



# GREEN, SOCIAL AND SUSTAINABILITY BOND FRAMEWORK



Govern d'Andorra

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# 1. Introduction

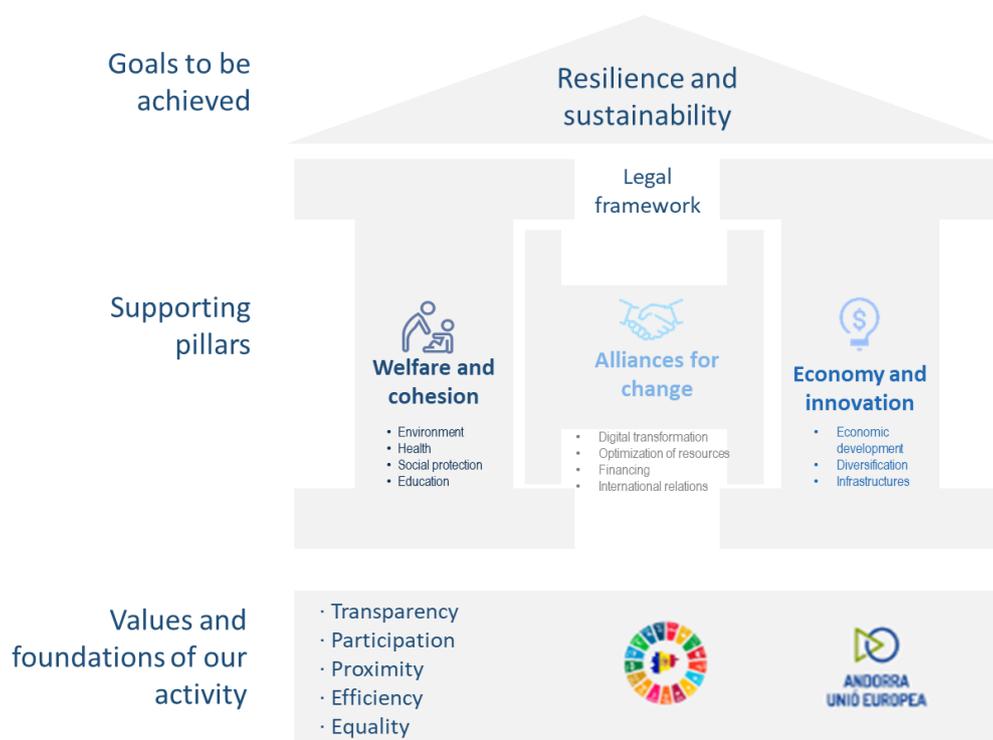
## 1.1. Andorra's Action Plan 2020-2023

In the spring of 2020, the Government of Andorra published its Action Plan for the period of 2020-2023. This road map has been prepared with the primary goal of increasing the country's potential on the path to further development, and to preserve the long-term sustainability of the latter.

Sustainability –understood in a cross-cutting sense–, together with innovation and resilience, are therefore the backbone of this action plan comprising a total of **twenty initiatives and regrouped under three pillars**:

- **Welfare and cohesion**
- **Economy and innovation**
- **Alliances for change**

### Andorra's Action Plan 2020-2023



### 1.1.1 Welfare and cohesion

The welfare and social cohesion pillar is composed of seven initiatives, all of which advocate social welfare, quality of life, a healthy environment, and sustainability:

- **Fight against climate change**

As a self-responsible country that cares for the environment, Andorra is strengthening the policies that foster the implementation of renewable energies, the diversification of sources of energy and the promotion, application and spread of technologies, practices and processes that control, reduce or prevent greenhouse gas emissions. These policies are also translated into the private area, with direct aids for the rehabilitation of buildings or the installation of solar panels (Renova Programme) or the purchase of electric vehicles (Engega Programme).

- **Commitment to sustainable mobility**

Within its sustainability programme, the Government is committed to address negative environmental impacts related to mobility. It intends to reduce the use of private vehicles by promoting the use of public transport and of other environmentally sustainable types of mobility.

