

Green Bond Framework

April 1, 2024



The
Mobility
Bank

Ziklo

Ziklo Bank - Green Bond Framework

1. Introduction

Ziklo Bank AB (publ) ("Ziklo Bank" or the "Bank") is the Mobility Bank, specialised in cars and trucks. The Bank develops products and services generating a smarter car economy and facilitating freedom and mobility for customers. By offering a wide range of financing solutions and payment services in the automotive and transport industry, Ziklo Bank ensures a safe and convenient car holding. Through its products, knowledge and systems the Bank strengthens the relation to customers, creating value and enable more and better business for everyone. The entire operation is run with a great responsibility, as sustainable and as effective as possible.

Ziklo Bank only operates in Sweden and the head office, where the majority of the more than 280 employees work, is located in Gothenburg.

The commitment to sustainability is a natural part of the Bank's business operation. The goal is to develop products with a sustainability focus and take responsibility in the transition to a fossil-free society. All new products take sustainability into account as it is a required part within the Bank's New Product Approval Process (NPAP). In the latest annual report Ziklo Bank has announced its most recent updates on the sustainability goals. The Bank's overarching goal is to reduce greenhouse gas emissions with 30% by 2025, which is also in line with the Paris agreement's objectives. That goal is shared by the Bank's business areas and one example is Fleet, for which the order share of rechargeable cars was 85% as of 2022 compared to 68% in the previous year.

1.1 Sustainability policy and sustainability governance procedures

Ziklo Bank's sustainability policy aims to create a common approach for the organisation regarding sustainability issues and is indicative of the work on sustainability. For the Bank, sustainability means responsibility towards customers, partners, employees, society and the environment. The basic strategy is to combine business value with being a healthy player in a healthy market. The policy is divided into four areas: environmental-, social- and economic sustainability, alongside responsible corporate governance.

Complementary to the sustainability policy are other policies addressing anti-money laundering, credit, bribery and anti-corruption, as well as the importance of diversity and Code of Conduct. The sustainability policy and Code of Conduct are publicly available on the Bank's website. In addition, Ziklo Bank has a whistle-blowing system in place on their website.

The Bank's CEO has overall responsibility for sustainability work. The Head of Sustainability is responsible for coordinating, supporting and regularly monitoring the Bank's sustainability work and reporting outcomes to company management. All senior executives must consider the climate and how ESG factors can be influenced by their decisions. The Bank also have a sustainability forum to enable representatives from the business to meet and exchange knowledge about trends in sustainability and tomorrow's marketplace.

Further, Ziklo Bank has continued its work on expanding sustainability assessments in the credit approval process, thereby increasing the focus on sustainability-related risk in credit decisions. The Bank has chosen to voluntarily align with the Task Force on Climate-related Financial Disclosures (TCFD) framework in order to determine which physical and transition related risks are considered most material from a climate perspective.

1.2 Ziklo Bank's contribution to climate change mitigation

Ziklo Bank will assume long-term environmental responsibility aimed at reducing its environmental footprint as far as technically possible and financially reasonable. The automotive industry is changing towards fossil-free vehicles. Electric cars are on the rise and Ziklo Bank wants to be a driving force in the transition by helping partners, customers and employees to make better, smarter choices for the future when it comes to a life of movement and mobility.

Ziklo Bank calculates and reports both scope 1, 2 and 3 emissions. The Bank has a small footprint in relation to scope 3, which is the cumulative impact of the Bank's customers. Thus the Bank is working closely with Volvo Cars, Polestar and AB Volvo to drive sales and financing of electric cars and trucks and expects an increase in funding electric vehicles going forward.

As stated in Ziklo Bank's published Green Bond Investor Report, by comparing the environmentally-rated cars as per a specific date with average emissions for new cars, one can approximate a reduction of CO₂ for the vehicles throughout the entire Green Assets Portfolio. The CO₂ reduction is calculated on an average annual basis of kilometers per year. As described in the Reporting section of this Framework, the reduction will be stated in yearly Investor Reports.

1.3 Ziklo Bank's Green Asset Portfolio – partner companies and electric vehicle models

Together with partners Ziklo Bank strives to accelerate the transition to a fossil-free transport sector. The ambition is an increase of the Green Asset Portfolio and by offering financing to brands that continue their path towards sustainable mobility.

V O L V O

Volvo Cars aim to be pioneers in protecting people and the world by working towards net zero greenhouse gas emissions. By 2040 Volvo Cars is aiming to reach net zero greenhouse gas emissions by reducing emissions across the entire value chain. Volvo Cars is also aiming towards becoming a circular business by 2040 and therefore focus on eliminating waste and pollution, making greater use of recycled material, and remanufacturing and reusing parts. Volvo Cars is accelerating its electrification and plan to become a fully electric car company by 2030. Volvo Cars have expanded their car portfolio with new fully electric models EX30, EX90 and EM90, in addition to the EX40 and EC40. By 2025 Volvo Cars are aiming for at least 50% of their global sales volume to be fully electric cars, with the rest hybrids. This is a critical step towards being fully electric by 2030¹.



