

# **VOLVOFINANS**

## **Volvofinans Bank AB (publ)**

### **Green Bonds Framework**

10 April 2019

#### **1. INTRODUCTION**

Volvofinans Bank AB (publ) ("**Volvofinans Bank**") is the mobility bank, specialised in cars and trucks. We develop products and services generating a smarter car economy and facilitating freedom and mobility for our customers. By offering a wide range of financing solutions and payment services in the automotive and transport industry, we ensure a safe and convenient car holding. Through our products, knowledge and systems we strengthen the relation to our customers, creating value and enable more and better business for everyone. Our entire operation is run with a great responsibility, as sustainable and as effective as possible.

Our commitment to sustainability is a natural part of our business operation. We combine our business case with a policy providing guidance for all our social responsibility efforts. The policy is divided into economic, ecologic and social sustainability dimensions and we have incorporated the ten principles from the UN Global Compact. Complementary to our sustainability policy are other policies addressing anti-money laundering, credit, bribery and anti-corruption, as well as the importance of diversity.

This Green Bonds Framework is an update to Volvofinans Bank's framework dated 17 March 2017.

Our head office, where the majority of our more than 200 employees work, is located in Gothenburg. We are also situated in Stockholm, but are currently not operating outside of Sweden. At the end of year 2018, the bank's total assets made up to SEK 43bn (EUR 4bn).

#### **2. ELIGIBLE PROJECTS**

"**Eligible Projects**" means a selected pool of loans and leases to vehicles that are funded, in whole or in part, by Volvofinans Bank and that promote the transition to low carbon and climate resilient growth, as determined by Volvofinans Bank.

Such vehicles shall represent sustainable transportation defined as passenger vehicles which;

- can be powered entirely or partially by non-fossil fuels, i.e.
  - electric vehicles
  - fuel cells vehicles
  - electric/petrol hybrid vehicles
  - electric/diesel hybrid vehicles

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and;

- have a maximum emission of 60 grams of CO<sub>2</sub> emissions per kilometer according to NEDC. The corresponding value will apply for vehicles measured according to WLTP when this is the sole standard for new cars.

For the avoidance of doubt, the hybrid alternatives above must be possible to run with electricity as the only source of power, which means that mild hybrids (battery-assisted hybrid vehicles) are not qualified.

Eligible Projects must meet the criteria which are valid at the time of approval of the loan or lease for inclusion in Volvofinans Bank's Green Loan Portfolio (as defined below). Loans and leases with ethanol and gas vehicle types are not part of the Green Loan Portfolio from the date of this framework.

Volvofinans Bank's Green Bonds can be used to finance new Eligible Projects and to refinance Eligible Projects in accordance with the Green Bonds Framework.

### 3. PROCESS FOR PROJECT EVALUATION AND SELECTION

Eligible Projects will be selected in consensus by the Head of Treasury and the Sustainability Manager (i.e. both have a veto). Approved loans and leases will be included in Volvofinans Bank's green loan portfolio ("**Green Loan Portfolio**"). The Treasury department regularly monitors the allocation of loans and leases to the green portfolio and the development of its total assets. The ambition is that the Green Loan Portfolio at all times will be larger than the amount of outstanding Green Bonds from Volvofinans Bank. The share of Green Bond financing of the Green Loan Portfolio will be specified in the annual Green Bonds investor letter, see section 5 (Reporting).

### 4. MANAGEMENT OF PROCEEDS

An amount equal to the net proceeds of the green bonds ("Green Bonds") issued by Volvofinans Bank will be tracked and will support Volvofinans Bank's Eligible Projects. Any issue of a new Green Bond will only be executed if the present total credit volume in the Green Loan Portfolio is greater than the outstanding total volume of Green Bonds. All proceeds from the Green Bonds will, without delay, replace an corresponding amount of existing temporary financing of the Green Loan Portfolio. In the unexpected event when the volume of Green Bonds would exceed the volume of the Green Loan Portfolio, the excess amount will be placed in Volvofinans Bank's liquidity reserve. The vast majority of the reserve consists of covered bonds and municipal bonds.

### 5. REPORTING

To enable investors to follow the development and provide insight to prioritised areas, Volvofinans Bank will provide an annual Green Bonds investor letter which will include the following items.

1. Total amount of Green Bonds issued and outstanding.
2. A description of the Green Loan Portfolio including;
  - (a) total value of approved and outstanding eligible loans and leases and a breakdown of the portfolio by vehicle types and criteria for approval;
  - (b) impact reporting at portfolio level;

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- (c) information about the maturity profile of the Green Loan Portfolio;
- (d) information about the average share of the total value of the vehicles in the Green Loan Portfolio that has been financed by Volvofinans Bank;
- (e) information about the share of Green Bond financing of the Green Loan Portfolio; and
- (f) amount of unallocated proceeds (if any).

3. A selection of Eligible Project examples, such as common car models in the portfolio.

Volvofinans Bank recognises the importance of impact reporting. Volvofinans Bank undertakes to include information in the Green Bonds investor letter about the reduced carbon footprint of the funded Eligible Projects at portfolio level in relation to relevant reference values as described in the Green Bonds investor letter.

The Green Bonds investor letter as well as the use of proceeds, tracking and management of funds will be assured by Volvofinans Bank's designated compliance function. The Green Bonds investor letter and the opinion of the compliance function will be made publically available on Volvofinans Bank's web page, [www.volvofinans.se](http://www.volvofinans.se).

## 6. EXTERNAL REVIEW

CICERO Shades of Green have independently assessed this framework as an external second opinion provider. The Second Opinion is available on Volvofinans Bank's web page.

### GREEN BOND PROJECT SELECTION PROCESS FLOWCHART