- **Landscape, biodiversity and quality of life**



## Andorra's Green, Social and Sustainability Bond Framework

This is a strategic challenge for the Government as UNESCO is considering to declare Andorra a **World Biosphere Reserve**. Moreover, Andorra has implemented a *green taxation* - a CO2 tax on hydrocarbon emissions - to incentivize the use of less polluting sources of energy and to penalize the activities which are most harmful to the environment.

- **Sport as an instrument of cohesion**

In order to foster healthy habits, actions favouring the practice of recreational sports will be implemented.

- **People, at the centre of social policies**

Foremost sociodemographic challenges have been identified, including ageing of the population and attention to children, adolescents and young people. The Government intends to progressively increase both pensions and minimum wage, and to keep fostering the construction of social housing.

- **Reorientation of employment policies**

The COVID-19 health crisis has caused the number of jobless persons to rise significantly in recent months. Therefore, the Public Administration will play an active role in fostering the labour market to facilitate the creation of jobs and prevent the destruction of employment.

- **Pioneering adapted healthcare system**

The new road map also aims at strengthening the national health system, especially to further adapting it to new challenges and risks related to current and future potential pandemics.

### 1.1.2 Economy and innovation

The Economy and innovation pillar comprises six initiatives that should be promoted for economic development, diversification, and improvement of connectivity infrastructures:

- **New sectors of economic activity**

Several measures with high social impact have been highlighted by the Government to foster corporate initiatives linked to the circular economy. In that sense, to further support the development of new business models, a free economic zone shall be created in Andorra.

- **Commitment to an RDI ecosystem**

The Public Administration emphasizes on the relevancy of mixed public-private initiatives for the financing of research and innovations. Therefore, developing a technology park for specific sectors and stimulating entrepreneurship are part of Andorra's top priorities.

- **Strengthening of traditional economic sectors**

It is essential to Andorra's economic activity to work towards the strategic repositioning of traditional sectors, especially by promoting local consumption.

- **Reorientation of the tourism policy**

Tourism is an important part of Andorra's economic activity and is intended to be redirected towards a proximity tourism. The purpose is to strengthen Andorra's offering regarding culture, nature, sport and health. The potential Biosphere Reserve brand delivered by UNESCO shall provide further opportunities to achieve proximity tourism.

- **Andorra as a life and business destination**

The establishment of an ecosystem of innovation should not only allow the promotion of the existing corporate fabric but should also serve to attract international entrepreneurs.

- **Advancing towards geographical disenclavement**

In a dynamic global scenario, it is of capital importance to be well connected, and this is one of the major unresolved issues in Andorra. Transport infrastructures –and not only land-based ones– should be considered decisive elements for economic development and competitiveness.

### 1.1.3 Alliances for change

The third pillar, Alliances for change, envisages seven initiatives dealing with digital transformation, optimization of resources, public financing and international relations:

- **Modernization of the Public Administration**

Simplify administrative processes and reorganize administrative services are key levers in Andorra's rapid economic recovery.

## Andorra's Green, Social and Sustainability Bond Framework

### ▪ Towards a digital transformation

The whole process of digital transformation, with respect to both administrative procedures and private projects, plays a fundamental role in improving the effectiveness of administrative processes and services.

### ▪ Diversification of financing and sustainability of pensions

As one of the most pressing social issues in Andorra, the Government intends to sustainably address and reform the pension system.

### ▪ Establishment of a regional cooperation area

Andorra's development relies on strong regional partnerships. Therefore, it advocates the leadership of cross-border microprojects that will allow the establishment of cooperation mechanisms on a regional scale in the labour and health spheres between Andorra, France and Spain.

### ▪ Efficiency and rationalization of public expenditure

The exceptionality of the events faced worldwide calls for a greater budgetary effort. In this regard, it is necessary to postpone some public investment initiatives and foster synergies between private and public sectors.

### ▪ Association agreement with the EU

The Association Agreement will be an instrument at the disposal of Andorran operators for the diversification of the country's economy and the strengthening of the trust shown in Andorra as a business centre.

### ▪ Foreign policy

Andorra prioritizes large cooperation with the different International Organizations emphasizing its work on Education, Environment and Climate Change, Multilingualism, and the Implementation of the 2030 Agenda. At the international cooperation for development scope, Andorra focuses its actions on education, health, climate change, and targeted groups such as women and children.

