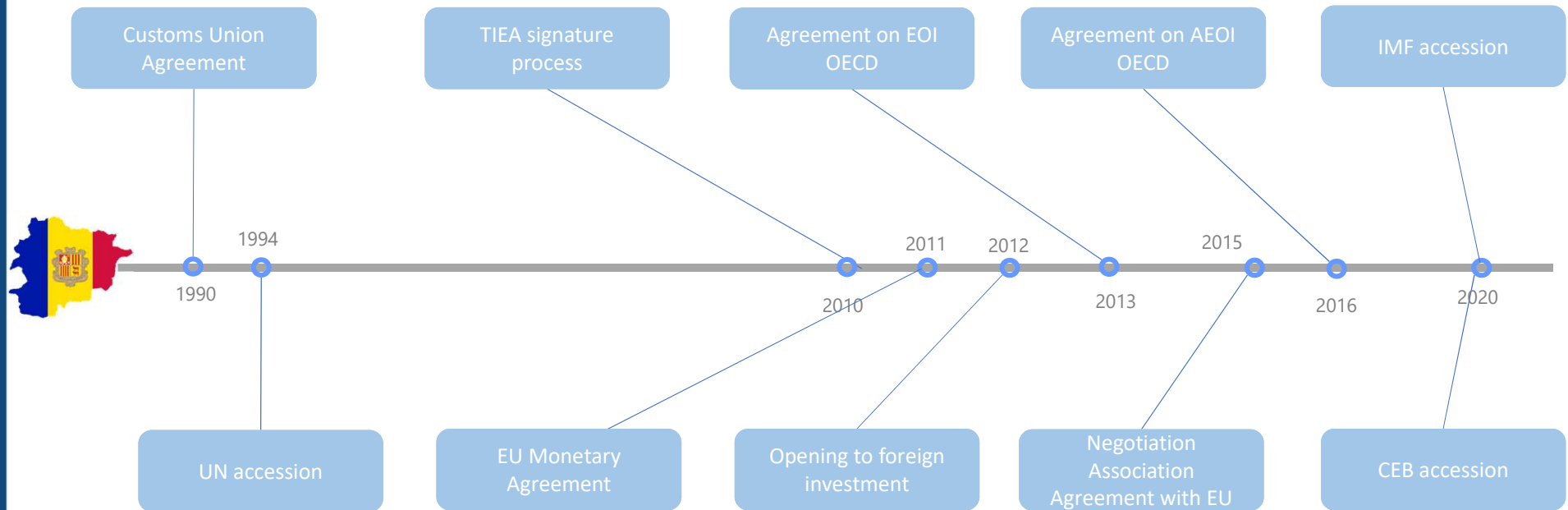
Assets

-  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





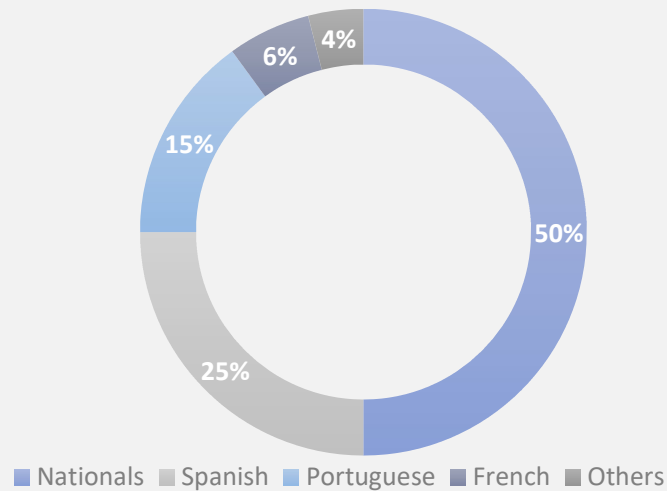
ANDORRA AT A GLANCE

High quality of life: society and education

POPULATION



The Principality of Andorra has a multicultural and plurilingual society. In 2020 the number of inhabitants was 78,015 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



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

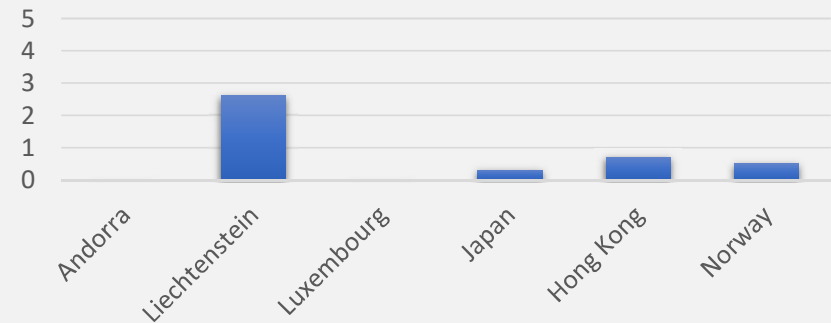
#2 Life Expectancy

#4 Health Condition

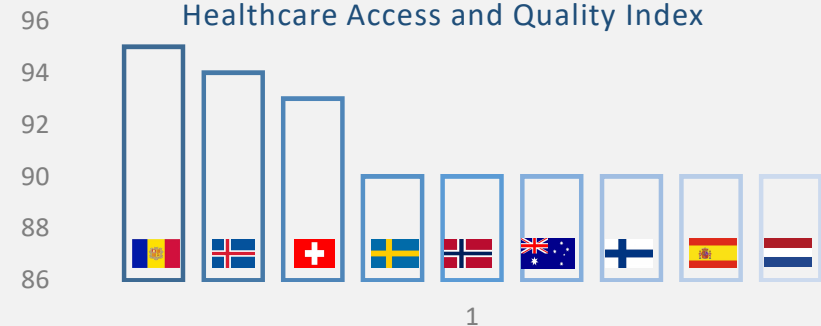
#36 Human Development Index

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: Healthcare- Covid 19

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



95%

Population antibody tested twice



Christmas 2020 free distribution of 3 rapid antigen test per each citizen above 6 years old



20%

Population tested weekly (Antigen Rapide Test + TMA)



One of the **lowest mortality rate** (< 1%)

The health crisis was managed well with universal testing and revamped hospital capacity (IMF)



ANDORRA AT A GLANCE

High quality of life: environment



Project to be considered as the first country Reserve of the Biosphere

It has a preserved natural, historical and cultural environment:

- 36% of the territory has the consideration of Natural Park.
- 15% of the territory is considered as UNESCO heritage.
- Ordino parish is already a Reserve of the Biosphere (2020)

Natural Parks of Andorra:

- **Vall de Sorteny** - 1.000 ha
- **Vall Madriu-Perafita-Claror** - 40.000 ha
- **Valls del Comapedrosa** – 1.542 ha



