

SECOND PARTY OPINION

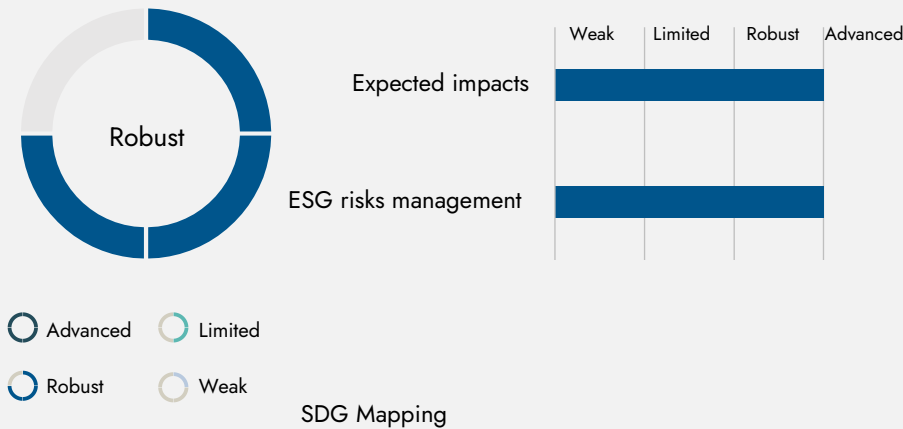
on the sustainability of Autoliv's Sustainable Financing Framework

V.E considers that Autoliv's Framework is aligned with the four core components of ICMA's Green Bond Principles 2021 ("GBP") and Social Bond Principles 2021 ("SBP").



Framework

Contribution to Sustainability:



SDG Mapping



Characteristics of the Framework

Green and Social Eligible Categories	⇒ Clean Transportation ⇒ Renewable Energy ⇒ Energy Efficiency ⇒ De-carbonization of Operations and Products ⇒ Safety Technology & Innovation
Project locations	27 countries
Target population for social category	Drivers and passengers, and vulnerable road users focusing on the needs of the different types of populations (women, elderly, children)
Existence of framework	Yes
Share of refinancing	To be communicated in the reporting
Look back period	24 months

Issuer

Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology:

- Alcohol
- Animal welfare
- Cannabis
- Chemicals of concern
- Civilian firearms
- Fossil fuels industry
- Coal
- Gambling
- Genetic engineering
- High interest rate lending
- Human embryonic stem cells
- Military
- Nuclear power
- Pornography
- Reproductive medicine
- Tar sands and oil shale
- Tobacco

ESG Controversies

Number of controversies	One*
Frequency	Isolated
Severity	High
Responsiveness	Reactive

*On March 5th, 2019, the European Commission announced that it had fined Autoliv for EUR 179.38 million (USD 203 million) and TRW for EUR 189.42 million (USD 214 million) for breaching EU antitrust rules (see page 24 for further details).

Coherence

Coherent
Partially coherent
Not coherent

V.E considers that the Framework is coherent with Autoliv's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.



Key findings

V.E considers that Autoliv's Framework is aligned with the four core components of the GBP and SBP.

Use of Proceeds –aligned with GBP and SBP

- Eligible Categories are clearly defined. The issuer has communicated the nature of the expenditures, the eligibility criteria and the location of Eligible Projects, as well as the target population for the Social Category.
- Environmental and Social Objectives are clearly defined, they are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- Expected Environmental and Social Benefits are clear, relevant, measurable and will be quantified in the reporting.
- The Issuer has not communicated the share of financing vs. refinancing in the Framework. The Issuer has indicated that this information will be communicated annually in the post-issuance reporting. The look-back period for refinanced Eligible Projects will be 24 months from the issuance date, in line with good market practices.

Evaluation and Selection –aligned with GBP and SBP

- The process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process is publicly disclosed in the Framework.
- Eligibility criteria (selection and exclusion) for project selection have been defined by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is disclosed in the SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all projects (see detailed analysis on pages 20 - 23)

Management of Proceeds - aligned with GBP, SBP and best practices identified by VE

- The Process for the Management and Allocation of Proceeds is clearly defined and detailed. It is publicly available in the Framework.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework.



Reporting - aligned with GBP and SBP

- The Issuer has committed to report on the Use of Proceeds annually, at least until full allocation. The report and its verification will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments/controversies related to the Eligible Projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Projects will be disclosed publicly on Autoliv's corporate website.
- An external auditor will verify both the tracking and allocation of funds to Eligible Categories, at least until full allocation and in case of material changes, and the indicators used to report on environmental and social benefits.

Contact

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SCOPE

V.E was commissioned to provide an independent Second Party Opinion (“SPO”) on the sustainability credentials and management of the Sustainability Bonds¹ (“Bonds”) to be issued by Autoliv (the “Issuer”) in compliance with the Sustainable Financing Framework (the “Framework”) created to govern their issuance.

Our opinion is established according to V.E’s Environmental, Social and Governance (“ESG”) exclusive assessment methodology and to the latest version of the voluntary guidelines of ICMA’s Green Bond Principles (“GBP”) and Social Bond Principles (“SBP”)– edited in June 2021 (referred together as the “GBP & SBP”).

Our opinion is built on the review of the following components:

- Framework: we assessed the Framework, including the coherence between the Framework and the Issuer’s environmental commitments, the Framework’s potential contribution to sustainability and its alignment with the four core components of the GBP & SBP 2021.
- Issuer²: we assessed the Issuer’s management of potential stakeholder related ESG controversies and its involvement in controversial activities³.

Our sources of information are multichannel, combining data (i) gathered from public sources, press content providers and stakeholders, (ii) from V.E’s exclusive ESG rating database, and (iii) information provided from the Issuer, through documents and interviews conducted with the Issuer’s managers and stakeholders involved in the Bonds issuance, held via a telecommunications system.

We carried out our due diligence assessment from April 28th, 2021 to October 20th, 2021. We consider that we were provided access to all documents and interviewees we solicited. To this purpose, we made reasonable efforts to verify the accuracy of all data used as part of the assessment.

Types of External Reviews supporting the Framework

<input checked="" type="checkbox"/>	Pre-issuance Second Party Opinion	<input checked="" type="checkbox"/>	Independent verification of impact reporting
<input checked="" type="checkbox"/>	Independent verification of funds allocation	<input type="checkbox"/>	Climate Bond Initiative Certification

¹ The “Sustainability Bond” is to be considered as the bond to be potentially issued, subject to the discretion of the Issuer. The name “Sustainability Bond” has been decided by the Issuer: it does not imply any opinion from V.E.

² In agreement with the Issuer, this Second Party Opinion does not include the assessment of its ESG performance.

³ The 17 controversial activities screened by V.E are: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

COHERENCE

Coherent
Partially coherent
Not coherent

V.E considers that the Framework is coherent with Autoliv's strategic sustainability priorities and sector issues and that it contributes to achieving the Issuer's sustainability commitments.