All the actions are dealt with in individual files listing the main points such as stakeholders (ministries, municipalities, parapublic entities, private sector, civil society...), economic impact, calendar planning, ease of implementation –depending on the degree of necessity of human, economic and technological resources–, indicators for assessment of the action's evolution, in alignment with the Sustainable Development Goals (SDGs), and concordance with the Community acquis or *acquis communautaire*.

The Action Plan was developed with the contributions from various participants including civil society and citizens. The conclusions were presented to the Andorran Parliament in the Debate on Political Orientation held in the month of September 2020.

### 1.1.4 Action Plan's governance

In order for all the actions contained in this road map to be correctly developed and materialized, the transversality of the Public Administration is of key importance. A governance model comprising a strategic commission, a follow-up committee and an operative committee should be established as follows:



## 1.2. The National Energy Strategy for the fight against climate change (2020 – 2050)

In recent years, Andorra has endowed itself with a set of resources and instruments to demonstrate its willingness to support the international commitments acquired in 2015 under the Paris Agreement.

Andorra was one of the first countries to update its Nationally Determined Contribution (NDC)<sup>1</sup>, thus demonstrating the importance of its commitment to the fight against climate change.

The objectives and initiatives established in Law 21/2018 of 13<sup>th</sup> September 2018 on the promotion of the energy transition and climate (Litecc) and the 2020-2050 National Energy Strategy for the Fight against climate change should lead to a decrease in greenhouse gas emissions of 37% from its business-as-usual (BAU) scenario by 2030 and ensure carbon neutrality is achieved by 2050.

In December 2020, the Government of Andorra published its National Energy Strategy for the fight against climate change. The strategy consists of five action programmes and seventeen activities to meet the emission reduction targets in order to achieve neutrality in 2050:

- **Decarbonisation programme:** bearing in mind that 95% of GHG emissions come from the energy sector, the Strategy's first programme focuses on decarbonizing this sector as well as others, especially transport, agriculture and industry. This action programme also includes the development of a circular economy strategy.
- **Adaptation and resilience to climate change programme:** based on existing studies on the effects of climate change in Andorra, especially in the Pyrenees, the Government of Andorra intends to work through this programme of its Strategy on the definition of a climate change adaptation plan to reduce risk and improve the country's resilience.
- **National market for carbon credits, other tax tools programme:** this axis of the Strategy aims at structuring a funding system to carry out the planned actions envisaged in the latter.
- **Systematic innovation, research and observation** to promote research and innovations regarding climate change, in order to better respond to new environmental and technological challenges, and to be able to readjust the planned actions in the Strategy in the light of new knowledge. It includes actions such as developing a value chain associated with the use of hydrogen or defining climate change on a more local scale.
- **Social transition programme** to raise awareness, educate and empower the society as a whole with regards to the importance of these strategic goals and to the changes in habits required to achieve them.

## 1.3. Rationale for Andorra's Green, Social and Sustainability Bond issuance

The health crisis caused by the COVID-19 pandemic has called for a focus on the immediate needs such as increasing the country's health system's response capacity to a possible resurgence, or supporting companies, self-employed persons and workers through measures that alleviate the negative effects of the halt in economic activity.

Andorran's Government was faced with the challenge of adapting its roadmap to a completely different scenario from the one before the pandemic and is working to reformulate the various actions, investments and forecasts with a view to the next three years and eyes set on the horizon of 2023. The goal is none other than to lay the

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<sup>1</sup> Andorra's updated NDC submission: <https://www4.unfccc.int/sites/NDCStaging/pages/Party.aspx?party=AND>



## Andorra's Green, Social and Sustainability Bond Framework

bases for this recovery phase and to establish which public policies are to be carried out in order to create, as soon as possible, the capacity to generate wealth and welfare.

Andorra's Action Plan is based on the country's strengths, such as its healthcare and social protection system, educational model, high level of public safety, historical singularity, cultural diversity and exceptional natural environment. However, it also identifies improvement aspects in a dynamic global scenario, that may become decisive factors in endowing Andorra's with a greater competitiveness. These factors include such aspects as connections, administrative agility, **sources of financing**, and economic diversification.