ANDORRA AT A GLANCE

Competitive framework & infrastructure

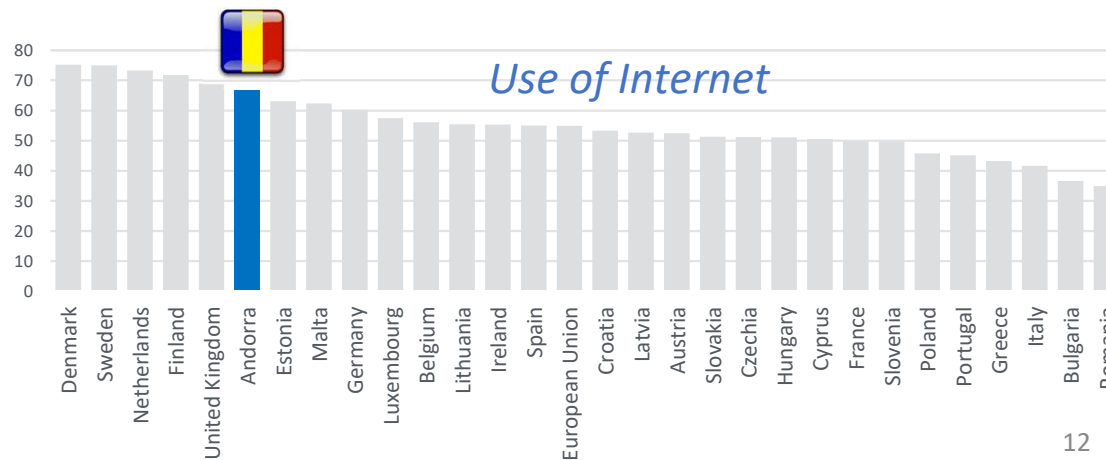
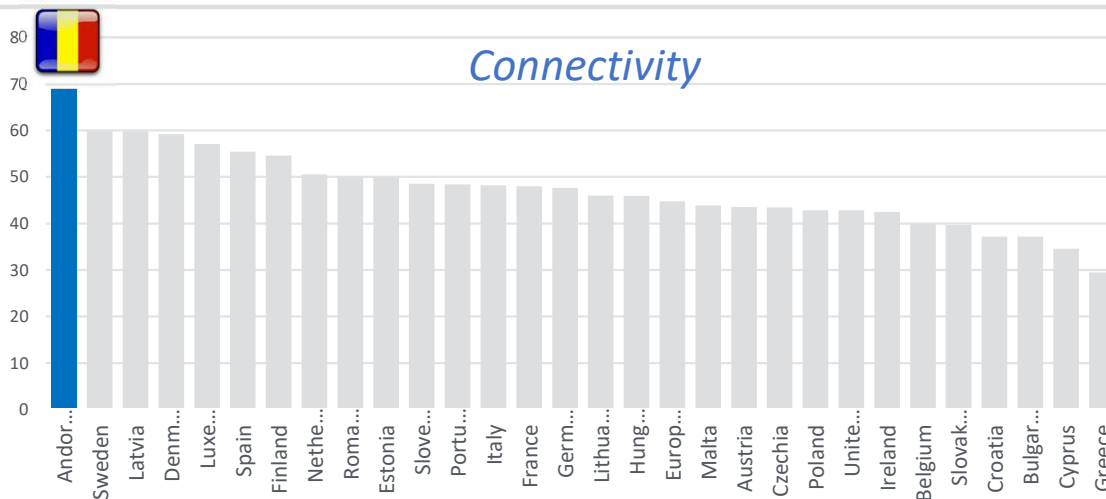


100% FTTH coverage
300mbps / 700mbps
33K households



85% Mobile coverage
109% penetration

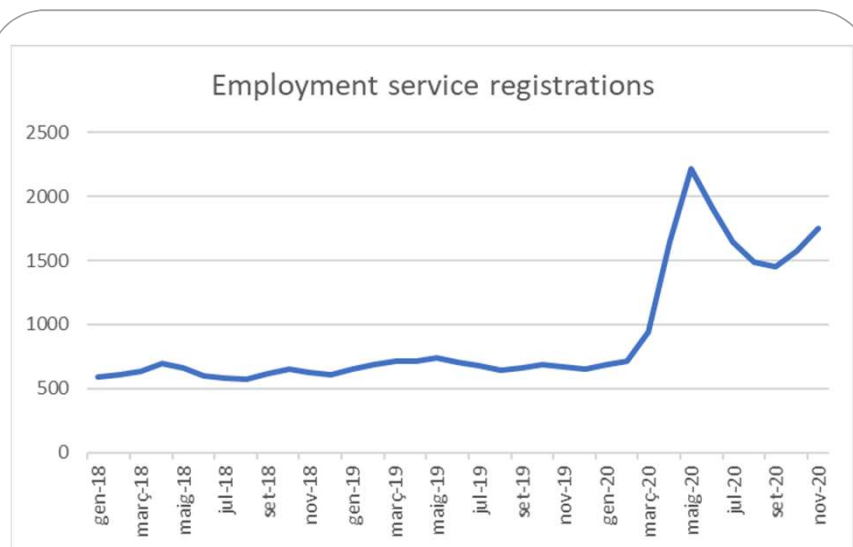
Digital Society & Digital Index (DESI)



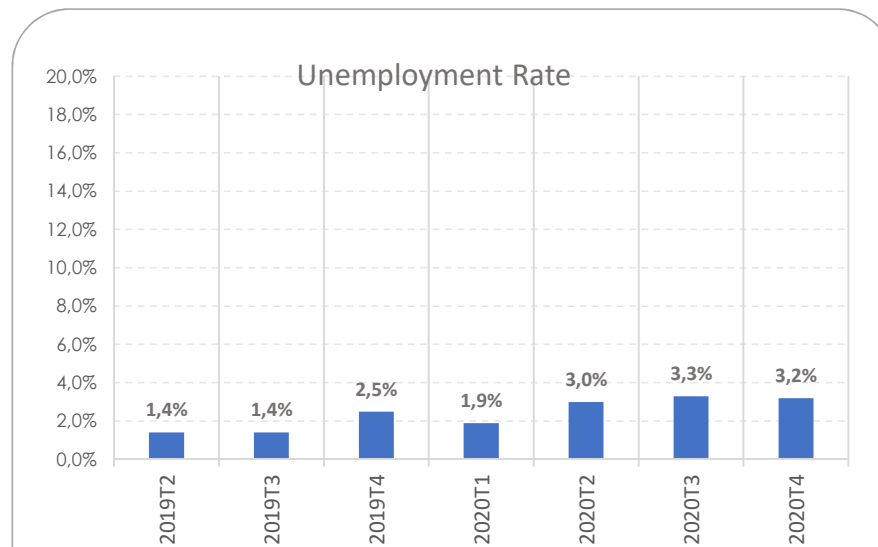


ANDORRA AT A GLANCE

Open and developed economy: Unemployment rate



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



Unemployment rate remains among the lowest in Europe. (IMF)

