



Autoliv Sustainable Financing Framework

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1. Introduction: Autoliv at a Glance

Autoliv is the world's largest automotive safety supplier. Sitting at the forefront of automotive safety technology, we develop, manufacture and market airbags, seatbelts and steering wheels, with global sales to all major car manufacturers. Our products save over 30,000 lives every year and we aspire to save over 100,000 lives per year by 2030.

Autoliv's strategy, business priorities and targets are deeply rooted in the growing demand for traffic safety and a strong belief that the need for safety products will continue to grow. We constantly review our product portfolio to optimize it from a total life-cycle perspective and address long-term growth through opportunities in new markets and adjacent businesses. Such areas include vulnerable road users, pyro-safety, commercial vehicles, digital services and seat safety modules.

We are driven by our vision of Saving More Lives and to prevent serious injuries, with a continuous focus on consistency and quality for our customers, confidence and security for employees, stability and growth for shareholders, and maintaining our position as a sustainable, trusted leader within the communities in which we operate.

2. Sustainability at Autoliv

Autoliv's vision of Saving More Lives drives all our work. Sustainability is firmly rooted in our business strategy and our sustainability targets are integrated components of our long-term strategic plan. We believe sustainability is an integral part of ensuring that our business will continue to thrive in the long term, and systemically consider the impacts our operations on society and the environment. We are a signatory to the United Nations Global Compact (UNGC) since 2019, and its ten principles are an integral part of our sustainability work.

Our sustainability commitment is expressed across five areas and supported by ambitious, measurable targets.

- 1. Innovate Life-Saving Products:** By staying at the forefront of technology, innovating and manufacturing high-quality products, we save more lives in real-life traffic

Target: 100,000 lives saved per year by 2030

- 2. Limit our Impact on the Environment:** Our commitment is to limit our environmental impact, particularly by reducing energy and water consumption, waste and emissions

Targets: Achieve carbon neutrality in our own operations by 2030, and net-zero GHG emissions across our supply chain by 2040

- 3. Commit to our Employees:** We are committed to respecting human rights, diversity, and the health and safety of our employees

Target: 0.50 incident rate by 2022

- 4. Act Ethically and Commit to Society:** We believe in sound and ethical business practices. Our actions are based on observance of established ethical standards and engagement with communities where we operate. We expect our suppliers and business partners to act with the same level of integrity

Target: 100% anti-corruption training completion on a continuous basis

- 5. Supply Chain Sustainability:** We focus on integrating sustainability into existing supply chain management processes and to ensure responsible sourcing of minerals

Target: 100% of all Direct Material suppliers audited by 2022

Innovate Life-Saving Products

Autoliv has pioneered automotive safety for over 60 years. We are the world's largest automotive safety supplier, selling to all leading car manufacturers globally. Our products save over 30,000 lives each year and prevent ten times as many severe injuries, and our goal is to increase the number of lives saved to 100,000 per year by 2030. Our work directly supports the United Nations Sustainable Development Goal (UN SDG) 3: Good health and well-being, and its specific target of halving global deaths and injuries from road traffic accidents by 2030.

Limit our Impact on the Environment

Autoliv is committed to operating our business in an environmentally sustainable manner and to the development and production of products in an energy efficient way, while preventing GHG emissions and limiting our environmental impact from the materials we use in our products.

In June of 2021, we announced a new climate strategy and an ambitious set of climate targets: carbon neutrality in our own operations by 2030 and net-zero emissions across our supply chain by 2040. The climate strategy includes a commitment to adopting Science Based Targets and joining the Business Ambition of 1.5° C¹, placing us at the forefront of climate ambitions in the broader group of automotive suppliers. As part of the strategy, we continue to develop our climate risk assessment and our reporting according to the recommendations of the Taskforce on Climate-Related Financial Disclosures (TCFD).

¹ We aim to have the SBTs approved before end of 2021.

Commit to our Employees

Autoliv is committed to the development and manufacturing of quality automotive safety systems while providing safe working conditions for our employees and contractors. In both the marketplace and the workplace, health and safety is more than an element of our business – it is our business.

