

# Sustainable Financing Framework

**Autoliv**

November 2021



# Introduction to Autoliv's Sustainable Financing Framework



Autoliv's Sustainable Financing Framework illustrates the **alignment between Autoliv's business and operations** and our **long-term commitments to embedding sustainability across the entire organization**



The Sustainable Financing Framework is **fully aligned with the ICMA Green Bond Principles 2021 ("GBP"), Social Bond Principles 2021 ("SBP") and the Sustainability Bond Guidelines 2021 ("SBG")**



**Vigeo Eiris has provided a Second Party Opinion** on the Framework, confirming its alignment to the ICMA GBP and SBP. It further **confirms Autoliv's sustainability focus**, with both expected ESG impacts and ESG risk management considered robust






# Autoliv's Sustainable Financing Framework is in-line with the Highest Market Standards for Sustainable Issuance

In line with the ICMA GBP, SBP and SBG, the Framework is presented through the following key pillars:

Use of Proceeds	Process for Project Evaluation and Selection	Management of Proceeds	Reporting
<ul style="list-style-type: none"> <li>• <b>An amount equivalent to the net proceeds from sustainability bonds will be allocated to new or existing projects that meet at least one of the Eligibility Criteria (i.e., “Eligible Projects”), as defined in the Framework</b></li> <li>• Exclusionary criteria will be applied to the allocation of the net proceeds of any Sustainability Bond and Autoliv commits to not knowingly allocating such proceeds to projects that meet any of the exclusionary criteria</li> <li>• For allocation to existing projects, projects financed up to 24 months prior to the date of any Sustainability Bond issuance will be eligible</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Autoliv has established a Sustainable Financing Committee to oversee the project evaluation and selection process, and ensure projects comply with the Eligibility Criteria and with Autoliv’s sustainability strategy</b></li> <li>• The Committee will be responsible for:               <ul style="list-style-type: none"> <li>– Evaluating the compliance of proposed projects throughout the life of the bond</li> <li>– Monitoring and ensuring the portfolio of Eligible Projects remains aligned to the eligibility criteria throughout the life of the bond</li> <li>– Removing from the portfolio of Eligible Projects any that no longer meet the eligibility criteria</li> <li>– Approving impact reporting</li> <li>– Monitoring ESG related controversies, if any</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• <b>Eligible Projects are tracked internally in a register (the “Eligible Portfolio”)</b></li> <li>• <b>The Finance Team will track and monitor that the net proceeds from sustainability bonds are allocated to the Eligible Portfolio</b></li> <li>• If the aggregate amount in the Eligible Portfolio is less than the 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</li> <li>• If projects are cancelled, postponed, or cease to meet Eligible Criteria, proceeds will be reallocated to projects that are compliant with the framework</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Within one year of issuance and annually at least until full allocation, Autoliv will make available information on the allocation of net proceeds to the Eligible Projects and associated impact metrics.</b></li> <li>• <b>Allocation reporting:</b> Autoliv will provide information such as the total amount of proceeds allocated, the allocation to each eligible category, and the balance of unallocated proceeds</li> <li>• <b>Impact reporting:</b> Autoliv will report on the annual and aggregate environmental and social impact for each eligible category</li> </ul>

# Autoliv's Sustainable Financing Framework Use of Proceeds & Impact Metrics



Eligible Category	Eligible Project Description	SDG Target	Possible Environmental Indicators (Impact Metrics)
<b>Clean Transportation</b>	Investments and expenditures (including R&D) related to the manufacturing of products dedicated to electric vehicles.		<ul style="list-style-type: none"> <li>Number of products developed specifically for EVs</li> <li>Percentage of product portfolio which is sold to EV manufacturers</li> </ul>
<b>Renewable Energy</b>	Investments and expenditures related to acquisition, development, construction and/or installation of: <ul style="list-style-type: none"> <li>Renewable energy facilities such as Wind and Solar, where the life-cycle GHG emissions from such projects are lower than 100g CO<sub>2</sub>e/kWh;</li> <li>Electricity generation facilities that produce electricity from Geothermal, where the life-cycle GHG emissions from such projects are lower than 100g CO<sub>2</sub>e/kWh;</li> <li>Electricity generation facilities that produce electricity from Hydropower, where the life-cycle GHG emissions are lower than 100g CO<sub>2</sub>e/kWh</li> </ul> Renewable energy projects can include: <ul style="list-style-type: none"> <li>On-site solar, wind, geothermal or hydropower energy projects;</li> <li>Project-specific Power Purchasing Agreements (PPAs) with a long-term maturity (greater than 10 years).</li> </ul>		<ul style="list-style-type: none"> <li>Total installed capacity (MW)</li> <li>Estimated GHG emissions avoided (tCO<sub>2</sub>)</li> </ul>
<b>Energy Efficiency</b>	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: <ul style="list-style-type: none"> <li>Energy-efficient building measures<sup>(1)</sup> (HVAC<sup>(2)</sup>, LED lighting, insulation) and process efficiency improvements<sup>(3)</sup></li> </ul>		<ul style="list-style-type: none"> <li>Reduction of energy consumption (MWh)</li> <li>Estimated GHG emissions avoided (tCO<sub>2</sub>)</li> <li>Number of energy efficiency projects implemented</li> <li>Percentage improvement of total energy efficiency against relevant targets</li> </ul>