It is therefore Andorra's firm belief that establishment of its Green, Social and Sustainability Bond Framework will provide a substantial contribution in the accomplishment of the Horizon 2023 plan while playing its part in the development of the Sustainability Bond market, similarly to its sovereign peers.



## 2. Andorra's Green, Social and Sustainability Bond Framework

Andorra's Green, Social and Sustainability Bond Framework (the "Framework") has been drafted in accordance with the International Capital Markets Association's (ICMA) 2018 Green Bond Principles (GBP)<sup>2</sup>, 2020 Social Bond Principles (SBP)<sup>3</sup> and 2018 Sustainability Bond Guidelines (SBG)<sup>4</sup> (together the "ICMA Principles") and their four core components:

1. Use of Proceeds
2. Process for Project Evaluation and Selection
3. Management of Proceeds
4. Reporting

This Framework may be updated with the goal of ensuring continuous alignment with voluntary market practices such as the ICMA Principles and future EU Green Bond Standard.

### 2.1. Use of Proceeds

Under this Framework, the Government of Andorra may issue 3 types of bonds ("the Bonds"):

- **Green Bonds** where an amount equal to net proceeds of the issuance is allocated to financing and/or refinancing expenditures within Andorra's Government budgetary programmes falling under the Eligible Green Expenditures categories and contributing to one or more EU environmental objectives ("the Eligible Green Expenditures").
- **Social Bonds** where an amount equal to net proceeds of the issuance is allocated to financing and/or refinancing expenditures within Andorra's Government budgetary programmes falling under the Eligible Social Expenditures categories and contributing to the achievement of social objectives ("the Eligible Social Expenditures").
- **Sustainability Bonds** where an amount equal to net proceeds of the issuance is allocated to financing and/or refinancing expenditures within Andorra's Government budgetary programmes falling under a combination of Eligible Green Expenditures and Eligible Social Expenditures categories and contributing to the achievement of both environmental and social objectives ("the Eligible Expenditures").

The Eligible Green and Social Expenditures may be linked to several budgetary expenses 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.

### Eligible Green Expenditures categories

1. Renewable energy
2. Energy efficiency
3. Low carbon transport
4. Sustainable water and wastewater management
5. Circular economy
6. Sustainable management of living natural resources, land use and biodiversity protection
7. Adaptation

### Eligible Social Expenditures categories

8. Access to essential services: health and education
9. Employment generation
10. Affordable housing

<sup>2</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Green-Bonds-Principles-June-2018-270520.pdf>

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Social-Bond-PrinciplesJune-2020-090620.pdf>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/Sustainability-Bonds-Guidelines-June-2018-270520.pdf>

11. Socio-economic advancement and empowerment
12. Civil protection, social, territorial and digital inclusion

## Eligible Green Expenditures categories: definitions and examples

1. **Renewable energy:** expenditures relating to the production, acquisition, operation and distribution of renewable energy such as: solar PV, concentrated solar power, wind power, bioenergy<sup>5</sup>, and geothermal. All facilities are operating at life cycle emissions lower than 100gCO<sub>2</sub>e/kWh.
  - **Examples of eligible budget expenses**
    - Acquisition and installation of photovoltaic solar panels
2. **Energy efficiency:** expenditures relating to the improvement of energy efficiency in both public and private sectors<sup>6</sup> leading to at least 30% of energy savings.
  - **Examples of eligible budget expenses**
    - 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 heating and cooling network and co-generation
3. **Low carbon transportation:** expenditures relating to the deployment of low carbon public transportation means<sup>7</sup> such as electric, hybrid or biofuel<sup>8</sup> buses, trams, metros, and trains, as well as the promotion of low individual low carbon transportation use including hybrid and electric vehicles.
  - **Examples of eligible budget expenses**
    - Incentives to support Andorra's car fleet renewal through the promotion of hybrid and electric mobility<sup>9</sup>
4. **Sustainable water, waste and wastewater management:** expenditures 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.
  - **Examples of eligible budget expenses**
    - 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
5. **Circular economy:** expenditures relating to the extension of product's life cycle, promotion of material recycling and reuse.
  - **Examples of eligible budget expenses**
    - Expenditures to prevent waste generation, ensure proper waste management and implement measures to encourage the circular economy

<sup>5</sup> From agricultural or forestry residues (not competing with food production)