SP: 16,1% FR: 8,9% EU-27: 7,5%



ANDORRA AT A GLANCE

Open and developed economy: COVID19 impact

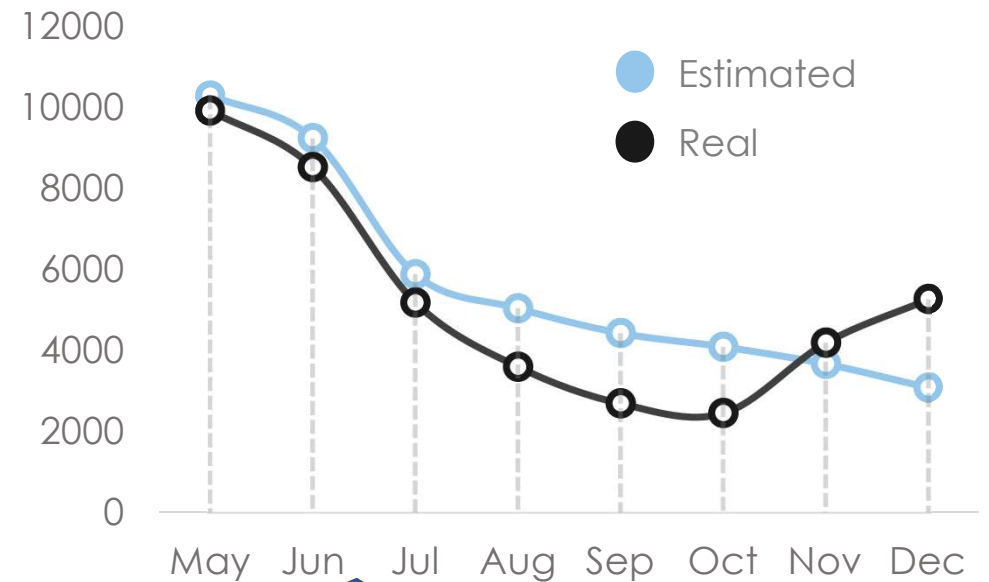
Since May 2020 the Government put forward a Temporary Employer/Employee Relief System (TERS) to maintain existing working positions while helping companies to lighten their cost structures.

TERS applications in May represented a 27% of the wage-earners, 14% in December.

Mobility normalization in summer had a very positive impact in reducing TERS progressively.

Since inception the Government transferred around 50M€

Number of affected employees (May - December 2020)



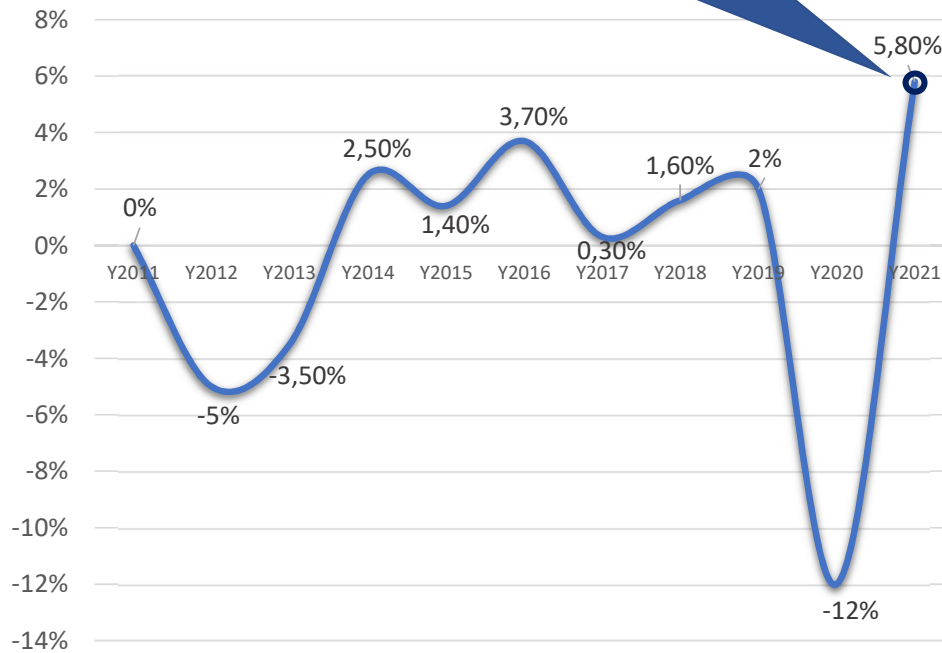
The authorities responded with mitigating fiscal measures that limited the adverse impact on the economy (IMF)



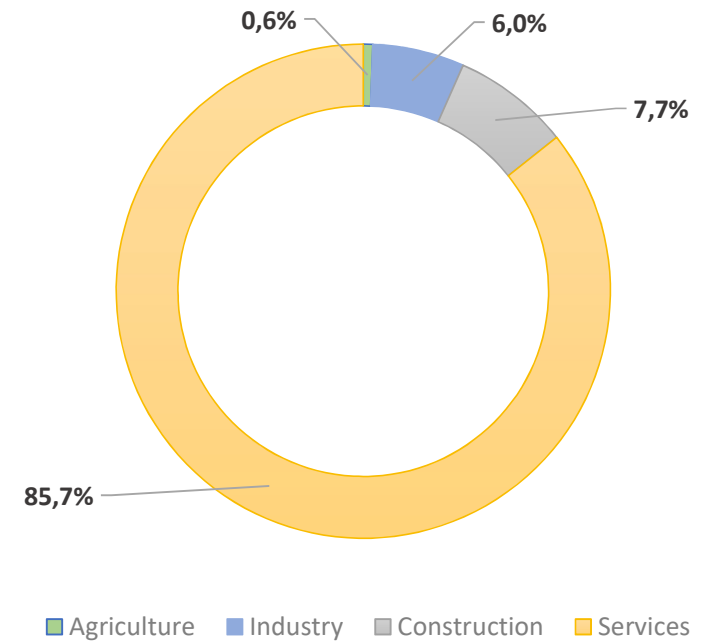
ANDORRA AT A GLANCE

Open and developed economy: GDP evolution and Added Value per sector

Real GDP growth is projected to rebound this year (IMF)



