

Green Bond Framework





1. Introduction and background

Scania is a world-leading provider of transport solutions, including trucks and buses for heavy transport applications combined with product-related service offerings. Scania is also a leading provider of industrial and marine engines.

Scania's purpose is to drive the shift towards a sustainable transport system, creating a world of mobility that is better for business, society and the environment. At Scania we view the UN's Agenda 2030 as a shared agenda requiring collaboration across government, business and the wider civil society. We strongly support all the 17 goals and believe they have the potential to deliver transformative change for both societies and business. Advances in transport will play an integral role in achieving all of the SDG's. Scania is committed to the role it can play as a partner in delivering on the 2030 Agenda. (Read more on Scania's work with each of the SDG's: www.scania.com)

A holistic approach towards sustainable transport

Sustainable transport is all about moving people and goods while contributing to economic and social development without jeopardising human health and safety or endangering the environment. There is no single solution for transforming the transport system. Rather, a holistic approach is called for, considering the specific transport assignment and the maturity of the transport and logistics infrastructure in different parts of the world. Our sustainable transport solutions are developed in close cooperation with our customers, and other stakeholders, and centres around three pillars:

- Energy efficiency, the most efficient technology for our products combined with services focusing on powertrain performance, vehicle optimisation and fuel consumption.
- Renewable fuels and electrification, the largest variety of engines for renewable fuels and electrification technologies for vehicles and infrastructure.
- Smart and safe transport, through connectivity creates more efficient logistical flows and greater filling rate.



Partnership is crucial for reshaping the ecosystem of transport and logistics and Scania is collaborating with society, policy makers, operators and customers.

Environmental responsibility - Science Based Targets

By 2025, Scania will cut CO2 emissions from its own operations by 50% and will reduce emissions from its products by 20% (using a 2015 baseline). These ambitious targets have been officially approved by the Science Based Target initiative (SBTi), the approval recognises that Scania's targets align with the strictest decarbonisation pathway defined to date – 1.5oC for Scope 1 and 2. The targets that Scania has set include both direct and indirect emissions from its operations (Scope 1 and 2), as well as emissions from when the products are in use (Scope 3). The SBTi is a partnership between CDP, UN Global Compact (UNGC), the World Resources Institute (WRI) and WWF.



To be able to continuously improve, Scania measures and follows up on its performance. In order to track progress 18 sustainability KPI's have been developed all aligned with our sustainability focus areas. Scania's aim is to integrate sustainability in the normal processes and in all decision making. One such target is that during 2020, 100% of the electricity used for Scania's operations will be coming from fossil-free sources, in beginning of 2020 Scania signed the final agreement of fossil free electricity for the remaining production units

Pursuing high standards both in our operations and in our value chain will strengthen our ability to change the game of transport by generating experience, knowledge and capabilities that can be translated into product and service development as well as giving us the credibility needed in the market.

Environmental initiatives regarding Scania's products, processes and services are proactive and based on the precautionary principle and the life cycle perspective. With a strong focus on continuous improvements throughout our entire organisation, we ensure high quality output from environmental management in all areas. Deviations from targets and standards help us to identify and eliminate waste.

In everything we do, internally as well as externally, we strive to optimise our flow and undertake initiatives for resource efficiency. We have a strong focus on energy efficiency and to reduce greenhouse gas emissions from our operations. We support the transition to a low-carbon society through our responsible sourcing of energy and phasing out fossil fuels. We aim to contribute to a circular



economy and reduce the amount of waste we generate while minimizing our environmental footprint.

For Scania, working sustainably is rooted in our ways of being and operating. Our efforts build on our heritage and our strengths such as the core values, our management system inspired by the Lean philosophy, the modular system and our leadership principles.

This Green Bond Framework has been developed to be in alignment with the ICMA 2018 Green Bond Principles (GBP). It is also Scania's intention to follow best practices in the market as the standards develop such as with respect to the future implementation of the EU classification of environmentally sustainable economic activities (the EU Taxonomy) and the EU Green Bond Standard. Therefore, Scania's Green Bond Framework may be amended and/or updated to reflect changes in market practice.




2. Use of proceeds

The net proceeds from Green Bonds issued by Scania can be used to a) finance the acquisition, development and construction of new Eligible Assets, b) finance renovation and upgrade of existing Eligible Assets and/or c) refinance Eligible Assets. The split of Green Bond proceeds between new projects and refinancing will be included in the annual Green Bond Impact Report, see section 5 below.