<sup>6</sup> Investments in fossil fuel-based technologies are excluded

<sup>7</sup> For biofuel and hybrid technologies, a threshold of direct emissions below 50 gCO<sub>2</sub>e/pkm is applied until 2025 and only zero emission transportation means will be allowed afterwards

<sup>8</sup> Hybrid passenger vehicles with an emission threshold of <75gCO<sub>2</sub>/km

<sup>9</sup> Plan Engega: <https://www.govern.ad/presidencia-economia-i-empresa/item/12481-el-pla-engega-2020-atorga-mig-milio-d-euros-en-ajuts-en-una-aposta-per-la-mobilitat-sostenible-i-l-eficiencia-energetica>

- 6. Sustainable management of living natural resources, land use and biodiversity protection:** expenditures relating to the development of sustainable agriculture or projects that contribute to reforestation, preservation and restoration of natural landscapes.
- **Examples of eligible budget expenses**
    - Certified agricultural practices falling under the EU Organic label
    - Certified forestry including FSC, PEFC or equivalent standard
    - 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
- 7. Adaptation:** expenditures relating to the improvement of resilience and adaptive capacities with the goal of facing climate change consequences.
- **Examples of eligible budget expenses**
    - 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

### Eligible Green Expenditures categories: EU Environmental objectives and contribution to the UN SDGs

Green category	Key EU Environmental Objectives	Core SDGs contribution
Renewable Energy	<p style="text-align: center;"><b>Climate Change Mitigation</b></p> <p>(1.a): Generating, storing, distributing or using renewable energy in line with the Renewable Energy Directive, including through using innovative technology with a potential for significant future savings or through necessary reinforcement of the grid</p>	  
Energy Efficiency	<p style="text-align: center;"><b>Climate Change Mitigation</b></p> <p>(1.b): Improving energy efficiency in all sectors, except energy generation using solid fossil fuels, and at all stages of the energy chain, in order to reduce primary and final energy consumption</p>	
Low Carbon Transportation	<p style="text-align: center;"><b>Climate Change Mitigation</b></p> <p>(1.c): Increasing clean or climate neutral mobility</p>	 
Sustainable water, waste and wastewater management	<p style="text-align: center;"><b>Sustainable use and protection of water and marine resource</b></p> <p>(1.a): Protecting the environment from the adverse effects of urban and industrial waste water discharges, including from contaminants of emerging concern such as pharmaceuticals and microplastics, for example by ensuring the adequate collection, treatment and discharge of urban and industrial waste waters</p> <p>(1.b): Protecting human health from the adverse impact of any contamination of water intended for human consumption by ensuring that it is free from any micro-organisms, parasites and</p>	

	substances that constitute a potential danger to human health as well as increasing people's access to clean drinking water	
Circular Economy	<p><b>Transition to a circular economy</b></p> <p>(1.b): increases the durability, reparability, upgradability or reusability of products, in particular in designing and manufacturing activities</p>	 
Sustainable management of living natural resources, land use and biodiversity protection	<p><b>Protection and restoration of biodiversity and ecosystems</b></p> <p>(1.a): Nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem service</p> <p><b>Climate Change Mitigation</b></p> <p>(1.c): sustainable agricultural practices, including those that contribute to halting or preventing deforestation and habitat loss</p>	
Adaptation	<p><b>Climate Change Adaptation</b></p> <p>(1.a): adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets;</p>	

## Eligible Social Expenditures categories: definitions and examples

### 8. Access to essential services

**8.1 Health:** expenditures relating to provision of healthcare infrastructures and services as well the promotion of healthy habits.