GDP EVOLUTION

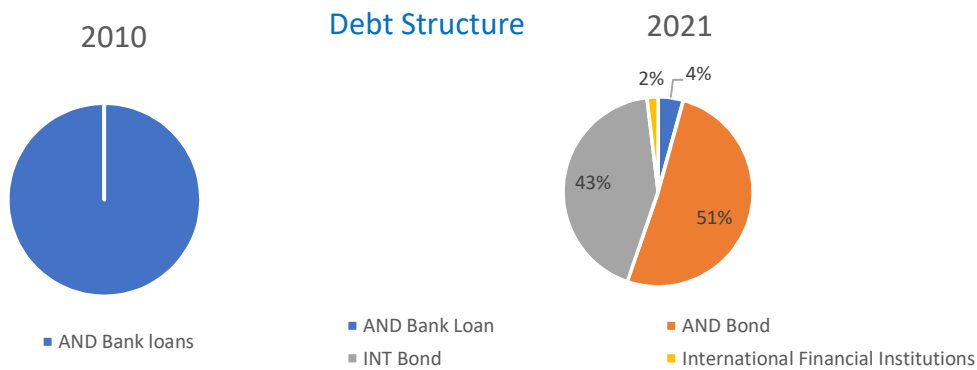
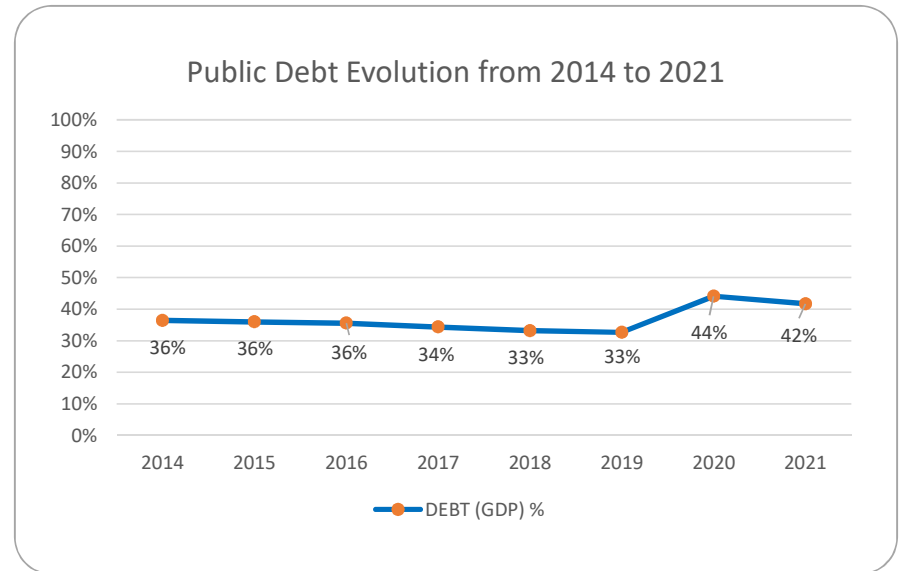
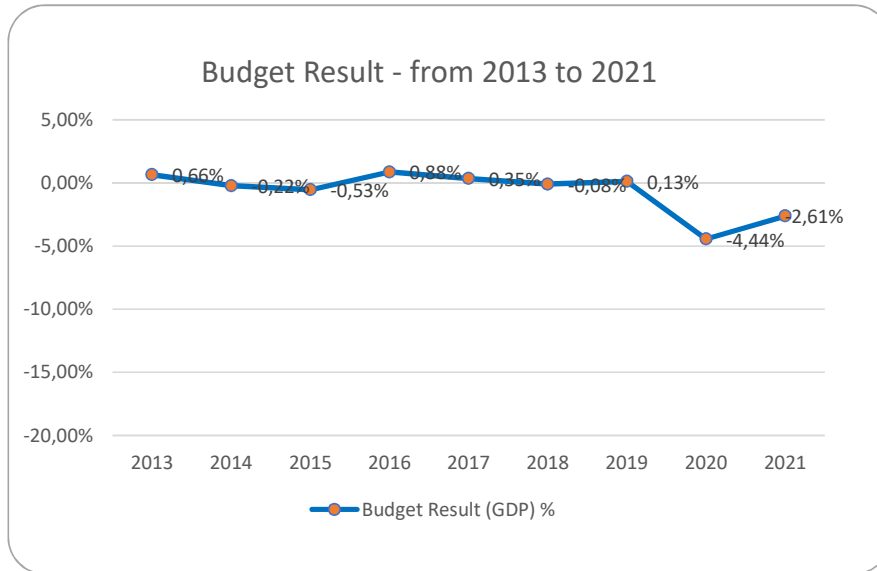


ADDED VALUE PER SECTOR 2020



ANDORRA AT A GLANCE

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

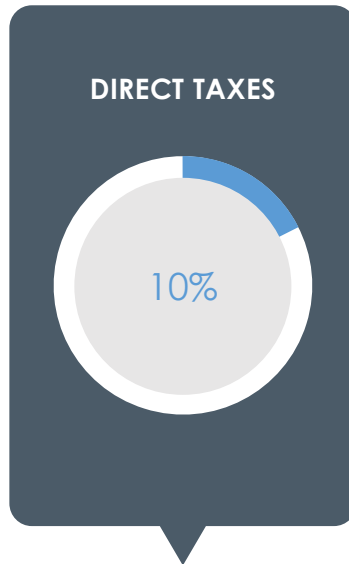




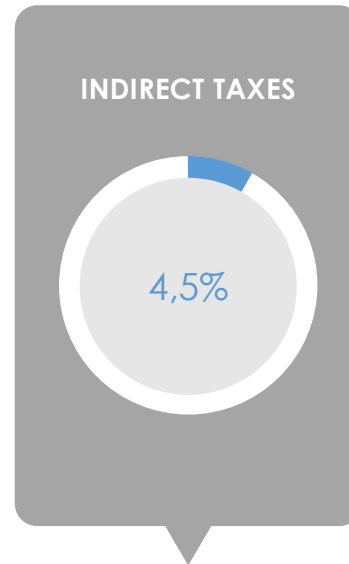
ANDORRA AT A GLANCE

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



DTA negotiations ongoing and announced:

Belgium	Austria
Italy	Germany
Netherlands	Hungary
Switzerland	San Marino



Alignment with BEPS project (OECD)



ANDORRA AT A GLANCE

Sound public finances & Tax system: Standard & Poor's – Fitch Ratings



STANDARD & POOR'S: BBB/A-2 FITCH RATINGS: BBB+



Both highlight that a greater availability of statistical data could support Andorra's creditworthiness and prompt the agencies to improve their assessment of Andorra's external position.