The legal documentation for each individual Green Bond issued by Scania shall provide a reference to this Green Bonds Framework.

"Eligible Assets" means a selected pool of assets, funded in whole or in part, by Scania (including any subsidiary belonging to the Scania group) that promote the transition to fossil free climate resilient growth and a sustainable economy as determined by Scania and that are in line with Scania environmental policy and code of conduct. Net proceeds from Green Bonds will be allocated exclusively to expenditures that promote fossil free transportation solutions within all Eligible Asset categories.



Eligible Asset categories	Eligible Assets	UN SDG
<p>Sustainable transport solutions</p>	<p>Expenditures under the category Sustainable transport solutions are eligible only when related to fossil-free transport solutions for people and goods including electric and fuel cell vehicles and other fossil-free transport solutions. Eligible assets in this category can be related R&D and capital expenditures throughout the complete value chain including end of life. It is expected that a majority of the proceeds under this category will be allocated to R&D.</p> <p>R&D - The development of electrified vehicle drivelines and new technologies connected with fossil-free solutions.</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include projects involving electrification and automation. <p>Sourcing - Investments in facilities to manage material, new component categories or suppliers that is needed for the development of fossil-free solutions.</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include storage and distribution to production sites of batteries. <p>Logistics - Testing in real conditions new fossil-free powertrains or future fossil-free technologies</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include battery labs <p>Production - Investment in production facilities and constructions of new manufacturing facilities needed to produce fossil-free vehicles and production facilities to produce and distribute fossil free fuels</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include new lines for production of fossil-free transportation solutions. <p>Sales - Tools or methods needed to support the sales of fossil-free vehicles</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include education for sales people. <p>In use - Promotion of activities aiming for reduced energy consumption</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include programs for education for drivers of fossil free vehicles and infrastructure such as charging stations for fossil free vehicles. <p>Service - Investments in the service network needed to meet the future demands for service of fossil-free transport solutions</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include certified workshops for fossil free transportation solutions. <p>End of life - Investments in circularity, disposal or end of life technologies for batteries and e-mobility components with an aim to move large amounts of material up the waste hierarchy.</p> <ul style="list-style-type: none"> • Eligible assets in this subcategory include recycling of batteries 	  



<p>Energy and resource efficiency</p>	<p>Capital expenditures related to energy and/or resource efficiency improvements in fossil-free production processes, management and operations incl. energy storage and eco-efficiency and/or circular economy adaptation of products and processes. The expected or actual efficiency gains will be reported and described in the Green Bond Impact Report.</p>	   
<p>Sustainable water and wastewater management</p>	<p>Capital expenditures related to water conservation, water efficiency and improved water quality in production and office facilities incl. recycling and re-use of water in industrial processes.</p>	 
<p>Waste handling and recycling</p>	<p>Capital expenditures related to reducing the amount and harmful waste and to increase re-use and recovery of materials in production processes with an aim to move large amounts of material up the waste hierarchy.</p>	 
<p>Green buildings</p>	<ul style="list-style-type: none"> • New buildings in Sweden with an energy use which is at least 25% lower than the applicable national building code and preferably with a certification by BREEAM Very Good or LEED Gold or higher • Major renovations leading to a reduced energy use of at least a 30% (kWh/m²/year) • Capital expenditures on renewable energy sources at production, storage, sales and office buildings. 	   



Scania's Green Bonds will not finance nuclear power, fossil-fuel generation projects or the promotion of fossil transportation solutions.

Scania's Green Bonds can be used to finance new assets and to refinance Eligible Assets in accordance with this Green Bonds Framework¹. The split of Green Bond proceeds between the financing of new assets and refinancing will be included in Scania's annual Green Bond Impact Report (see section 5).

3. Process for project evaluation and selection

Scania has established a Green Bond Committee consisting of the Head of Sustainability and the Head of Treasury. The Green Bond Committee evaluates potential Eligible Assets and decides in consensus on any and all assets that meet the requirements of this Framework to be financed with proceeds from Scania's Green Bonds. Only projects where there is a high likelihood that the net, long-term environmental effects are positive will be approved. The Green Bond Committee will document and keep record of its decisions.