Climate Change is deemed the most critical challenge for the automobile sector as road transport is one of the main contributors to greenhouse gas emissions. According to the International Energy Agency (IEA), transportation is responsible for 24% of direct CO₂ emissions from fuel combustion, of which road vehicles account for nearly three-quarters of the transport CO₂ emissions. Significant efforts are being made by automakers as well as automotive safety suppliers to reduce their emissions through production of electric vehicles (EVs) and related products, increasing energy efficiency and renewable energy. The Climate Group's EV100 Initiative, which brings together over 100 companies in 80 markets, committed to switching 4.8 million vehicles to EVs and installing charging stations in 6500 locations by 2030.⁴

National standards are being updated to facilitate the EV production. On January 2020, the European Union (EU) updated their CO₂ emission performance standard for new cars to incentivise auto makers to achieve 55% reduction by 2030 and to achieve a climate neutral EU by 2050.⁵ In addition, China updated its national standard "GB/T36980-2018 Electric Vehicle Energy Consumption Rate Limit" in 2020 to promote the application of energy-saving technologies for pure electric vehicles.⁶

Such standards support the achievement of Sustainable Development Scenario of the IEA, which targets the global EV fleet to reach 230 million vehicles by 2030, accounting for 12% of the total vehicle share.

Moreover, regulatory efforts and acceleration of innovations demonstrate that automobile safety is of utmost concern amongst consumers, governments, and the automobile industry. According to the World Health Organisation (WHO), road traffic injuries are the leading cause of death among the ages of 5 and 29. Furthermore, 93% of the road fatalities occur in low and middle-income countries, while they account for approximately 60% of the world's vehicles. The World Forum for Harmonization of Vehicle Regulations (WP.29) offers a unique framework to allow the market introduction of innovative vehicle technologies, whilst continuously improving global vehicle safety. Global NCAP's 2030 main agenda prioritizes the acceleration of progress towards zero negative health impacts of road transport.⁷ Moreover, EU revised its General Safety Regulation (GSR) focusing on accident avoidance, pedestrian, and cyclist protection in order to decrease the annual number of road accidents and deaths.⁸

Autoliv's business priorities and targets are based on the growing demand for traffic safety. The company has a formalized Sustainability Commitment⁹ structured in four pillars, including quantitative targets:

1. Innovate Life-Saving Products: to deliver on the company's vision of "Saving More Lives" with the target to save 100,000 lives per year by 2030, results 2020 (33,000).
2. Limit the impact of the company on the Environment: In June 2021 Autoliv updated its commitment with regards to reducing its carbon footprint: Autoliv has committed to achieving carbon neutrality in its own operations by 2030, and net-zero GHG emissions across its supply chain by 2040. The climate strategy includes a

⁴ <https://iea.blob.core.windows.net/assets/ed5f4484-f556-4110-8c5c-4ede8bcba637/GlobalEVO Outlook2021.pdf>

⁵ [https://ec.europa.eu/clima/policies/transport/vehicles/regulation_en#:~:text=Regulation%20\(EU\)%202019%2F631%20sets%20new%20EU%20fleet%2D,and%20for%20newly%20registered%20vans.&text=Cars%3A%2015%25%20reduction%20from%202025,31%25%20reduction%20from%202030%20on](https://ec.europa.eu/clima/policies/transport/vehicles/regulation_en#:~:text=Regulation%20(EU)%202019%2F631%20sets%20new%20EU%20fleet%2D,and%20for%20newly%20registered%20vans.&text=Cars%3A%2015%25%20reduction%20from%202025,31%25%20reduction%20from%202030%20on)

⁶ <https://www.iea.org/policies/8536-gbt-36980-2018-energy-consumption-limits-for-electric-vehicles?sector=Transport>

⁷ <https://static1.squarespace.com/static/5fb4ea8933ae6c208c3dac41/t/605c56ec81d1e60892668120/1616664321749/TZF-annual-report-2020.pdf>

⁸ <https://www.europarl.europa.eu/cmsdata/155060/PPT%20General%20Safety%20Regulation.pdf>

⁹ <https://www.autoliv.com/sustainability/our-sustainability-commitment>



commitment to adopting Science Based Targets and joining the Business Ambition of 1.5° C, which is expected to be approved before the end of 2021.

3. Commitment to the health and safety of employees and contractors with a target of zero accidents: to maintain the incident rate at 0.50 and the severity rate in 5 by 2022.
4. Act Ethically and Commit to Society: Ensure that no corruption or anti-competitive behaviour takes place in its business: to train 100% of total employees on anti-corruption and antitrust issues.

In addition, Autoliv has formalized a commitment to sustainably manage the risks in its supply chain: to perform a sustainability audit to all Direct Material suppliers by 2021 based on three-year audit cycle and that 95% of suppliers respond to a conflict minerals survey by 2022.

Autoliv's safety innovation activities involve advanced driver assistance systems, autonomous driving, connectivity, and electrification, adaptivity to the size and age of occupants as well as vulnerable road user protection. They are also involved in the development of safety products which is tailored to connected vehicles. Their core products include airbags, seatbelts, steering wheels, and pedestrian protection. The development of these products is based on biometric data analysis and "Autoliv Data Analytics Factory" to advance the safety features and protect vulnerable road users. Future ambitions include enhancement of crash detection service for multimodal transportation which will further contribute to the "Saving More Lives" 2030 target listed above.

To assess the impact of climate change, Autoliv has followed the Task Force on Climate-Related Financial Disclosures (TCFD¹⁰) recommendations. Moreover, Autoliv discloses information on climate risks and opportunities through the Carbon Disclosure Project (CDP)¹¹. Autoliv's global environmental management system (EMS) is aligned with the ISO 14001:2015 requirements. The company reported that for 2020, 88% of its production facilities are externally certified in accordance with ISO 14001 and the rest follow the principles of its internal EMS standard. Autoliv's EMS is supported by internal methods including the 1P1P which focuses on product and process standardization and reducing cost and complexity. Moreover, Autoliv Production System (APS) aims to continuously increase output with fewer resources and Autoliv's Q5 program strives for zero defects of their products.

¹⁰ <https://www.fsb-tcfd.org/>

¹¹ <https://www.cdp.net/en>

FRAMEWORK

The Issuer has described the main characteristics of the Bonds within a formalised Sustainable Financing Framework which covers the four core components of the GBP 2021 and SBP 2021 (the last updated version was provided to V.E on August 28, 2021). The Issuer has committed to make this document publicly accessible on Autoliv's website¹², in line with good market practices.

Alignment with the Green Bond Principles

Use of Proceeds



The net proceeds of the Bonds will exclusively finance or refinance, in part or in full, projects falling under five Eligible Green or Social Project Categories ("Eligible Categories"), as indicated in Table 1.

- Eligible Categories are clearly defined. The issuer has communicated the nature of the expenditures, the eligibility criteria and the location of Eligible Projects, as well as the target population for the Social Category.
- Environmental and Social Objectives are clearly defined, they are relevant for all the Eligible Categories and set in coherence with sustainability objectives defined in international standards.
- Expected Environmental and Social Benefits are clear, relevant, measurable and will be quantified in the reporting.
- The Issuer has not communicated the share of financing vs. refinancing in the Framework. The Issuer has indicated that this information will be communicated annually in the post-issuance reporting. The look-back period for refinanced Eligible Projects will be 24 months from the issuance date, in line with good market practices.

An area for improvement is to commit to transparently communicate, at least to investors, the share of refinancing before each issuance.

BEST PRACTICES

⇒ The look-back period for refinanced assets is equal or less than 24 months, in line with good market practices.

¹² Autoliv website <https://www.autoliv.com/> - accessed 26/04/2021

Table 1. V.E' analysis of Eligible Categories, Sustainability Objectives and Expected Benefits as presented in the Issuer's Framework.