<sup>(1)</sup> Energy efficiency building measures which will attain at least 30% energy savings compared to baseline

<sup>(2)</sup> Any HVAC energy efficiency improvements will follow the UNDP's Guidelines for Energy-Efficient and Climate-Friendly Air Conditioners Model Regulation Guidelines, 2019

<sup>(3)</sup> Process efficiency improvements which will attain at least 20% energy savings compared to baseline

# Autoliv's Sustainable Financing Framework Use of Proceeds & Impact Metrics

Eligible Category	Eligible Project Description	SDG Target	Possible Environmental Indicators (Impact Metrics)
<b>De-carbonization of Operations and Products</b>	Investments and expenditures with the primary purpose of reducing GHG emissions in production processes, such as replacing fossil fuels. <ul style="list-style-type: none"> <li>• Research and development into weight reduction of products;</li> <li>• Raw materials replacement with recycled material and/or materials with lower life-cycle carbon footprint, where such replacements would lead to a GHG emissions reduction<sup>(4)</sup> of at least 10%</li> </ul>		<ul style="list-style-type: none"> <li>• Estimated GHG emissions avoided related to process changes (tCO2)</li> <li>• Number of R&amp;D projects financed which are focused on reducing the environmental impact of raw materials used</li> <li>• Number of projects implemented with the primary purpose of reducing GHG emissions in production processes</li> </ul>
<b>Safety Technology &amp; Innovation</b>	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 steering wheels, seatbelts and airbags. 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.		<ul style="list-style-type: none"> <li>• Number of R&amp;D projects financed which are focused on improving product safety to meet the needs of women, children, the elderly and vulnerable road users</li> </ul>

<sup>(4)</sup> Focus will be on raw materials with highest contribution to the carbon footprint of Autoliv's products, in particular steel, textiles, plastics and magnesium

# Second Party Opinion and Verification

Vigeo Eiris considers that Autoliv's framework is aligned with the four components of the ICMA Green Bond Principles and Social Bond Principles

October 2021

**V.E**

## 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:

Expected impacts: Weak, Limited, Robust, Advanced

ESG risks management: Weak, Limited, Robust, Advanced

SDG Mapping:

**Characteristics of the Framework**

Green and Social Eligible Categories	⇒ Clean Transportation ⇒ Renewable Energy ⇒ Energy Efficiency ⇒ Decarbonization 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
Lock 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:

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

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

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.

Partially coherent

Not coherent

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 <b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Eligible Categories are clearly defined</li> <li>The Issuer has communicated the nature of expenditures, Eligibility Criteria, location of Eligible Projects, and target population for the Social Category</li> <li>Environmental and social objectives are clearly defined, relevant for Eligible Categories and set in coherence with sustainability objectives defined in international standards</li> <li>Expected environmental and social benefits are clear, relevant, measurable and will be quantified in reporting.</li> </ul>
 <b>Project Evaluation/ Selection</b>	<ul style="list-style-type: none"> <li>The process for project evaluation and selection has been clearly defined</li> <li>The roles and responsibilities are clear and include relevant internal expertise</li> <li>Eligibility Criteria for project selection have been defined for all Eligible Categories.</li> <li>The process applied to identify and manage risks associated with the projects is considered robust</li> </ul>
 <b>Management of Proceeds</b>	<ul style="list-style-type: none"> <li>The process for the management and allocation of proceeds is clearly defined and detailed</li> <li>Net proceeds of the bonds will be tracked by the issuer in an appropriate manner</li> <li>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 the period</li> <li>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</li> </ul>
 <b>Reporting</b>	<ul style="list-style-type: none"> <li>The Issuer has committed to report on the Use of Proceeds annually, at least until full allocation</li> <li>The Issuer has also committed to report on material developments/controversies related to the Eligible Projects</li> <li>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</li> <li>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</li> </ul>