Autoliv is committed to diversity and to acknowledging, accepting and valuing differences among our people and the contributions they make. Inclusion is fundamental to our culture and we believe that everyone should be respected and treated fairly. Autoliv is also committed to offering fair terms and conditions of employment.

Our values, 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.

Act Ethically and Commit to Society

Acting ethically and ensuring that no corrupt, anti-competitive or other illegal behavior takes place in our business are key priorities. We contribute to local communities through our business operations and engage in locally relevant community activities.

Supply Chain Management

Suppliers play a key role in managing our global supply chain in a responsible manner. We focus on integrating sustainability into existing supply chain management processes and work to ensure responsible sourcing of minerals. We expect our suppliers to comply with the laws and regulations in the areas where they operate and to follow Autoliv’s policies and procedures, including our Standards of Business Conduct and Ethics for Suppliers (Supplier Code). The Supplier Code conveys our expectation that suppliers will uphold our social, ethical and environmental standards in conducting their businesses, including human rights and working conditions, the environment, and business conduct and ethics.

For further information about our commitments, targets and more, see the [Sustainability section](#) of Autoliv’s website.

3. Autoliv Sustainable Financing Framework

This Sustainable Financing Framework (“Framework”) illustrates the alignment between Autoliv’s business and operations on the one hand, and our long-term commitment to embedding sustainability across the entire organization.

The Framework has been developed in alignment with the International Capital Market Association (the “ICMA”) Green Bond Principles, 2021, the ICMA Social Bond Principles, 2021 (together the “Principles”) and the ICMA Sustainability Bond Guidelines, 2021 (the “SBG”), all of which recommend transparency and disclosure and promote integrity with respect to “sustainable” financing.

In line with the Principles and the SBG, the Framework is presented through the following key pillars:

- a) Use of Proceeds**
- b) Process for Project Evaluation and Selection**
- c) Management of Proceeds**
- d) Reporting**

The Framework also follows the recommendations of the Principles and the SBG on external review and impact reporting.

3.1 Use of Proceeds

An amount equivalent to the net proceeds from any Sustainability Bond issued pursuant to this Framework will be allocated, in whole or in part, to new or existing projects that meet at least one of the Eligibility Criteria set forth below (“Eligible Projects”). For allocation to existing projects, projects financed up to 24 months prior to the date of the bond issuance will be eligible.

In addition, each category has been identified as aligned with the applicable UN SDG.

Eligibility Criteria

Eligible Categories	Eligibility Criteria and Example Projects	SDG Targets
Clean Transportation	Investments and expenditures (including research and development) related to the manufacturing of products dedicated to electric vehicles.	9.4 Greater adoption of green or environmentally sound technologies
Renewable Energy	<p>Investments and expenditures related to acquisition, development, construction and/or installation of:</p> <ul style="list-style-type: none"> ▪ Renewable energy facilities such as Wind and Solar, where the life-cycle GHG emissions from such projects are lower than 100g CO_{2e}/kWh; ▪ Electricity generation facilities that produce electricity from Geothermal, where the life-cycle GHG emissions from such projects are lower than 100g CO_{2e}/kWh; ▪ Electricity generation facilities that produce electricity from Hydropower, where the life-cycle GHG emissions are lower than 100g CO_{2e}/kWh <p>Renewable energy projects can include:</p> <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) 	7.2 By 2030, increase substantially the share of renewable energy in the global energy mix

Energy Efficiency	<p>Investments and expenditures in projects to improve the energy efficiency and/or reduce the GHG footprint of our 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 measures² (HVAC³, LED lighting, insulation) and process efficiency improvements⁴ 	<p>7.3 By 2030, double the global rate of improvement in energy efficiency</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> <ul style="list-style-type: none"> ▪ Research and development into weight reduction of products ▪ Raw materials replacement with recycled material and/or materials with lower life-cycle carbon footprint, where such replacements would lead to a GHG emissions reduction⁵ of at least 10% 	<p>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</p>
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</p>	<p>3.6 By 2030, halve the number of global deaths and injuries from road traffic accidents</p>

² Energy efficiency building measures which will attain at least 30% energy savings compared to baseline

³ Any HVAC energy efficiency improvements will follow the UNDP's Guidelines for Energy-Efficient and Climate-Friendly Air Conditioners Model Regulation Guidelines, 2019

⁴ Process efficiency improvements which will attain at least 20% energy savings compared to baseline

⁵ Focus will be on raw materials with highest contribution to the carbon footprint of Autoliv's products, in particular steel, textiles, plastics and magnesium.