- Nature of expenditures: R&D, manufacturing, investment, acquisition/purchasing.
- Location of Eligible Projects: 27 countries

ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA AND EXAMPLE PROJECTS	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Clean Transportation	Investments and expenditures (including research and development) related to the manufacturing of products dedicated for electric vehicles (BEV).	<u>Climate change mitigation</u> Increased number of electric vehicles	The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of the Eligible Projects. <ul style="list-style-type: none"> - The Issuer has declared in internal documentation that manufacturing products include: Seatbelts, airbags, steering wheels, and special products (e.g. pyrotechnic cable captors). The Environmental Objective is clearly defined and set in coherence with sustainability objectives defined in international standards The Expected Environmental Benefit is clear, relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.
Renewable Energy	Investments and expenditures related to the acquisition, development, construction and/or installation of: <ol style="list-style-type: none"> 1. Renewable energy facilities such as Wind and Solar, where the life cycle GHG emissions from such projects are lower than 100gCO₂e/kWh. 2. Electricity generation facilities that produce electricity from Geothermal, where the life cycle GHG emissions from such projects are lower than 100gCO₂e/kWh. 3. Electricity generation facilities that produce electricity from Hydropower, where the life cycle GHG emissions are lower than 100gCO₂e/kWh. Renewable energy projects can include: <ul style="list-style-type: none"> • On-site solar, wind, geothermal or hydropower energy projects. • Project-specific Power Purchasing Agreements (PPAs) with a long-term maturity (greater than 10 years) 	<u>Climate change mitigation</u> GHG emissions avoidance	The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of the Eligible Projects. <p>Areas for improvement:</p> <ul style="list-style-type: none"> - For hydropower projects, clarify that project facilities are run-of-river plant and does not have an artificial reservoir or that the power density of the electricity generation facility is above 5 W/m². - Clarify the proportion of proceeds allocated to PPA vs on-site to understand the amount of new installation of renewable energy. The Environmental Objective is clearly defined and set in coherence with sustainability objectives defined in international standards. The Expected Environmental Benefit is clear, it is considered relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.

ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA AND EXAMPLE PROJECTS	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Energy Efficiency	<p>Investments and expenditures in projects to improve the energy efficiency and/or reduce the GHG footprint of Autoliv's operations and supply chain. Such projects will contribute to Autoliv's energy efficiency goals and can include projects such as:</p> <ul style="list-style-type: none"> • Energy-efficient building measures¹³ (HVAC¹⁴ LED lighting, insulation) and process efficiency improvements¹⁵. 	<p><u>Climate change mitigation</u> GHG emissions reduction</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of the Eligible Projects.</p> <p>The Environmental Objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>
De-carbonization of Operations and Products	<p>Investments and expenditures with the primary purpose of reducing GHG emissions in production processes, such as replacing fossil fuels</p> <p>Research and development into weight reduction of products</p> <p>Raw materials replacement with recycled material and/or materials with lower life-cycle carbon footprint, where such replacements would lead to a GHG emissions reduction¹⁶ of at least 10%.</p>	<p><u>Climate change mitigation</u> GHG emissions reduction</p>	<p>The Eligible Projects are defined. The Issuer has communicated the nature of the expenditures, although it has only partially defined the eligibility criteria in public documentation.</p> <p>The Issuer has provided in internal documentation a non-exhaustive list of the raw materials, including:</p> <ul style="list-style-type: none"> - Textile: increase share of recycled materials, increase use of low-carbon virgin materials. - Magnesium¹⁷ : replace virgin fossil-based magnesium with magnesium produced using low-carbon methods. - Plastic: increase share of recycled materials, increase use of low-carbon virgin materials. - Steel: replace virgin fossil-based magnesium with steel produced using low-carbon methods. (e.g. using steel produced by Electric Arc Furnace Process (EAF) process with renewable energy or newer processes under development such as H-DRI¹⁸).

¹³ Energy efficiency building measures which will attain at least 30% energy savings compared to baseline

¹⁴ Any HVAC energy efficiency improvements will follow the UNDP's Guidelines for Energy-Efficient and Climate-Friendly Air Conditioners Model Regulation Guidelines, 2019

¹⁵ Process efficiency improvements which will attain at least 20% energy savings compared to baseline

¹⁶ Focus will be on raw materials with highest contribution to the carbon footprint of Autoliv's products, in particular steel, textiles, plastics and magnesium.

¹⁷ The density of magnesium is around 33% lower than that of aluminum and approximately a fifth that of steel. Therefore, there is an opportunity to save fuel by using this in vehicle components and, consequently, achieve the required CO2 emission reduction. Nevertheless, it is also important to evaluate the mechanical properties resulting from the utilization of magnesium alloys in car parts and to ensure that they can accomplish the technical requirements of the automotive sector.

¹⁸ Direct Reduced Iron (DRI) is the product of the direct reduction of iron ore in the solid state by carbon monoxide and hydrogen derived from natural gas or coal. <https://www.metallics.org/dri.html> - accessed 05/07/2021






ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA AND EXAMPLE PROJECTS	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
			<p>Areas for improvement:</p> <ul style="list-style-type: none"> - To formalize in the Framework the explanation of raw materials included, as mentioned in internal documentation. - Regarding textiles, Autoliv should disclose a formalised commitment in the Framework that the company will not incinerate or burn textiles, which has the highest global warming potential and energy usage¹⁹. <p><i>Of note, Autoliv has a direct influence over de-carbonization by changing their own product design or sourcing strategy (such as sourcing and using more renewable materials which are already available). In other cases, Autoliv only has indirect influence as the de-carbonization relates primarily to technological improvements in suppliers' operations.</i></p> <p>The Environmental Objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Environmental Benefit is clear, relevant, measurable, and will be quantified for all the Eligible Projects in the reporting.</p>

¹⁹ The results show that incineration has the highest global warming potential and primary energy usage. The material reuse process exhibits the best performance of the studied systems, with savings of 8 tons of carbon dioxide equivalents (CO2-eq) and 164 gigajoules (GJ) of primary energy per ton of textile waste.

ELIGIBLE CATEGORIES	ELIGIBILITY CRITERIA AND EXAMPLE PROJECTS	TARGET POPOULATION	SUSTAINABILITY OBJECTIVES AND BENEFITS	V.E'S ANALYSIS
Safety Technology & Innovation	<p>Research and development into products with the aim of improving automotive safety by personalizing the restraint controls to take into account the needs of different types of populations (women, elderly, children), including vulnerable road users (pedestrians, cyclists, motorcyclists). Such products could include:</p> <ul style="list-style-type: none"> - Steering wheels - Seatbelts - Airbags - Special products (e.g. pyrotechnic cable captors) - Child seats - Products designed to protect pedestrians /cyclists <p>The design intent of these products is to meet the specific needs of the differing target populations, taking into account age, size and weight differentials, as well as the potential for increased harm should the person be outside the vehicle in the event of an accident.</p>	Drivers, passengers, and vulnerable road users focusing on the needs of the different types of populations (women, elderly, children)	<p><u>Safety on the Road</u></p> <p>Increased number of R&D projects to improve the safety of cars for the vulnerable population</p>	<p>The Eligible Projects are clearly defined. The Issuer has communicated the nature of the expenditures, the eligibility criteria and location of Eligible Projects.</p> <ul style="list-style-type: none"> - R&D will be conducted for safety components including seatbelts, airbags, steering wheels, and special products (e.g. pyrotechnic cable captors) specifically to meet the needs of vulnerable target groups. <p>The target population is clearly identified for all the Eligible Projects.</p> <p>The Social Objective is clearly defined and set in coherence with sustainability objectives defined in international standards.</p> <p>The Expected Social Benefit is clear, relevant, measurable, and the results will be quantified for all the Eligible Projects in the reporting.</p>