01

The authorities recognize the importance of publishing statistics according to international standards (IMF)

02

Technical assistance has been requested to the IMF to improve statistical data production. Balance of Payments has already been produced, for the first time ever, with the help and validation of the IMF



03

Balance Of Payments

Current Account

- Large surplus (18% GDP)
- Surpluses in services and primary income





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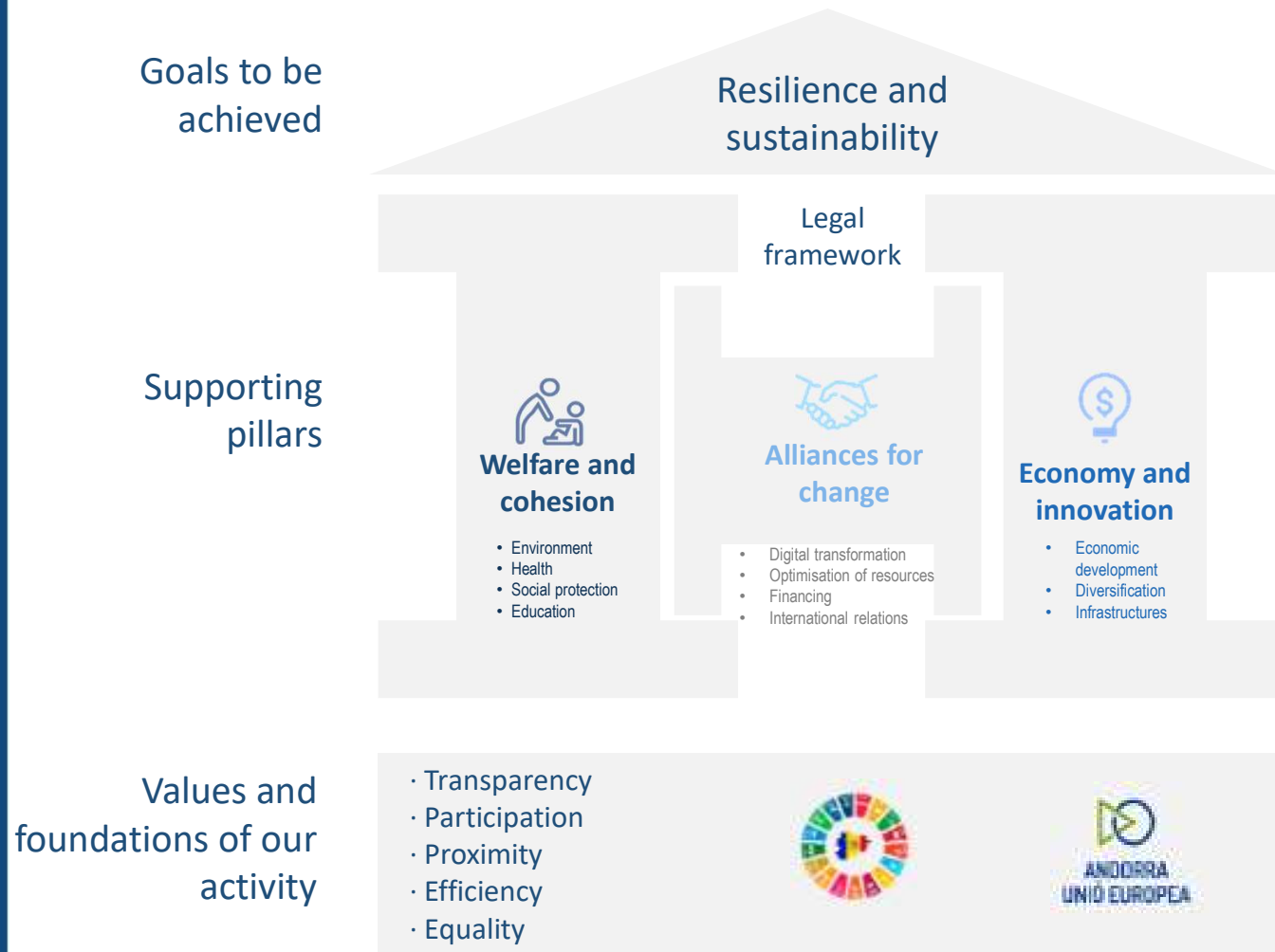
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2. ANDORRA'S SUSTAINABILITY STRATEGY



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

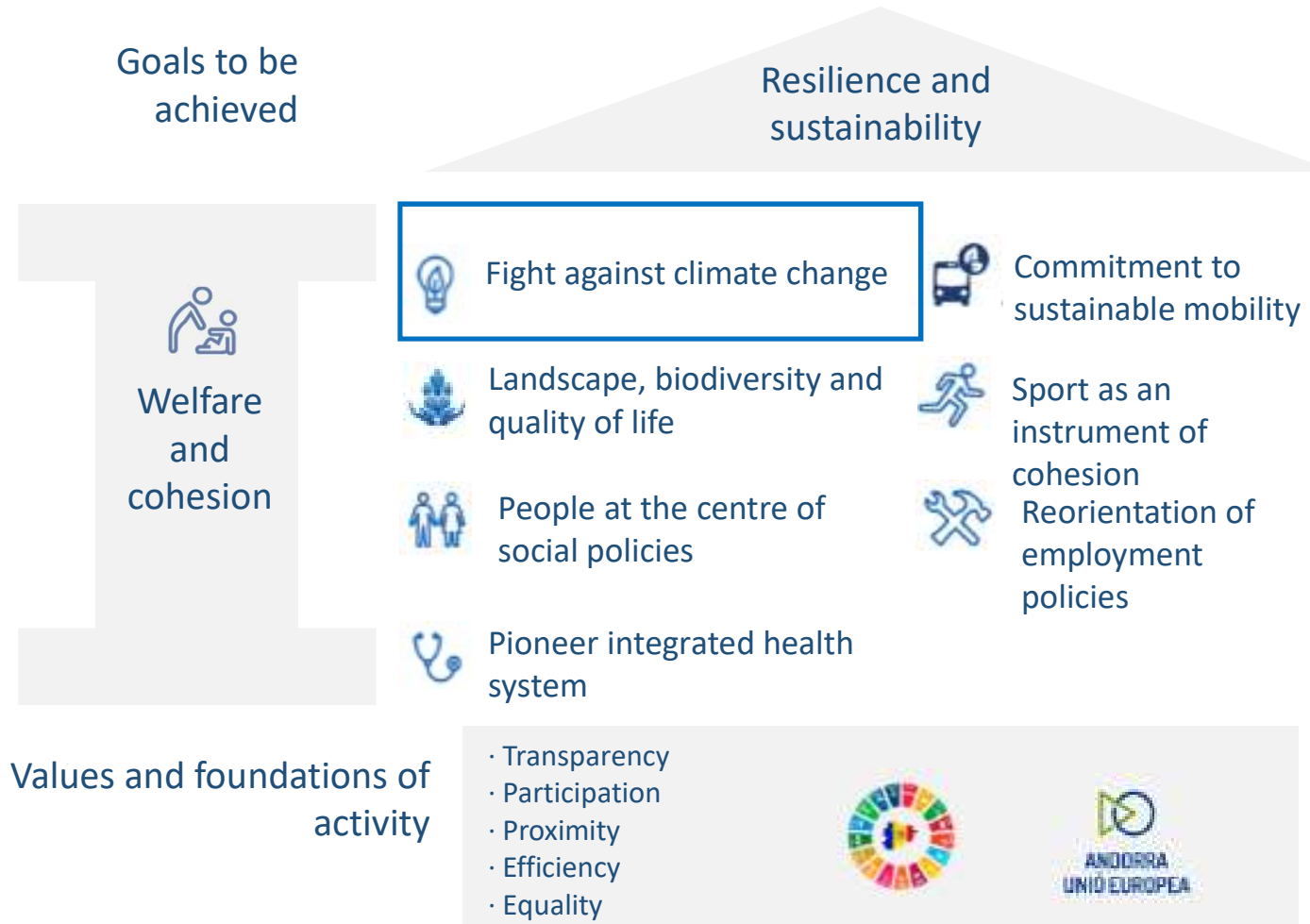
The roadmap is based both on the **country's strengths** (healthcare and social protection system, educational model, high level of public safety, historical singularity, cultural diversity and exceptional natural environment) and **identified improvement aspects** (connections, administrative agility,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