- **Target population:** each and everyone including the most vulnerable
- **Examples of eligible budget expenses**
  - Construction, extension, equipment, operation and maintenance of public healthcare facilities including hospitals, health centres 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

**8.2 Education:** expenditures relating to provision of public education infrastructures and services.

- **Target population:** each and everyone
- **Examples of eligible budget expenses**
  - 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
  - School transportation services for underserved and vulnerable youth



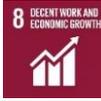
- 9. Employment generation:** expenditures relating to the support and promotion of stable employment creation and preservation including through the support of the MSME<sup>10</sup> sector as well as the integration of people with disabilities into the labour market.
- **Target population:** people with disabilities, unemployed, MSMEs
  - **Examples of eligible budget expenses**
    - Programmes supporting the professional insertion of people with disabilities
    - Schemes of reinsertion of the unemployed
- 10. Affordable housing:** expenditures relating to the production and access to affordable housing.
- **Target population:** households with income equivalent to the minimum wage threshold<sup>11</sup>
  - **Examples of eligible budget expenses**
    - Investment in a public private fund intended to create social housing for low-income population
- 11. Socio-economic advancement and empowerment:** expenditures relating to the reduction of social and economic inequalities and promotion of social and economic inclusion.
- **Target population:** vulnerable youth, Non-Profit organisations, people with disabilities
  - **Examples of eligible budget expenses**
    - Support programs for Young People in Guardianship and Ex-Guardianship with the goal 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
- 12. Civil protection, territorial and digital inclusion:** expenditures relating to the provision of emergency civil protection as well as digital infrastructures and services with the goal of fostering and facilitating social integration.
- **Target population:** each and everyone including persons at risk, people with disabilities, elderly
  - **Examples of eligible budget expenses**
    - Civil protection and emergency response managements including Red Cross activities
    - Natural disaster relief
    - Programmes to enable increased access to digital administration and e-services for vulnerable populations: digital alphabetisation programmes, online health assistance for elderly or dependent people facing difficulties to get to the healthcare facilities.

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<sup>10</sup> Aligned with the MSME definition by the European Commission: <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32003H0361>

<sup>11</sup> The threshold varies depending on the household composition. It is defined according to the national social cohesion threshold (Llindar Ecòmic de Cohesió Social (LECS)).

## Eligible Social Expenditures categories: social objectives and contribution to the UN SDGs

Social category	Social Objectives	SDGs contribution
Access to essential services: Health	Increase access to health	
Access to essential services: Education	Increase access to education	
Employment generation	Increase job creation and preservation	
Affordable Housing	Increase access to housing supply	
Socioeconomic advancement and empowerment	Increase job creation and preservation Reduction of inequalities	
Civil protection, social, territorial and digital inclusion	Increase social and digital inclusion Reduction of inequalities	 

### Exclusion criteria:

Any expenditure related to the following activities (but not limited to) will be excluded from the Eligible Green and Social Expenditures:

- Alcohol, tobacco, gaming
- Armament and defense sector
- Deforestation, degradation of forest
- Fossil fuel production and power generation
- Palm oil industries
- Nuclear Power

## 2.2. Process for Project Evaluation and Selection

To oversee the implementation and governance of this Framework including the evaluation and selection of Eligible Green and Social Expenditures, a two-fold process will be established and performed on annual basis:

- As a first step, an Inter-Ministerial Working Group (IMWG) coordinated by the Ministry of Finance will be in charge of ensuring that each relevant 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 IMWG includes representatives of the following Ministries:
  - o The Ministry of Finance
  - o The Ministry of Environment, Agriculture and Sustainability
  - o The Ministry of Territorial Planning
  - o The Ministry of Presidency, Economy and Business
  - o The Ministry of Health
  - o The Ministry of Social Affairs, Housing and Youth



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- The Ministry of Education and Higher Education
- The Ministry of Culture and Sports
- The Ministry of Civil Service and Simplification of Administration
- As a second step, a Steering Committee, comprised of representatives from the Ministry of finance, is then in charge of validating the final list of Eligible Green and Social Expenditures to be financed by Andorra's Green, Social and Sustainability Bond issuance.
- The Steering Committee is also responsible for managing any future updates of the Framework.
- Following allocation, the IMWG will monitor the eligibility of selected Green and Social Expenditures in order to determine if any changes are necessary (e.g. project or expenditure cancellation, ineligibility).

### 2.3. Management of Proceeds

The net proceeds raised from Andorra's Green, Social and Sustainability Bonds issuance will be deposited in Andorra's Central Government Treasury.

After approval by the Steering Committee, an amount equal to the net proceeds 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 and Social Expenditures might include expenditures from:

- the past three years preceding the issue,
- the same year as the issue;
- future voted expenditures, up to one year succeeding the year of issue.