SDG Contribution

The Eligible Categories are likely to contribute to five of the United Nations' Sustainable Development Goals ("SDGs"), namely:

ELIGIBLE CATEGORY	SDG	SDG TARGETS
Safety Technology & Innovation		3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents
Renewable Energy		7.2 By 2030, increase substantially the share of renewable energy in the global energy mix
Energy Efficiency		7.3 By 2030, double the global rate of improvement in energy efficiency
Energy Efficiency & De-carbonization of Operations and Products		9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities
Clean Transportation		11.2 By 2030, provide access to safe, affordable, accessible and sustainable transport systems for all, improving road safety, notably by expanding public transport, with special attention to the needs of those in vulnerable situations, women, children, persons with disabilities and older persons
Safety Technology & Innovation		
Clean Transportation		<i>Take urgent action to combat climate change and its impacts</i>
Renewable Energy		

Evaluation and Selection of Eligible Projects



- The process for Project Evaluation and Selection has been clearly defined by the Issuer. It is considered structured. The roles and responsibilities are clear and include relevant internal expertise. The Process is publicly disclosed in the Framework.
- Eligibility criteria (selection and exclusion) for project selection have been defined by the Issuer for all the Eligible Categories.
- The process applied to identify and manage potentially material E&S risks associated with the projects is disclosed in the SPO. The Process is considered robust: it combines monitoring, identification, and corrective measures for all projects (see detailed analysis on pages 20 - 23).

Process for Project Evaluation and Selection

- For the purpose of the Bonds, a Sustainable Financing Committee (the "Committee") has been created. This Committee is chaired by the CFO (who has the final authority over project selection and approval) and representatives from the following teams:
 - Sustainability
 - Finance
 - RD&E (Research, Development, Engineering)
- The Committee is responsible for:
 - Overseeing the project evaluation and selection process and ensure selected projects comply with the eligibility criteria defined in the Use of Proceeds section and with Autoliv's corporate responsibility strategy.
 - Evaluating the compliance of proposed projects based on the eligibility criteria throughout the life of the Bond(s).
 - Monitoring and ensuring that the portfolio of Eligible Projects is aligned with the eligibility criteria throughout the life of the Bond(s).
 - Removing from the portfolio of projects any that no longer meet the eligibility criteria and replacing them with new projects as soon as feasible.
 - Approving impact reporting; and
 - Monitoring related ESG controversies (if any) throughout the life of the Bond.
- The traceability and verification of the selection and evaluation of the projects is ensured throughout the process:
 - Monitoring will be carried out twice a year by the Committee to ensure that the portfolio of Eligible Projects is aligned with the categories and eligibility criteria throughout the life of the Bond(s). Projects that no longer meet the eligibility criteria will be replaced with new projects as soon as feasible.
 - The Issuer reports that it will also monitor potential ESG controversies associated with the projects. Potential controversies will be discussed in the Sustainable Finance Committee meetings, which take place at least twice per year.
 - The decision-making process will be traceable through meeting minutes of the Sustainable Financing Committee meetings.



Eligibility Criteria

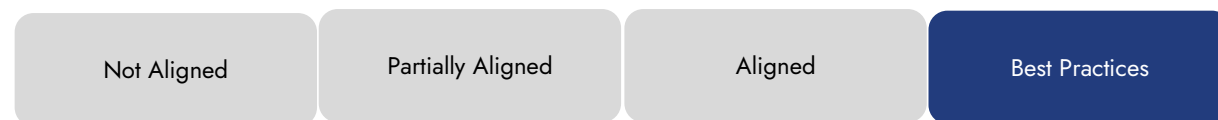
The process relies on explicit eligibility criteria (selection and exclusion), relevant to the environmental and social objectives defined for the Eligible Categories.

- The selection criteria are based on definitions in Eligible Categories defined Table 1 in the Use of Proceeds section.
- The exclusion criteria are defined in the Framework as per below:
 - Investments in any GHG intensive activities, including fossil fuel-related projects
 - Investments in renewable energy projects that are deemed controversial due to potentially material environmental and/or social risks

BEST PRACTICES

- ⇒ The Issuer reports that it will monitor compliance of selected projects with eligibility criteria specified in the Framework throughout the life of the bond and has provided details on procedure adopted in case of non-compliance.
- ⇒ The Issuer reports that it will monitor potential ESG controversies associated with the projects throughout the life of the instrument and has provided details on frequency, content, and procedures in case a controversy is found on a project.

Management of Proceeds



- The Process for the Management and Allocation of Proceeds is clearly defined and detailed. It is publicly available in the Framework.
- The allocation period will be 24 months or less.
- Net proceeds of the Bonds will be tracked by the Issuer in an appropriate manner and attested in a formal internal process.
- Information on the intended types of temporary placement for the balance of the unallocated net proceeds is publicly disclosed.
- The Issuer has committed that if the Bond is outstanding, the balance of the tracked net proceeds will be periodically adjusted to match allocations to Eligible Projects made during that period.
- The Issuer has provided information on the procedure that will be applied in case of project divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework.

Management Process

- Eligible Projects will be tracked internally in a register (the “Eligible Portfolio”).
- The Finance Team will track and monitor that an amount equivalent to the net proceeds from the issuance of any Sustainability Bond will be allocated to the Eligible Portfolio.
- If for any reason the aggregate amount in the Eligible Portfolio is less than the total outstanding amount of Sustainability Bond(s) issued, Autoliv will hold the net amount in cash, cash equivalents, and/or short-term investments, or use it to repay short-term borrowings until the amount can be allocated towards Eligible Projects. The Issuer has declared in the Framework that the exclusion criteria also applies to temporary placements, meaning that unallocated proceeds will not finance GHG intensive activities.
- In case a project is cancelled or postponed or ceases to meet the eligibility criteria proceeds will be reallocated to projects that are compliant with the Sustainable Financing Framework within 24 months.
- It is the intention of Autoliv to fully allocate the net proceeds of each Sustainability Bond within 24 months of its issuance.
- Payment of principal and/or interest on the Sustainability Bonds will be made from Autoliv’s general funds.

BEST PRACTICES

- ⇒ The allocation period is 24 months or less.
- ⇒ The Issuer has committed not to invest temporarily unallocated net proceeds in GHG intensive activities.
- ⇒ The Issuer has provided information on the procedure that will be applied in case of project/asset divestment or postponement and it has committed to reallocate divested proceeds to projects that are compliant with the bond framework.

Monitoring & Reporting



- The Issuer has committed to report on the Use of Proceeds annually, at least until full allocation. The report and its verification will be publicly available.
- The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the Eligible Categories. The Issuer has also committed to report on material developments/controversies related to the Eligible Projects.
- The reporting methodology and assumptions used to report on environmental and social benefits of the Eligible Projects will be disclosed publicly on Autoliv's corporate website.
- An external auditor will verify both the tracking and allocation of funds to Eligible Categories, at least until full allocation and in case of material changes, and the indicators used to report on environmental and social benefits.

Indicators

The Issuer has committed to transparently communicate at Eligible Category level, on:

- Allocation of proceeds: The indicators selected by the Issuer to report on the allocation of proceeds are relevant and exhaustive.