Polestar is serious about operating sustainably. By 2030 the Polestar 0 Project aim to create a truly climate-neutral production car and by 2040 Polestar have a goal of reaching climate neutrality by eliminating all greenhouse gas emissions across the operations, and all phases of the cars' life cycles. This includes emissions from supply chain and manufacturing, as well as energy use during the car's use phase. Polestar aims to manufacture cars with reduced virgin materials reliance, improved lifespans, and minimal waste at end-of-life. Polestar 3 and 4 will be delivered to the first customers during the summer of 2024².



Ziklo Bank finances cars from many different brands and the ambition is to become even more brand agnostic so that the bank can continue offer its customers financing solutions linked to a large range of fully-electric vehicles. Ziklo Bank's portfolio consist of a numerous different fully electric car models such as Volkswagen ID.5, Tesla Model Y, Renault Zoe and Audi Q4 e-tron. Vehicle electrification is now a permanent feature in the automotive sector, each year we will see car manufacturer add more EV's to their lineups, from well-established existing manufacturer to new OEM's.



Volvo Group is committed to driving the transition to sustainable, safe, and more productive transport and infrastructure solutions, while making the journey to become a net-zero society. In 2030, around 35% of all vehicles sold by Volvo Group will be electric and by 2040 100% of the vehicles will be fossil-fuel free. The company was an early mover in the electrification journey, in 2015 Volvo's first fully-electric bus entered service and by 2018 the first fully-electric commercial Volvo truck premiered. Volvo Group now offer fully electric solutions ranging from compact excavators to city buses and heavy-duty trucks with zero greenhouse gas tailpipe emissions. The electrified heavy-duty trucks consist of models FH, FM, FMX, FE and FL³.

¹ Text and information taken from annual reports and/or Ziklo Bank AB

² Text and information taken from annual reports and/or Ziklo Bank AB

³ Text and information taken from annual reports and/or Ziklo Bank AB

2. The Green Bond Framework

Ziklo Bank issued its first Green Bond in May 2017 and was among the first in Europe to ever issue a Green Bond linked to the passenger car sector. Since then, the utilisation of green financing has accelerated within the automotive industry, as businesses with large carbon footprints recognise the importance of their part in the transition. To continue to lead the Green Bond market the Bank has, with this updated version of the Green Bond Framework (“The Framework”), tightened its definition of green criteria for issuance of Green Bonds. Thus, under this Framework, only fully electric vehicles will be financed. Further, this is the third update to the Green Bond Framework since the inaugural launch back in 2017.

The objective of the Framework is to continue help shift capital to, as well as highlight investment opportunities contributing to climate change mitigation. This Green Bond Framework is based on the 2021 version of the Green Bond Principles published by the International Capital Markets Association (ICMA)⁴. It follows the core components and key recommendations of the principles:

- Use of Proceeds
- Process for Project Evaluation and Selection
- Management of Proceeds
- Reporting
- External Review

The Framework is applicable to issuance of Green Bonds under various formats including public and private placements and senior preferred bonds. The Framework is applicable to all legal entities within Ziklo Bank including parent and any potential subsidiaries.


2.1 Use of Proceeds

Ziklo Bank will allocate an amount equal to the net proceeds of Green Bonds to finance or re-finance, in part or in full, loans or leases with environmental benefits (“Eligible Assets”). The Bank will continuously exercise professional judgement, discretion and sustainability expertise when identifying Eligible Assets.

Ziklo has also taken into consideration the EU Taxonomy and thereby mapped applicable categories to the relevant EU environmental objective and example of economic activities under the EU Taxonomy. Ziklo Bank will follow the future developments of the EU Taxonomy and take the implemented and suggested criteria into account when selecting Eligible Assets.

Allocations under this Framework will not be used to finance or re-finance fossil fuel infrastructure including transportation of fossil fuels.

Ziklo Bank's Eligible Assets

GBP Category	Assets financed	EU environmental objective and example of economic activities
 CLEAN TRANSPORTATION	Heavy commercial vehicles (i.e. buses) with zero specific CO ₂ emissions	Climate Change Mitigation 6.3 Urban and suburban transport, road passenger transport
	Light commercial and passenger vehicles with zero specific CO ₂ emissions	Climate Change Mitigation 6.5. Transport by motorbikes, passenger cars and light commercial vehicles
	Fully electric freight transport vehicles (i.e. lorries/heavy trucks) with zero specific CO ₂ emissions	Climate Change Mitigation 6.6. Freight transport services by road

2.2 Process for Project Evaluation and Selection

Ziklo Bank has a dedicated Green Bond Committee (“GBC”) to oversee the process for project evaluation and selection as well as the reporting. The GBC will meet on a regular basis (at least annually) and consists of the Head of Treasury and the Sustainability Manager (i.e. both have a veto). The process for project evaluation and selection proceeds as follows:

- Initially, the process for identifying ESG related risks is a part of the regular credit approval process which includes a Know-Your-Customer (“KYC”) assessment, a credit risk analysis and for larger corporate customers (customers with a framework agreement or corporates with >8 SEKm Exposure and >500 SEKm annual turnover) a specific ESG analysis is conducted. The ESG analysis covers, among other things, climate, business ethics and actions against financial crime. The management of ESG related risks is handled in a similar way. That is, all corporate customers are re-evaluated, at least on an annual basis according to the same process and is supervised by the Bank’s Risk Control function. All lending exposure are continuously monitored, such a monitoring includes credit risk and economic criminality. Actions when deviations are noticed could lead to terminated contract, default or other type of sanctions. Violations towards the boundaries for inclusion in the Green Asset Portfolio will be followed by exclusion from the portfolio. As a Bank, Ziklo are organized in three lines of defence where second line continuously reports Key Risk Indicators to the board. In addition, the GBC will also ensure that the Eligible Assets adhere to applicable laws and regulations. Only assets approved in the regular credit process can be eligible for Green Bond issuances; the qualification for green criteria does not override credit risks.

⁴ The Green Bond Principles (GBP) 2021 (with June 2022 Appendix 1)

- Any GBC member or relevant entities at Ziklo Bank may propose potential assets to be evaluated in alignment with the criteria specified under the Use of Proceeds section of this Framework;
- The GBC confirms that proposed potential assets are eligible and aligned with the criteria in this Framework
- Approved Eligible Assets will be included in Ziklo Bank's green register ("Green Asset Portfolio")

Finally, Ziklo will follow the development of the green bond market and manage any future updates of this Framework to reflect current and future market practices (e.g. related to the EU Taxonomy) and potential updates to ICMA's principles.

2.3 Management of Proceeds

2.3.1 Tracking of net proceeds

Equivalent to the net proceeds from Ziklo Bank's Green Bonds will be tracked by using the Green Asset Portfolio. The information available in the Green Asset Portfolio will in turn serve as basis for regular reporting (see section 2.4 Reporting). The ambition is that the Green Asset Portfolio at all times will be larger than the amount of outstanding Green Bonds from Ziklo Bank.

All Green Bonds issued by Ziklo Bank will be managed on a portfolio level. This means that a Green Bond will not be linked directly to one (or more) pre-determined Eligible Assets. Ziklo Bank strives to have a Green Asset Portfolio which matches or exceeds the balance of net proceeds from its outstanding Green Bonds. If for any reason an Eligible Asset ceases to comply with the requirements set out in the Framework, such asset will be removed from the Green Asset Portfolio. All proceeds from the Green Bonds will, without delay, replace a corresponding amount of existing temporary financing of the Green Asset Portfolio.

2.3.2 Allocation Period

Ziklo Bank will commit to, on a best-effort basis, allocate the net proceeds from the Green Bonds to Eligible Assets within 18 months from issuance date of the Green Bond(s).

2.3.3 Temporary holdings

In the unexpected event that the volume of Green Bonds would exceed the volume of the Green Asset Portfolio, the excess amount will be placed in Ziklo Bank's liquidity reserve. The reserve consists mainly of covered bonds and municipal bonds and the bank will ensure that no amount will not flow towards financing of fossil fuel infrastructure. The Treasury department will be responsible for the management of proceeds.

2.4 Reporting

To enable investors to follow the development and provide insight to prioritised areas, Ziklo Bank will provide a Green Bonds Investor Report, available on the Bank's website. The Investor Report will include an allocation report and impact report which will be published annually until full allocation and in the event of any material developments, as long as there are Green Bonds outstanding. The Investor Report will include the following items.

1. Total amount of Green Bonds outstanding
2. A description of the Green Asset Portfolio including:
 - (a) total value of approved and outstanding Eligible Assets and a breakdown of the portfolio by vehicle types and criteria for approval
 - (b) impact reporting at portfolio level (i.e. CO₂ reduction)
 - (c) information about the maturity profile of the Green Asset Portfolio
 - (d) information about the average share of the total value of the vehicles in the Green Asset Portfolio that has been financed/refinanced by Ziklo Bank
 - (e) information about the share of Green Bond financing of the Green Asset Portfolio and
 - (f) amount of unallocated proceeds (if any)
3. A selection of Eligible Asset examples, such as common car models in the portfolio
4. On a best effort basis, information on Taxonomy alignment (%) of the underlying Eligible Assets

Ziklo Bank recognises the importance of impact reporting and will strive to include information in the Green Bonds Investor Report about the reduced carbon footprint of the funded Eligible Assets at portfolio level in relation to relevant reference values as described in the Green Bonds Investor Report.

2.5 External Review

S&P Global Ratings have independently assessed this Framework as an external Second Party Opinion provider. The Second Party Opinion is available on Ziklo Bank's website. Further, the Green Bonds Investor Report as well as the use of proceeds, tracking and management of funds will be assured by Ziklo Bank's designated compliance function. The Green Bonds Investor Report includes the opinion of the independent compliance function and will be made publicly available on Ziklo Bank's website.

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