The Steering Committee under the supervision of the Ministry of Finance will monitor the allocation and tracking process on annual basis.

Pending the full allocation, the Government of Andorra will manage the unallocated proceeds in line with its treasury policy.

In case some Eligible Green or Social Expenditures no longer comply with the definition provided in the Use of Proceeds section, the Steering Committee will strive to reallocate the proceeds to other Eligible Expenditures on a best effort basis and as soon as reasonably practicable.

### 2.4. 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. The reporting will include information on:

- on the allocation of proceeds towards Eligible Green and Social Expenditures ("Allocation Reporting")
- on the environmental and/or social impact of those expenditures ("Impact Reporting").

Each relevant ministry will be requested to provide a list of the Eligible Expenditures to which Andorra's Green, Social and Sustainability Bonds proceeds have been allocated to, 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.

#### 2.4.1. Allocation reporting

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



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- the share of co-financing of the Eligible Expenditures (i.e. in case of joint investments)
- the balance (if any) of unallocated proceeds

### 2.4.2. Impact reporting

The impact reporting will provide, where feasible, information on the impacts of the Eligible Green and Social Expenditures. A list of potential indicators is presented below.

#### Eligible Green Expenditures categories

Green category	Example of output indicators	Example of impact indicators
Renewable Energy	<ul style="list-style-type: none"> <li>- Number of projects</li> <li>- Total renewable energy capacity (in MW)</li> </ul>	<ul style="list-style-type: none"> <li>- Expected annual energy production (in MWh/year)</li> <li>- Estimated annual GHG emissions avoidance (tCO<sub>2</sub>e/year)</li> </ul>
Energy Efficiency	<ul style="list-style-type: none"> <li>- Number of buildings built/refurbished</li> <li>- Number of dwellings by type of certification</li> </ul>	<ul style="list-style-type: none"> <li>- Estimated ex-ante annual energy savings (in MWh/year)</li> <li>- Estimated annual GHG emissions avoidance (tCO<sub>2</sub>e/year)</li> </ul>
Low Carbon Transportation	<ul style="list-style-type: none"> <li>- Number of low carbon vehicles deployed by type</li> <li>- Number of people served</li> </ul>	<ul style="list-style-type: none"> <li>- Estimated annual GHG emissions avoidance (tCO<sub>2</sub>e/year)</li> </ul>
Sustainable water, waste and wastewater management	<ul style="list-style-type: none"> <li>- Annual volume of water, waste, wastewater treated (% or m<sup>3</sup>/year)</li> </ul>	<ul style="list-style-type: none"> <li>- Impact data, if available</li> </ul>
Circular Economy	<ul style="list-style-type: none"> <li>- Annual amount of material recovered/recycled (tons/year)</li> <li>- Number of projects supported by type</li> </ul>	
Sustainable management of living natural resources, land use and biodiversity protection	<ul style="list-style-type: none"> <li>- Number of projects supported by type</li> </ul>	
Adaptation	<ul style="list-style-type: none"> <li>- Number of projects supported by type</li> </ul>	

#### Eligible Social Expenditures categories

Social category	Examples of output indicators	Example of impact indicators
Access to essential services: Health	<ul style="list-style-type: none"> <li>- Number of healthcare infrastructures financed</li> <li>- Estimated number of beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>- Territorial impact data, if available</li> </ul>
Access to essential services: Education	<ul style="list-style-type: none"> <li>- Number of education infrastructures financed</li> <li>- Number of equipment/supplies installed (€m)</li> <li>- Estimated number of beneficiaries</li> </ul>	
Employment generation	<ul style="list-style-type: none"> <li>- Number of jobs created and or maintained</li> </ul>	
Affordable Housing	<ul style="list-style-type: none"> <li>- Estimated number of beneficiaries</li> </ul>	
Socioeconomic advancement and empowerment	<ul style="list-style-type: none"> <li>- Estimated number of beneficiaries</li> </ul>	
Civil protection, social, territorial and digital inclusion	<ul style="list-style-type: none"> <li>- Estimated number of beneficiaries</li> </ul>	

## 3. External review

### 3.1. Second-Party Opinion

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.

### 3.2. 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 this Framework until full allocation. The audit report will be made publicly available on the Government's website.