REPORTING INDICATORS
⇒ The total amount of proceeds allocated
⇒ The share of financing vs refinancing
⇒ The allocation to each Eligible Category
⇒ The balance of unallocated proceeds
⇒ Any material developments related to the projects, including those related to any ESG controversies / issues

The Issuer has reported that there will be no co-financing, therefore reporting on any co-financing share is not relevant.

- Environmental and social benefits: The Issuer has identified a list of potential indicators to report on the environmental and social benefits. These are considered clear, relevant, and exhaustive.

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Clean Transportation	<ul style="list-style-type: none"> - Number of products developed specifically for EVs - Percentage of product portfolio which is sold to EV manufacturers 	
Renewable Energy	<ul style="list-style-type: none"> - Total installed capacity (MW) 	<ul style="list-style-type: none"> - Estimated GHG emissions avoided (tCO₂)

ELIGIBLE CATEGORIES	ENVIRONMENTAL AND SOCIAL BENEFITS INDICATORS	
	OUTPUTS AND OUTCOMES	IMPACT INDICATORS
Energy Efficiency	<ul style="list-style-type: none"> - Number of energy efficiency projects implemented 	<ul style="list-style-type: none"> - Reduction of energy consumption (%) - Estimated GHG emissions avoided (tCO₂) - Percentage improvement of total energy efficiency against corporate relevant targets
De-carbonization of Operations and Products	<ul style="list-style-type: none"> - Number of R&D projects financed which are focused on reducing the environmental impact of raw materials used - Number of projects implemented with the primary purpose of reducing GHG emissions in production processes 	<ul style="list-style-type: none"> - Estimated GHG emissions avoided related to process changes (tCO₂)
Safety Technology & Products	<ul style="list-style-type: none"> - Number of R&D projects financed which are focused on improving product safety to meet the needs of women, children, the elderly and vulnerable road users 	

BEST PRACTICES

- ⇒ The issuer report will be publicly available.
- ⇒ The reporting will cover relevant information related to the allocation of Bond proceeds and to the expected sustainable benefits of the projects. The Issuer has also committed to report on material development related to the projects, including ESG controversies.
- ⇒ The indicators selected by the Issuer are exhaustive with regards to allocation reporting.
- ⇒ The list of potential indicators selected by the Issuer are clear and relevant and cover all expected benefits associated with the Eligible Categories.
- ⇒ Environmental & Social benefits and impacts will be externally verified, until full allocation and in case of material changes
- ⇒ The reporting methodology and assumptions used to report on environmental/social benefits of the Eligible categories will be disclosed publicly.

Contribution to sustainability

Expected Impacts

The potential positive Impact of the eligible projects on environmental and social objectives is considered to be robust.

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
Clean Transportation	ROBUST	In 2018, a total of 24% of global CO2 emissions from fuel combustion came from transportation. ²⁰ The Eligible Projects are expected to contribute positively by manufacturing safety components including seatbelts, airbags, steering wheels, and pyrotechnic cable captors specifically for EVs (electric vehicles). The Eligible Projects will indirectly contribute to the European Union target to have at least 30 million zero-emission vehicles on its roads by 2030 ²¹ . The manufacturing of safety components could have some negative impacts. Furthermore, there is no visibility that the company will adopt the best-in-class manufacturing processes.
Renewable Energy	ROBUST	The Eligible Projects will bring overall positive impacts to the countries in which Autoliv operates through acquisition, development, construction and/or installation of renewable energy such as wind and solar. Given that lowering scope 2 emissions within the lifecycle emissions of automobile remains a challenge, incorporating renewable energy in the production process of safety component will contribute to reversing this trend. However, the Issuer has not committed in the Framework to a percentage of onsite new renewable energy installed compared to PPAs, and PPAs are considered to have a lower expected positive impact than the installation of new renewable energy capacity.
Energy Efficiency	ROBUST	The Eligible Projects will bring overall positive impacts to the countries in which Autoliv operates by investing in energy efficient technologies including LED and HVAC. According to the Multidisciplinary Digital Publishing Institute (MDPI) ²² , energy consumption to produce a vehicle was calculated as 62 GJ (41.8 MJ/kg of vehicle). Mining and material production processes represent 68% of the total energy consumption, followed by the part production processes, at 19%, and vehicle assembly, at 13%. The Eligible Categories will adopt relevant technical thresholds to promote energy efficiency benefits. However, at this point in time, the Issuer has only provided indicative energy efficiency improvements that will be financed. V.E therefore cannot confirm that all eligible projects will adopt the best available technologies/alternatives.
De-carbonization of Operations and Products	ROBUST	The automobile industry is one of the largest consumers of the world's raw materials. The eligible projects under this category intend to finance the replacement of raw materials with recycled material and/or raw materials with a lower life-cycle carbon footprint by at least 10%. The most used materials in the automotive sector are steel and aluminium. However, in recent years, there have been attempts in the automotive sector to substitute these materials with lighter ones, such as composite materials based on glass fibres, polymers, and magnesium. Plastics are a huge challenge in the auto manufacturing sector ²³ . The typical new car is made with 151 kilograms of plastics and composite materials, accounting for about 8%

²⁰ <https://www.iea.org/reports/tracking-transport-2019>

²¹ <https://www.eceee.org/all-news/news/eu-to-target-30-million-electric-cars-by-2030/>

²² MDPI website <https://www.mdpi.com/> - accessed 08/07/2021

²³ The Plastics Industry Trade Association (2016). Automotive Recycling – Devalued is now Revalued. Plastics Market Watch – A series on economic-demographic-consumer & technology trends in specific plastics in markets. Retrieved from: <https://www.plasticsindustry.org/sites/default/files/2016-03256-SPI-PMW-Auto-Recycle-web.pdf>

ELIGIBLE CATEGORY	EXPECTED IMPACT	ANALYSIS
		<p>of the vehicle's weight and 50% of the volume materials.²⁴ Among the countless car parts made from plastic are door handles, air vents, the dashboard and airbags. Using recycled plastics represent substantial benefits in terms of GHG emissions and energy savings.</p> <p>Steel²⁵ is produced from iron ore and is perhaps the most widely used input in auto manufacturing. On average, 900 kilograms of steel is used in every car. Steel is used to construct a car's chassis and body, including the roof, body, door panels and the beams between doors. Steel is often used in mufflers and exhaust pipes. Technological advances over the years have enabled automakers to utilize different types of steel with varying levels of rigidity. Steel made using DRI requires significantly less fuel, in that a traditional blast furnace is not needed. DRI is most made into steel using electric arc furnaces to take advantage of the heat produced by the DRI product.</p> <p>Automotive textiles encompass a wide variety of products ranging from upholstery, flooring, and headliners, to filters, tire cords and passive safety. Most are used for interior trim, such as seat covers, carpets, headliners, and door panels, with the remainder used to reinforce tires, belts, hoses, seatbelts, and airbags, and for filters and insulation. Textiles accounting for only around 30 kg of the average car weight of 1.5 tonnes, there is little incentive for any attempts at recycling fibre-based automotive materials compared with efforts to recover metals and plastics even with the minimum 95% recycling target as stipulated under the Directive on end-of-life vehicles (ELV Directive)²⁶.</p>
Safety Technology & Products	ROBUST	<p>The Eligible Projects will bring overall positive impacts to the countries in which Autoliv operates by research & development of RCS (restraint control system) designed for women, children, and elderly. It will contribute to lowering the rate of road traffic injuries which are the leading cause of death for children and young adults aged 5-29 years old. Rate of motor vehicle accidents amongst the elderly are growing in the recent years. According to US Department of Transportation Federal Highway Administration (FHWA), in the US, aged 65 and older had a vehicular death rate of 15.52 per 100,000 persons in 2018. Seniors 80 and older had the highest death rate at 20.21, which is nearly 77% higher than the national average of 12.13.²⁷</p>
OVERALL ASSESSMENT		ROBUST

²⁴ Chemical & Engineering News. "Plastics makers plot the future of the car." <https://cen.acs.org/articles/95/i45/Plastics-makers-plot-future-car.html#:~:text=In%202016%2C%20the%20typical%20car,to%20meet%20fuel%20economy%20standards>. Accessed 05/07/2021.