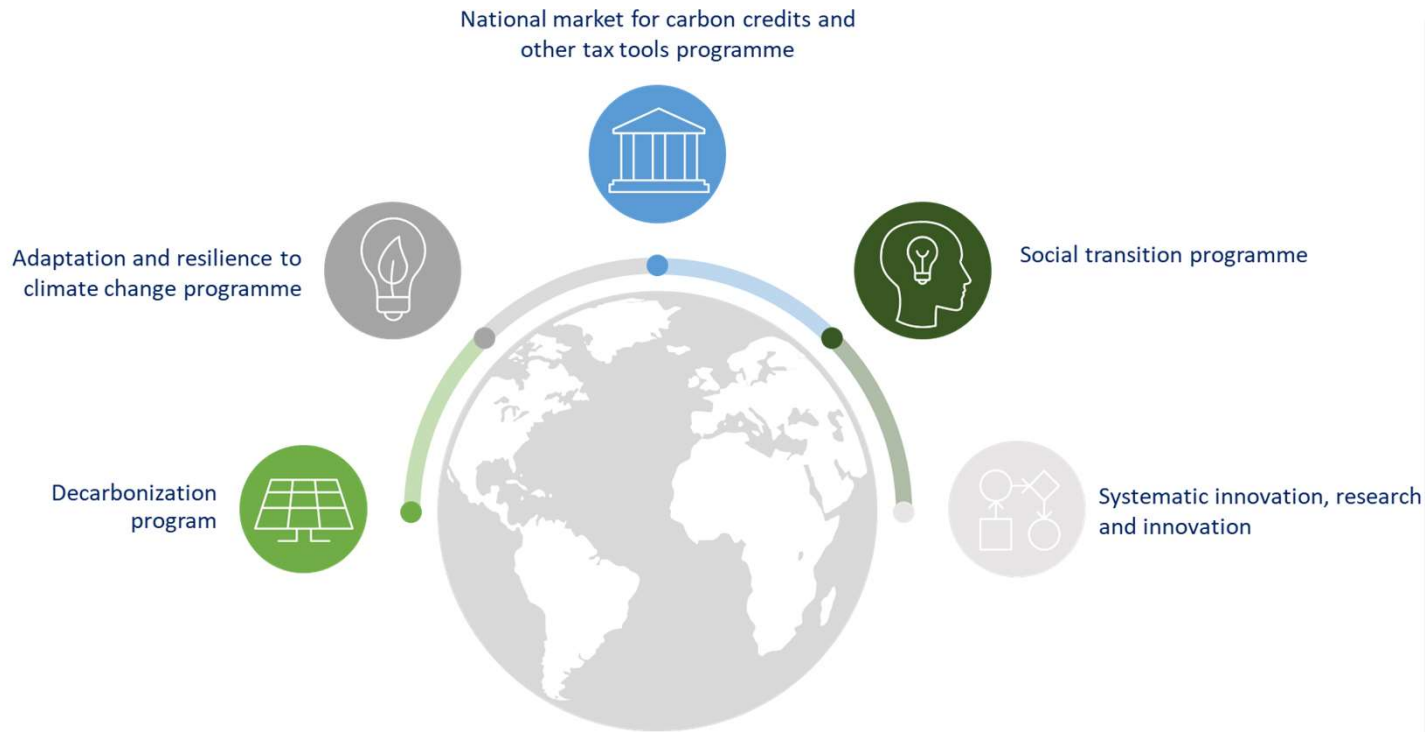
Examples of projects





ANDORRA'S SUSTAINABILITY STRATEGY

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



Andorra was one of the first countries to update its Nationally Determined Contribution (NDC)