	<p>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>	<p>Target population: Drivers, passengers and vulnerable road users focusing on the needs of the different types of populations (women, elderly, children)</p>
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Exclusionary Criteria

Autoliv has developed a list of exclusionary criteria to be applied to the allocation of the net proceeds from the issuance of any Sustainability Bond. In this regard, Autoliv commits to not knowingly allocate such proceeds to projects that meet one of the following exclusionary criteria:

1. Investments in any GHG intensive activities, including fossil fuel-related projects
2. Investments in renewable energy projects deemed controversial due to potentially material environmental and/or social risks

3.2 Process Evaluation and Selection

Autoliv has set up a Sustainable Financing Committee (the “Committee”) to oversee 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 sustainability strategy.

The Committee is chaired by the CFO who has final authority over project selection and approval and furthermore composed of representatives from each of Autoliv’s

Sustainability, Finance, and RD&E (Research, Development, Engineering) teams. The Committee will meet twice per year. Meeting minutes of the Sustainable Financing Committee are kept to ensure traceability. The Committee is responsible for:

- 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.

3.3 Management of Proceeds

Eligible Projects are tracked internally in a register (the “Eligible Portfolio”).

The Finance Team tracks and monitors that an amount equivalent to the net proceeds from the issuance of any Sustainability Bond is 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 exclusion criteria outlined above would also apply to any short-term investments which proceeds from any Sustainability Bond are temporarily allocated towards.

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.

It is the intention of Autoliv to fully allocate the net proceeds of each Sustainability Bond within 24 months of its issuance. If a project is cancelled or divested, Autoliv will, on a best efforts basis, seek to reallocate the intended proceeds to another Eligible Project within 24 months from the point at which the project has been cancelled or divested.

Payment of principal and/or interest on the Sustainability Bonds will be made from Autoliv’s general funds.

3.4 Reporting

Within one year from issuance of any Sustainability Bond and annually at least until full allocation, Autoliv will prepare and make readily available information on the allocation of net proceeds to the Eligible Projects and associated impact metrics. The information will be made available on Autoliv's corporate website.

Allocation Reporting

To the extent practicable, the Issuer will provide information such as:

- The total amount of proceeds allocated;
- The share of financing vs refinancing;
- The allocation to each eligible category;
- The balance of unallocated proceeds; and
- Any material developments related to the projects, including those related to any ESG controversies / issues.

Impact Reporting

To the extent possible, Autoliv will report on the annual and aggregate environmental and social impact for each eligible category, together with the aforementioned allocation status in future Sustainability Bond Reports. Examples of possible environmental and social indicators could include:

- **Clean Transportation:**
 - Number of products developed specifically for EVs
 - Percentage of product portfolio which is sold to EV manufacturers
- **Renewable Energy:**
 - Total installed capacity (MW)
 - Estimated GHG emissions avoided (tCO₂)
- **Energy Efficiency**
 - Reduction of energy consumption (MWh)
 - Estimated GHG emissions avoided (tCO₂)
 - Number of energy efficiency projects implemented
 - Percentage improvement of total energy efficiency against relevant targets

- **De-carbonization of Operations and Products**
 - Estimated GHG emissions avoided related to process changes (tCO₂)
 - 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
- **Safety Technology & Products:**
 - 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

In addition, Autoliv may provide qualitative information on the outcomes and impacts of selected eligible projects funded. Where relevant, information will be provided on the impact assessment and data reporting methodologies applied.

4. External Review

Second Party Opinion

Autoliv has appointed Vigeo Eiris to provide an independent Second Party Opinion report (“SPO”) on this Framework. The SPO is publicly available on Autoliv’s website.

Verification

An independent external party will verify the internal tracking method and allocation of funds, confirming that an amount equivalent to the net proceeds of the Sustainability Bond(s) have been allocated in compliance with all material respects of the eligibility criteria set forth in the Framework. The impact metrics will also be verified by an external party.

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