²⁵ World Steel Association. "Steel in Automotive." <https://www.worldsteel.org/steel-by-topic/steel-markets/automotive.html> Accessed 05/07/2021.

²⁶ https://ec.europa.eu/environment/topics/waste-and-recycling/end-life-vehicles_es

²⁷ <https://highways.dot.gov/>

ESG Risks Identification and Management systems in place at project level

The identification and management of the environmental and social risks associated with the Eligible Projects are considered robust.

	ELIGIBLE CATEGORIES				
	CLEAN TRANSPORTATION	RENEWABLE ENERGY	ENERGY EFFICIENCY	DE-CARBONIZATION OF OPERATIONS AND PRODUCTS	SAFETY TECHNOLOGY & PRODUCTS
Environmental Impact Assessment	X	X	X	X	X
Eco-design and end-of-life impacts	X	X	X	N/A	X
Energy use and GHG emission reduction	X	X	X	X	X
Biodiversity	N/A	X	N/A	N/A	N/A
Pollution Prevention and Control and waste management	X	N/A	N/A	N/A	N/A
Integration of environmental and social factors in supply chain	X	N/A	N/A	X	N/A
Fundamental Human and Labour Rights	X	X	X	X	X
Health & Safety of workers and users/customers	X	X	X	X	X
Product Safety	X	N/A	N/A	X	X
Business Ethics	X	X	X	X	X
ASSESSMENT BY CATEGORY	ROBUST	ROBUST	ROBUST	ROBUST	ROBUST
OVERALL ASSESSMENT	ROBUST				

ENVIRONMENTAL RISKS

Environmental Impact Assessment

Autoliv's global environmental management system (EMS) is aligned with the ISO 14001:2015 requirements. The company reported that for 2020 88% of its production facilities are externally certified in accordance with ISO 14001 and the rest follow the principles of its internal EMS standard. The EMS applies to all manufacturing sites, offices, logistic centres, and technical centres with a standardised global approach to environmental management, including identification of material environmental aspects, objective setting, competence development. Environmental management at Autoliv is supported by number of other methods including the 1P1P method which focuses on product and process standardization and reducing cost and complexity. During 2020, the company implemented an in-house life cycle assessment tool and started to evaluate its main product families to find tracks to reduce their overall environmental footprint through their entire life cycle. Moreover, Autoliv Production System (APS) focuses on lean manufacturing philosophy that increases output with fewer resources, and the quality program (Q5) which aims to achieve zero defects and eliminate waste from its processes.

Eco-design and end-of-life impacts

Autoliv have continued to innovate lower weight products that supports their customers' carbon footprint. Such innovations include new inflatable curtains with thinner fabric enabling mass reduction per car and reducing the average steering wheel mass by 4% through design optimization and the use of lower mass polyurethane foam. Furthermore, working with its plastic raw material suppliers to systematically review options for increasing the use of biobased and recycled materials in its products. Materials management is an integral aspect of Autoliv's eco-design, and it is important to have an optimized material catalogue and supply base that reduce cost and complexity at the same time. In-house life cycle assessment was conducted in 2020 to reduce their overall environmental footprint through their entire life cycle, enabling them to incorporate more light weighting and use of recycled metals in their design process while working in parallel to incorporate biobased and recycled materials in their products to replace plastic raw materials.

Energy use and GHG emission reduction

Autoliv introduced several energy saving initiatives that led to reduction of total GHG emissions and energy use. As part of the continuous effort to reduce energy use, energy audits are conducted to find opportunities to improve energy efficiency. Initiatives executed at the facilities during 2020 included stopping air compressor leaks, waste heat recovery, insulation improvements, replacing lighting with LED, installing building management systems and employee awareness programs. Physical impacts of climate change, and developments related to the transition to the lower-carbon economy are also considered based on TCFD recommendations.

Biodiversity

Autoliv reported that Renewable Energy projects will be subject to an ESG risk assessment before they are undertaken. On-site projects will be covered by Autoliv's management systems and any external projects will be subject to further risk assessment. For projects in Europe, Environmental Impact Assessments (EIAs) and Strategic Environmental Assessments (SEAs) are legally required and represent systematic tools that track risks related to biodiversity. Moreover, the Guidance on Integrating Climate Change and Biodiversity into Environmental Impact Assessment²⁸ aims to help Member States improve the way in which climate change and biodiversity issues are integrated in EIAs carried out across the EU, under Directive 2011/92/EU1 (the 'EIA Directive'). The Directive provides a detailed description of impacts of projects in terms of greenhouse gas emissions, including from land use, land-use change and forestry, contribution of the project to an improved resilience and, fauna and flora.

²⁸ <https://ec.europa.eu/environment/eia/pdf/EIA%20Guidance.pdf>



Pollution Prevention and Control and waste management

The main types of waste from Autoliv's operations include non-hazardous waste (90% of total waste in 2020) such as metals, office waste and packaging; and hazardous waste (10% of total waste in 2020). Most of the waste is recycled, reused, or recovered. Autoliv continuously seeks to reduce the amount of waste and scrap generated by their operations and considers recycling opportunities for all waste before considering landfill as a final option. Facilities are set up to recycle Autoliv's scrap airbags and sell the different materials, such as metal, fabric, and plastic, to local recycling companies. Reusable packaging is incorporated for products in many facilities, thereby reducing the amount of cardboard, Styrofoam and plastic waste generated. Autoliv complies with global regulations on hazardous waste and, where conflicting policies exist, their practice is to follow the stricter one of the regulations.

SOCIAL RISKS

Integration of environmental and social factors in supply chain

All suppliers are expected to comply with laws and regulations in the area where they operate, including Autoliv's Standards of Business Conduct and Ethics for Suppliers (Supplier Code). This Supplier Code ensures suppliers compliance to social, ethical, and environmental standards in conducting their businesses, including human rights, and working conditions, the environment, and business conduct and ethics for suppliers. For direct material suppliers, the Supplier Code is included in the Autoliv Supplier Manual (ASM). All suppliers are required to acknowledge their compliance with the ASM. Supplier Quality Department and Supply Chain Management Department work together to ensure quality of suppliers and undergo a three-year audit cycle for the process and sustainability audits to ensure they are adequate for Autoliv's standards. There is also a module for direct material supplier quality audits. Conflict minerals are approached based on the Organization for Economic Co-Operation and Development (OECD), conflict-Free Smelter (CFS) Program, to validate that the metals used in Autoliv products do not contribute to conflicts and that it comes from sustainable sources.