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



_mobility

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



_building

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



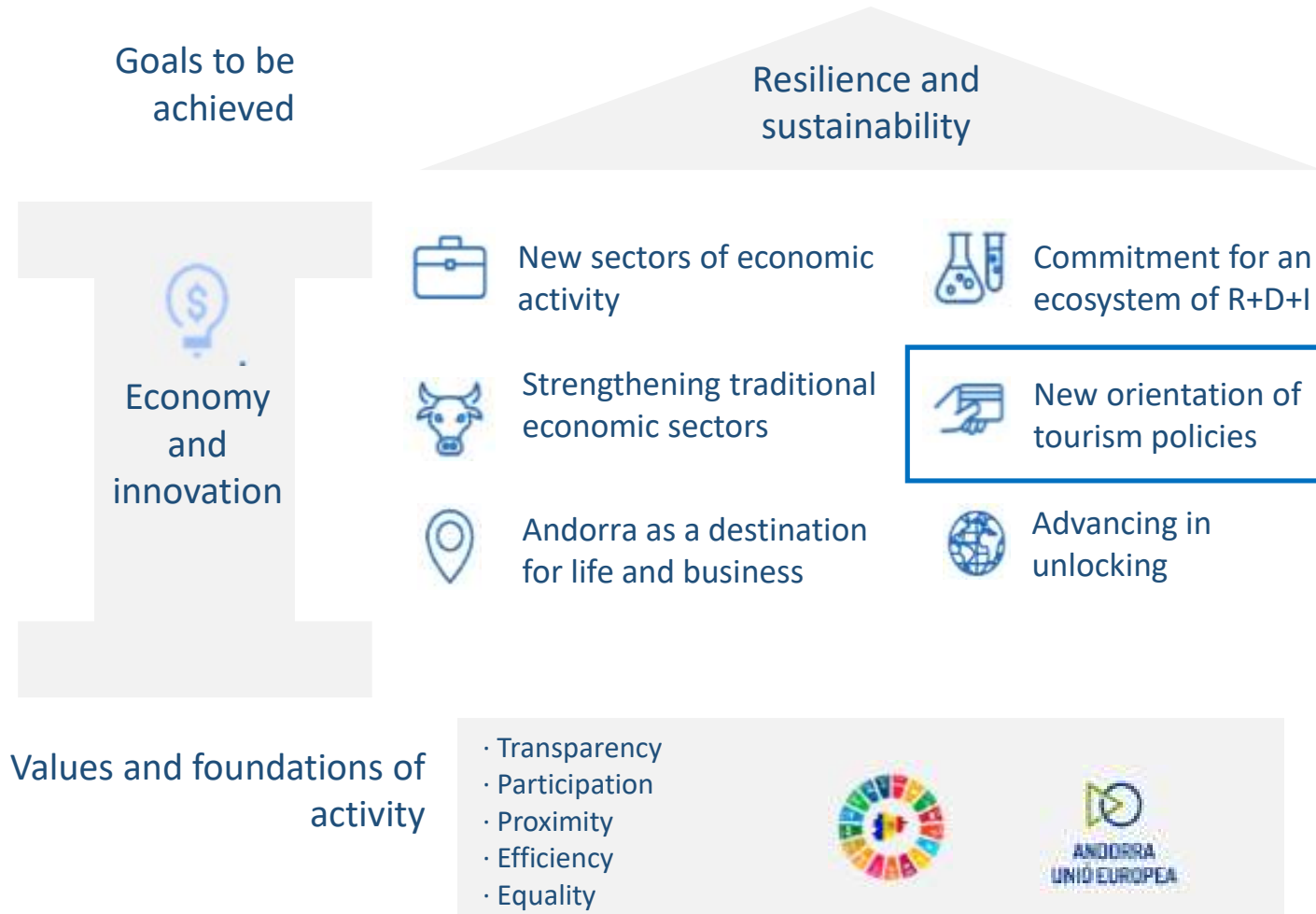
_electricity

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



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

1	Lluitar contra el canvi climàtic i reducció de la dependència energètica
2	Una aposta per la mobilitat sostenible
3	Patrimoni, 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

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)

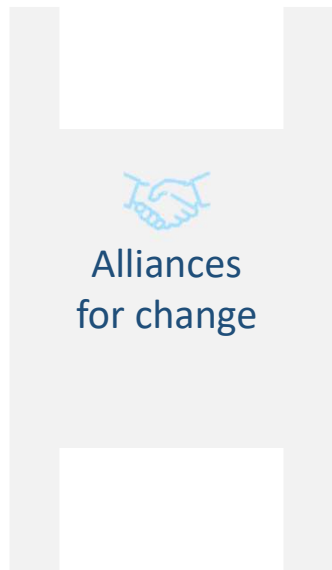


ANDORRA'S SUSTAINABILITY STRATEGY

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	Lluitar contra el canvi climàtic i reducció de la dependència energètica
2	Una aposta per la mobilitat sostenible
3	Plaatge, biodiversitat i qualitat de vida
4	L'esport com a eina de cohesió i de foment dels hàbits saludables
5	Les pensions 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...

1	1.1. Foment del desenvolupament públic i privat per impulsar un sector privat	Participants	Impacte econòmic	Calendar	Indicadors
2	2.1. Impulsió dels sectors econòmics clau i foment de la competitivitat i de la innovació en sectors clau i estratègics	Participants	Impacte econòmic	Calendar	Indicadors
3	3.1. Desenvolupament sostenible de les zones rurals i de les zones de baixa densitat i de les zones de baixa densitat	Participants	Impacte econòmic	Calendar	Indicadors

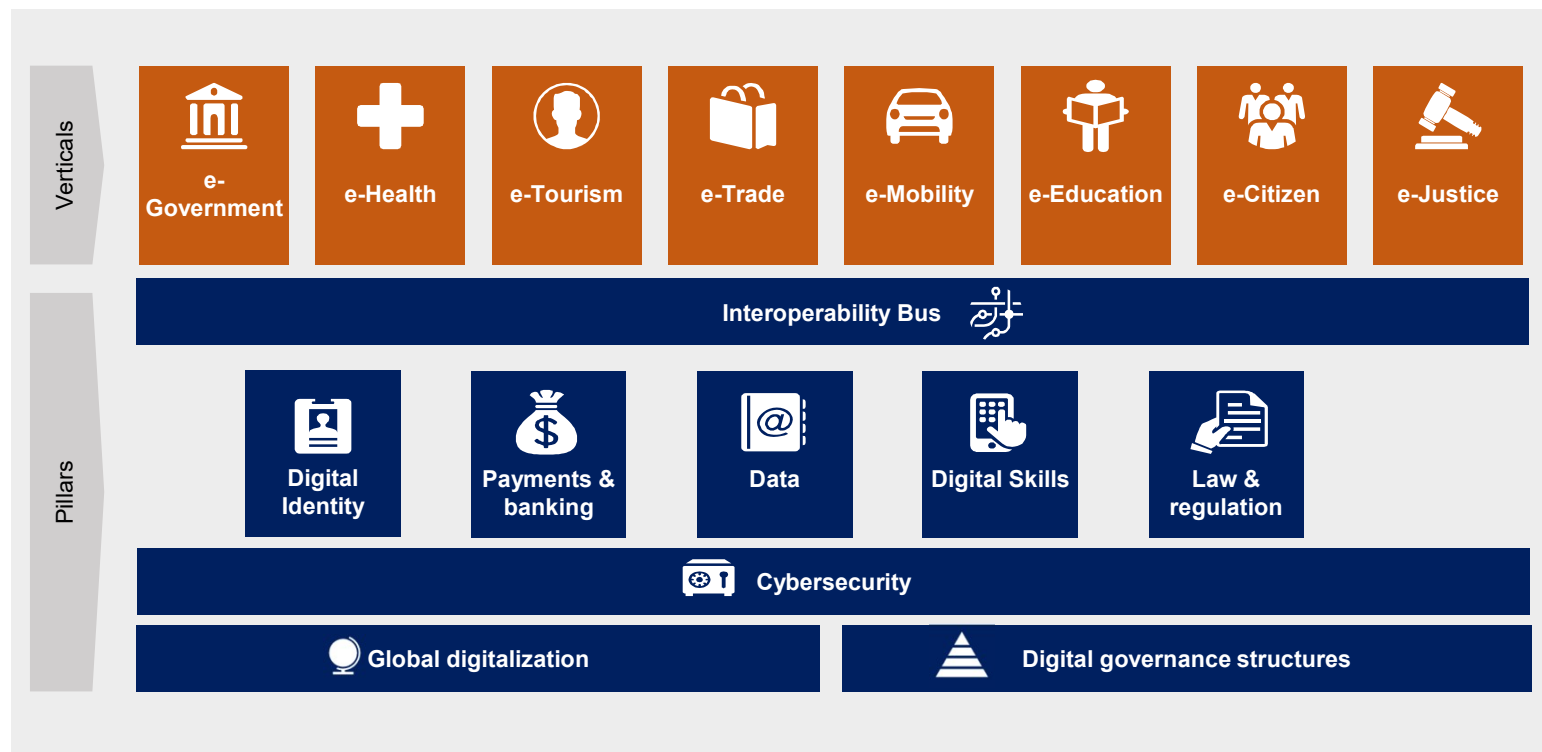
Examples of projects



ANDORRA'S SUSTAINABILITY STRATEGY

Horizon 23 Pillar 3: Alliances for change / Digital transformation

Country initiatives are identified and built based on this framework



In 2021 +70% Investment compared to 2019 budget



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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) 2018 Green Bond Principles (GBP), 2020 Social Bond Principles (SBP) and 2018 Sustainability Bond Guidelines (SBG). Its four core components have been externally verified by Vigeo Eiris.












GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK

Use of proceeds (1/2)

- **Eligible Expenditures:** Eligible Green and Social Expenditure may be linked to several budgetary expenses including investment, tax, intervention, operating expenditures 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:** Any 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 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,, 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	29 



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

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 [link]

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 [link]



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 2018 ("GBP") and Social Bond Principles 2020 ("SBP").



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 vulnerable
Existence of framework	Yes
Share of refinancing	To be communicated before each issuance.
Look back period	3 years.

Coherence

Coherent

Partially coherent

Not coherent

We are of the opinion that the contemplated Framework is coherent with the Principality of Andorra's strategic sustainability priorities and that it contributes to achieving the Issuer's sustainability commitments.



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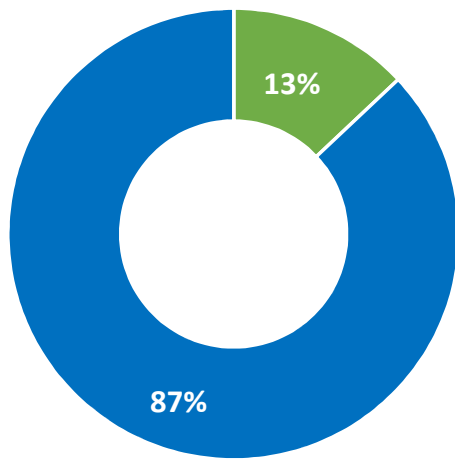
4. OVERVIEW OF ELIGIBLE EXPENDITURE



OVERVIEW OF ELIGIBLE EXPENDITURE

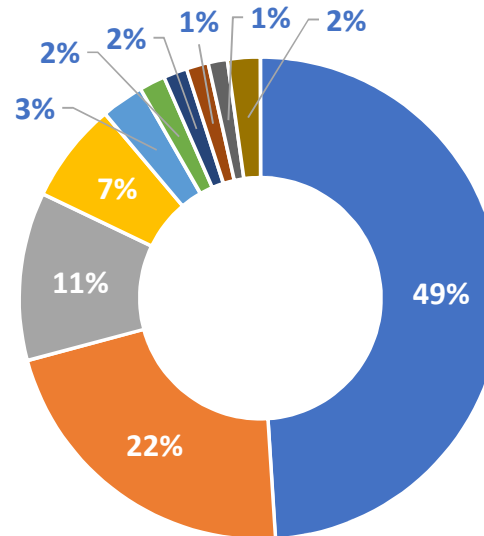
Over 680m€ of Eligible Green and Social Expenditures identified

Breakdown by Green/Social



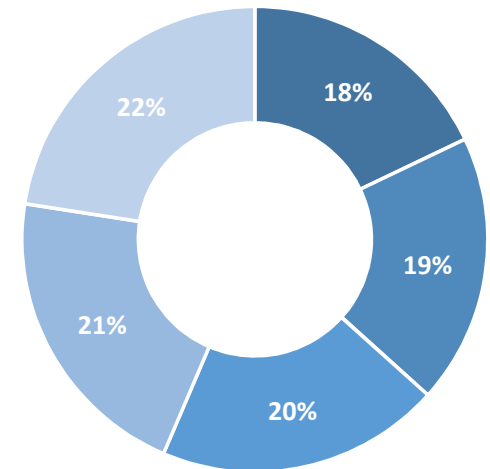
■ Green ■ Social

Breakdown by Eligible Expenditure Categories



- Health
- Socio-economic advancement and empowerment
- Education
- Circular economy
- Sustainable water, waste and wastewater management
- Employment generation
- Sustainable management of living natural resources
- Affordable housing
- Civil protection, territorial and digital inclusion
- Other

Breakdown by budget year



■ 2018 ■ 2019 ■ 2020
■ 2021 ■ 2022



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Green Eligible Expenditures

Eligible Green Categories	Examples of Eligible Expenditures	Amount 2018-2022 in EUR m
Renewable energy	<ul style="list-style-type: none"> ○ Acquisition and installation of photovoltaic solar panels 	1.3
Energy efficiency	<ul style="list-style-type: none"> ○ Plan Renova ○ Projects contributing to the reduction of energy consumption including heating and cooling network and co-generation 	6.0
Low carbon transport	<ul style="list-style-type: none"> ○ Plan Engega 	5.75
Sustainable water and wastewater management	<ul style="list-style-type: none"> ○ Projects and technologies to improve water supply infrastructure, produce water pollution and increase water-use efficiency (leakage reduction within the networks, water meters' installation) ○ 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 	19.6
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 	46.1
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 	10.7
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 	4.2
Total		EUR 91.4m



OVERVIEW OF THE ELIGIBLE EXPENDITURES

Social Eligible Expenditures

Eligible Social Categories	Examples of Eligible Expenditures	Amount 2018-2022 in EUR m
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 	334.7
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 	76.9
Employment generation	<ul style="list-style-type: none"> ○ Programmes supporting the professional insertion of people with disabilities ○ Schemes of reinsertion of the unemployed 	11.9
Affordable housing	<ul style="list-style-type: none"> ○ Investment in a public private fund intended to create social housing for low-income population 	10.0
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 	149.2
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 	8.9
Total		EUR 591.6m



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5. INAUGURAL SUSTAINABILITY BOND



INAUGURAL SUSTAINABILITY BOND

Term sheet

Issuer:	Principality of Andorra
Issuer Ratings:	BBB/BBB+(Sta/Sta) S&P/Fitch
Exp. Issue Ratings:	BBB/BBB+(Sta/Sta) S&P/Fitch
Format:	RegS, Bearer
Ranking:	Senior Unsecured
Size:	EUR Benchmark
Maturity:	TBC
Settlement:	TBC
Coupon:	Fixed, Annual, Act/Act
Docs/Listing:	EMTN/Luxembourg
Gov Law:	Luxembourg Law
Min Denoms:	€100k + €100k
Use of Proceeds:	According to the Principality of Andorra Sustainable 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:	Credit Agricole CIB and Santander



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6. DISCLAIMER



INAUGURAL SUSTAINABILITY BOND

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INAUGURAL SUSTAINABILITY BOND

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