4. Management of proceeds

An amount equal to the net proceeds from the issue of Green Bonds shall be credited to a segregated Green Account with the purpose of financing Scania's Eligible Assets as defined in section 2 above. As long as Green Bonds are outstanding and proceeds from issues are available on the Green Account, Scania shall, at the end of every fiscal quarter, deduct funds from the Green Account in an amount equal to disbursements for the financing of Eligible Assets made during such quarter.

Until disbursement to Eligible Assets, the Green Account balance will be placed on a bank account.

If, for any reason, a financed Eligible Asset no longer meets the eligibility criteria, it will be removed from the pool of projects financed with proceeds from Scania's Green Bonds.

¹ New projects are defined as projects that have been finalized within one year before the approval by the Green Bond Committee and thereafter.



5. Reporting

To enable investors to get insight into the prioritization of Eligible Assets and follow the allocation of Green Bond proceeds, Scania will provide an annual Green Bond Impact Report until the maturity of the bond. The report will include:

- a) the total amount of Green Bonds issued and outstanding;
- b) a description of the portfolio of approved Eligible Assets that have been financed using the net proceeds of the Green Bonds (including the amount allocated to each Eligible Asset category);
- c) a list of the Eligible Assets financed including allocated and disbursed amounts to each asset and a description of their main environmental impacts;
- d) where possible and subject to confidentiality considerations, quantitative descriptions of the environmental benefits of the Eligible Assets. An indicative list of impact metrics is presented in Appendix 1;
- e) information about the allocation of Green Bond proceeds between the financing of new assets and refinancing and any unallocated balance standing to the credit of the Green Account.

The Green Bond Impact Report will be approved by Scania's internal forum for sustainability coordination, decision making and follow up, the Sustainability Advisory Board (SAB). SAB is a cross functional group, where all Corporate Functions are represented. SAB is directly reporting to Scania's Executive Board (ExB).

6. External reviews

Scania will have its Green Bonds Framework reviewed ex-ante by an experienced external reviewer, who will issue an independent Second Party Opinion.

The internal tracking method, the allocation of funds from the Green Bond proceeds and the Green Bond Impact Report will be verified ex-post by an external auditor appointed by Scania with the relevant expertise and experience.

The Green Bonds Framework, the Second Party Opinion, the Green Bond Impact Report and the opinion of the external auditor will also be publicly available on Scania's website, <https://www.scania.com>.



Appendix 1

Indicative impact metrics for Scania's Green Bond project portfolio

Impact reporting will in all applicable cases be made in line with the GHG-protocol and include Scope 1 and 2. For R&D-investments, expected/achieved environmental benefits will be described including the relevance for Scania and the transportation sector at large. All impact reporting will be made at best effort and subject to confidentiality considerations and data availability based on the following indicative impact metrics.

Sustainable transport solutions

- Expected/achieved new production capacity of electric vehicles.
- Expected/achieved reduction of GHG emissions in tCO₂-e per vehicle compared to use of a reference vehicle Scania long haulage, 450 hp, fueled with diesel (B5), with a driving distance during the lifespan of 1 500 000 km and an assumed consumption of 27 l / 100 km. The expected/achieved reduction of GHG emissions during above assumptions is 1 202 tCO₂-e. The assumptions are based on Scope Well-to-wheel (WTW) according to the GHG protocol.

Energy and resource efficiency

- Improved energy efficiency expected/achieved compared to pre-investment (in per cent and GHG emissions in tCO₂-e per year)
- Improved resource efficiency expected/achieved compared to pre-investment (in per cent and GHG emissions in tCO₂-e per year)

Sustainable water and wastewater management.

- Improved water use efficiency expected/achieved compared to pre-investment (in per cent)

Waste handling and recycling

- Amount of recycled material (tonnes per year)
- GHG savings from recycled materials (GHG emissions in tCO₂-e per year)

Green buildings

New buildings

- Type and level of aspired/actual certification.
- Expected/achieved energy use (kWh per square meter and year) in absolute terms and in relation to applicable national building codes.
- Expected/achieved reduction of GHG emissions in tCO₂-e compared to buildings with an energy use in line with applicable national building codes.

Renovated buildings

- Reduction in energy use (kWh per square meter and year) compared to pre-investment.
- Expected/achieved reduction of GHG emissions in tCO₂-e compared to buildings with an energy use in line with applicable national building codes.

New and renovated buildings

- When applicable, information will also cover waste, water and material consumption.