Fundamental Human and Labour Rights

Autoliv is committed to offering fair terms and conditions of employment and their values and their Code of Conduct, talent development strategies and employment policies support the principles of the United Nations Universal Declaration of Human Rights and the International Labour Organization's Fundamental Principles and Labour Standards.

Fair and equitable wages, working hours, benefits and other conditions of employment are in accordance with applicable laws. Employees' right to freedom of association and collective bargaining are recognized and respected, humane, and safe working conditions are provided while forced and child labour are prohibited. Human and labour rights commitments are part of Autoliv's Standards of Business Conduct and Ethics and Respect in the Workplace Policy, which underscores their zero tolerance for harassment. As explained in the "Acting Ethically and Committing to Society", employee reports of an issue is investigated, and necessary actions are taken. Number of committees are set up for employees to address their concerns to the management including Employee suggestion program, Health and Safety Committees, and Operational Committees.

Health and Safety of workers and users/customers

Every Autoliv facility is required to implement Autoliv's health and safety management system (HSMS), which is aligned with the ISO 45001 requirements. The HSMS is supported throughout the organization by leadership teams who encourage operators and visitors to engage in and speak up about health and safety concerns and take responsibility for their actions. The implementation of the system is monitored through internal and external audits. An external health and safety audits are performed at sites as part of the risk management audits or as external certification audits. Currently, 15% (12% in 2019) of Autoliv facilities are externally certified in accordance with OHSAS 18001 or ISO 45001. The cornerstone of the health and safety management system is the Hazard Risk Assessment (HRA) program. HRAs provide a factual basis for identifying significant hazards/risks and implementing continuous improvement activities to eliminate or mitigate hazards/risks. The "Smart Start Playbook" with best practices based on guidelines from the World Health



Organization and Centres for Disease Control and Prevention are readily available for their employees and shared with supply base to identify safety concerns and track KPIs more efficiently.

Product Safety (process and use)

The company develops biomechanical data to further decrease fatalities and injuries among car occupants and amongst larger variety of people. The Issuer reports on an Autoliv Data Analytics Factory, to provide services that will contribute to saving lives. Moreover, Autoliv's Q5 program strives for zero defects of their products with thorough quality control. The Q5 includes five dimensions: customers, products, suppliers, growth, and behaviour. The products aspect requires thorough testing from a safety performance and durability point of view to ensure government and customer specification compliance.

Business Ethics

At Autoliv, the Code of Conduct, overseen by directors is the foundation for business ethics and integrity. The Board reviews compliance reports periodically, and business conduct and ethics are standing items on the agendas of annual Board meetings and the quarterly meetings of the Risk and Compliance Committee.

Each year, all employees at the managerial level and higher submit Code of Conduct certifications electronically in Autoliv's compliance system. The certification requires the disclosure of known violations of the Code, including its Anti-Corruption and Anti-Bribery Policy and Antitrust and Competition Policy. Autoliv employees are responsible for immediately reporting suspected or known violations of the Code of Conduct, the law or Autoliv's policies to their manager or a member of management, HR, the Legal Department, a Compliance Officer or through the Autoliv Helpline. Code of Conduct, Anti-Corruption Policy, Anti-Corruption Policy was revised, simplified, and translated into all Autoliv languages. A guidebook was also created with specific guidance on gifts and hospitality.

ISSUER

Management of ESG Controversies

As of today, Autoliv has faced one stakeholder related ESG controversy, linked to one of the six domains we analyse:

- Business Behaviour in the criterion: "Anti-competitive Practices":

On March 5th, 2019, the European Commission announced that it had fined Autoliv for EUR 179.38 million (USD 203 million) and TRW for EUR 189.42 million (USD 214 million) for breaching EU antitrust rules.

The Company has been subject of an investigation of anti-competitive behavior among suppliers of occupant safety systems in the EU since June 2011. The European Commission (EC) previously concluded a portion of its investigation in November 2017 and imposed a fine that was paid during the first quarter of 2018. The final part of the investigation was settled, and a payment was made by the company in the second quarter of 2019. Autoliv has stated that anti-competitive behavior is in contradiction with their corporate values and is specifically addressed in their Standards of Business Conduct and Ethics. The Company has also stated that they have cooperated fully with the EC throughout the investigation and that to prevent employees from engaging in anti-competitive behavior, they have enhanced their global compliance training and implemented other preventive measures.

Frequency: the controversy is considered "isolated"²⁹, in line with the sector average.

Severity: The severity of their impact on both the company and its stakeholders is considered "high"³⁰, in line with the sector average.

Responsiveness: Autoliv is overall "reactive"³¹, in line with the sector average.

Involvement in Controversial Activities

The Issuer does not appear to be involved in any of the 17 controversial activities screened under our methodology, namely: Alcohol, Animal welfare, Cannabis, Chemicals of concern, Civilian firearms, Coal, Fossil Fuels industry, Unconventional oil and gas, Gambling, Genetic engineering, Human embryonic stem cells, High interest rate lending, Military, Nuclear Power, Pornography, Reproductive Medicine and Tobacco.

The controversial activities research provides screening of companies to identify involvement in business activities that are subject to philosophical or moral beliefs. The information does not suggest any approval or disapproval on their content from V.E.

²⁹ VE scale of assessment: Isolated / Occasional / Frequent / Persistent

³⁰ VE scale of assessment: Minor / Significant / High / Critical

³¹ Non-communicative / Reactive / Remediative / Proactive

METHODOLOGY

In V.E's view, Environmental, Social and Governance (ESG) factors are intertwined and complementary. As such they cannot be separated in the assessment of ESG management in any organisation, activity or transaction. In this sense, V.E provides an opinion on the Issuer's ESG performance as an organisation, and on the processes and commitments applicable to the intended issuance.

Our Second Party Opinions (SPOs) are subject to internal quality control at three levels (Analyst, Project Manager and Quality Reviewer). If necessary, this process is complemented by a final review and validation by the Expertise Committee and Supervisor. A right of complaint and recourse is guaranteed to all companies under our review.

COHERENCE

Scale of assessment: not coherent, partially coherent, coherent

This section analyses whether the activity to be financed through the selected instrument is coherent with the Issuer's sustainability priorities and strategy, and whether it responds to the main sustainability issues of the sector where the Issuer operates.

ISSUANCE

Alignment with the Green and/or Social Bond Principles

Scale of assessment: Not aligned, Partially aligned, Aligned, Best Practices

The Framework has been evaluated by V.E according to the ICMA's Green Bond Principles - June 2021 ("GBP") and the Social Bond Principles - June 2021 ("SBP"), and on our methodology based on international standards and sector guidelines applicable in terms of ESG management and assessment.

Use of proceeds

The definition of the Eligible Projects and their sustainable objectives and benefits are a core element of Green/Social/Sustainable Bonds and Loans standards. V.E evaluates the clarity of the definition of the Eligible Categories, as well as the definition and the relevance of the primary sustainability objectives. We evaluate the descriptions of the expected benefits in terms of relevance, measurability, and quantification. In addition, we map the potential contribution of Eligible Projects to the United Nations Sustainable Development Goals' targets.

Process for evaluation and selection

The evaluation and selection process are assessed by V.E on its transparency, governance and relevance. The eligibility criteria are assessed on their clarity, relevance, and coverage vs. the intended objectives of the Eligible Projects.

Management of proceeds

The process and rules for the management and the allocation of proceeds are assessed by V.E on their transparency, traceability, and verification.

Reporting

The monitoring and reporting process and commitments defined by the Issuer are assessed by V.E on their transparency, exhaustiveness, and relevance, covering the reporting of both proceeds' allocation and sustainable benefits (output, impact indicators).

Contribution to sustainability

Scale of assessment: Weak, Limited, Robust, Advanced

V.E's assessment of activities' contribution to sustainability encompasses both the evaluation of their expected positive impacts on environmental and/or social objectives, as well the management of the associated potential negative impacts and externalities.

Expected positive impact of the activities on environmental and/or social objectives

The expected positive impact of activities on environmental and/or social objectives to be financed by the Issuer or Borrower is assessed on the basis of:

- i) the relevance of the activity to respond to an important environmental objective for the sector of the activity; or to respond to an important social need at country level;³²
- ii) the scope of the impact: the extent to which the expected impacts are reaching relevant stakeholders (i.e. the issuer, its value chain, local and global stakeholders); or targeting those populations most in need;
- iii) the magnitude and durability of the potential impact of the proposed activity on the environmental and/or social objectives (capacity to not just reduce, but to prevent/avoid negative impact; or to provide a structural/long-term improvement);
- iv) only for environmental objectives, the extent to which the activity is adopting the best available option.

Activities' ESG risk management

The identification and management of the potential ESG risks associated with the eligible projects/activities are analysed on the basis of V.E's ESG assessment methodology, international standards and sector guidelines applicable in terms of ESG management and assessment.

ISSUER

Management of stakeholder related ESG controversies

A controversy is an information, a flow of information, or a contradictory opinion that is public, documented and traceable, allegation against an Issuer on corporate responsibility issues. Such allegations can relate to tangible facts, be an interpretation of these facts, or constitute an allegation based on unproven facts.

V.E reviewed information provided by the Issuer, press content providers and stakeholders (partnership with Factiva Dow Jones: access to the content of 28,500 publications worldwide from reference financial newspapers to sector-focused magazines, local publications or Non-Government Organizations). Information gathered from these sources is considered as long as it is public, documented and traceable.

V.E provides an opinion on companies' controversies risks mitigation based on the analysis of 3 factors:

- **Frequency:** reflects for each ESG challenge the number of controversies that the Issuer has faced. At corporate level, this factor reflects on the overall number of controversies that the Issuer has faced and the scope of ESG issues impacted (scale: Isolated, Occasional, Frequent, Persistent).
- **Severity:** the more a controversy is related to stakeholders' fundamental interests, proves actual corporate responsibility in its occurrence, and have caused adverse impacts for stakeholders and the company, the higher its severity is. Severity assigned at the corporate level will reflect the highest severity of all cases faced by the company (scale: Minor, Significant, High, Critical).
- **Responsiveness:** ability demonstrated by an Issuer to dialogue with its stakeholders in a risk management perspective and based on explanatory, preventative, remediating or corrective measures. At corporate level, this factor will reflect the overall responsiveness of the company for all cases faced (scale: Proactive, Remediate, Reactive, Non- Communicative).

³² The importance of a specific social need at country level is assessed based on the country performance on the priority SDG that the project is targeting using data from Sachs, J., Schmidt-Traub, G., Kroll, C., Lafortune, G., Fuller, G., Woelm, F. 2020. The Sustainable Development Goals and COVID-19. Sustainable Development Report 2020. Cambridge: Cambridge University Press



The impact of a controversy on a company's reputation reduces with time, depending on the severity of the event and the company's responsiveness to this event. Conventionally, V.E's controversy database covers any controversy with Minor or Significant severity during 24 months after the last event registered and during 48 months for High and Critical controversies.

Involvement in controversial activities

17 controversial activities have been analysed following 30 parameters to screen the company's involvement in any of them. The company's level of involvement (Major, Minor, No) in a controversial activity is based on:

- An estimation of the revenues derived from controversial products or services.
- The specific nature of the controversial products or services provided by the company.

V.E'S ASSESSMENT SCALES

Scale of assessment of Issuer's ESG performance and financial instrument's Contribution to sustainability		Scale of assessment of financial instrument's alignment with Green and Social Bond Principles	
Advanced	Advanced commitment: strong evidence of command over the issues dedicated to achieving the sustainability objective. An advanced expected impact combined with an advanced to robust level of E&S risk management & using innovative methods to anticipate new risks.	Best Practices	The Instrument's practices go beyond the core practices of the ICMA's Green and Social Bond Principles by adopting recommended and best practices.
Robust	Convincing commitment; significant and consistent evidence of command over the issues. A robust expected impact combined with an advance to robust level of assurance of E&S risk management or an advanced expected impact combined with a limited level of assurance of E&S risk management.	Aligned	The Instrument has adopted all the core practices of the ICMA's Green and Social Bond Principles.
Limited	Commitment to the objective of sustainability has been initiated or partially achieved, fragmentary evidence of command over the issues. A limited expected impact combined with an advanced to limited level of assurance of E&S risk management; or a robust expected impact combined with a limited to weak level of assurance of E&S risk management; or an advance expected impact combined with a weak level of assurance of E&S risk management.	Partially Aligned	The Instrument has adopted most of the core practices of the ICMA's Green and Social Bond Principles, but not all of them.
Weak	Commitment to social/environmental responsibility is non-tangible, no evidence of command over the issues. A weak expected impact combined with an advanced to weak level of assurance of E&S risk management or a limited expected impact with a weak level of assurance of E&S risk management.	Not Aligned	The Instrument has adopted only a minority of the core practices of the ICMA's Green and Social Bond Principles.

Statement on V.E' s independence and conflict-of-interest policy

Transparency on the relation between V.E and the Issuer: V.E has not carried out any audit mission or consultancy activity for Autoliv. No established relation (financial or commercial) exists between V.E and the Issuer. . Independence, transparency, quality and integrity requirements are all formalised within our Moody's Code of Conduct.

This opinion aims at providing an independent opinion on the sustainability credentials and management of the Bond/Loan, based on the information which has been made available to V.E. V.E has neither interviewed stakeholders out of the Issuer/Borrower's employees, nor performed an on-site audit nor other test to check the accuracy of the information provided by the Issuer/Borrower. The accuracy, comprehensiveness and trustworthiness of the information collected are a responsibility of the Issuer/Borrower. The Issuer/Borrower is fully responsible for attesting the compliance with its commitments defined in its policies, for their implementation and their monitoring. The opinion delivered by V.E neither focuses on the financial performance of the Bond/Loan, nor on the effective allocation of its proceeds. V.E is not liable for the induced consequences when third parties use this opinion either to make investments decisions or to make any kind of business transaction. Restriction on distribution and use of this opinion: The deliverables remain the property of V.E. The draft version of the Second Party Opinion by V.E is for information purpose only and shall not be disclosed by the client. V.E grants the Issuer/Borrower all rights to use the final version of the Second Party Opinion delivered for external use via any media that the Issuer/Borrower shall determine in a worldwide perimeter. The Issuer/Borrower has the right to communicate to the outside only the Second Party Opinion complete and without any modification, that is to say without making selection, withdrawal or addition, without altering it in any way, either in substance or in the form and shall



only be used in the frame of the contemplated concerned bond/loan(s) issuance. The Issuer acknowledges and agrees that V.E reserves the right to publish the final version of the Second Party Opinion on V.E' website and on V.E' internal and external communication supporting documents.



DISCLAIMER

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