

Green Cargo Sustainable Finance Framework 2023



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1. Introduction

1.1. Green Cargo in brief

Green Cargo has its roots in the origins of Swedish rail traffic and is owned by the Swedish State. Green Cargo is the single largest railway operator for goods in Sweden with a market share of around 60 percent. In 2022 we transported 20 million tonnes of freight, with the help of our 1,800 employees resulting in annual group sales of about SEK 4.5 billion.

Electric trains make up around 97 percent of our ton kilometrage, meaning the climate impact is next to zero. In addition to the comprehensive reduction of carbon dioxide emissions, Green Cargo contributes to energy efficiency, space efficiency and safer roads.

Sustainability has been a natural topic in our operations for a long time and we take societal, environmental and financial responsibility. As such sustainable financing is a key element of Green Cargo's sustainability agenda. Sustainability issues have been integrated across all Green Cargo's business areas, with the aim to strengthen closer, long-term relationships with lenders and banks. This Sustainable Finance Framework contains information about Green Cargo and the criteria, terms and conditions for using green and sustainability-linked financing.

1.2. A business focused on sustainability

Sustainability has long been a natural and integral part of our operations and business model. For us, the concept encompasses a holistic approach to responsible and sustainable business – that we assume societal, environmental and financial responsibility. This also forms the basis for creating long-term profitability.















Green Cargo's operations are crucial for Sweden's trade and industry. Round the clock, our freight trains transport raw materials from forests and mines to the processing industries, and consumer goods to the retail sector. The logistic system is the foundation of Sweden's prosperity and consumption, and in many cases, the products travel by train before arriving in the hands of consumers. We are a sustainable logistics partner and by entering a partnership with us our customers can rest assured in the knowledge that their shipments are delivered with minimal climate impact, good working conditions, a safe work environment and long-term economic sustainability.

Green Cargo uses an integrated work approach to quality, the environment, work environment and traffic safety. Green Cargo is certified in accordance with ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018.



1.2.1 Responsible management through the balanced scorecard “Måltavlan”

Responsible governance and relevant follow-ups are of utmost importance for ensuring that we are on track with our strategic priorities: safety, punctuality and profitability. Måltavlan is a balanced scorecard that is regularly used to measure and follow up where we stand in relation to the goals that have been set, so that we can take action if necessary. Green Cargo considers Måltavlan, as a whole, as our aggregate sustainability goals and the targets are also connected to the relevant UN Sustainable Development Goals.

	Målområde	Target*	Score 2022	Target 2022	Score 2021	Target 2030	SDG
	Safety	Traffic-safety index, Group	95.5	95.8	95.2	98	
	Employees	Sickness absence, %	5.2	4.5	4.6	-	
		Commitment index, Green Cargo AB	76	79	77	85	
		Leadership index, Green Cargo AB	73	75	71	-	
		Proportion of women, Green Cargo AB, %	21	22	20	30	
	Environment	Gram CO ₂ e/tonne km	2.42	2.80	2.76	1.5**	 
		kWh/tonne km electric rail traffic	0.036	0.036	0.036	0.030	
	Customer & quality	Customer satisfaction, selected customers (scale of 1–5)	3.13	3.80	3.54	-	 
		Delivery punctuality to customers, loaded wagons to customers within the appointed hour, %	84.8	95.0	87.1	95	
		Regularity, discontinued percentage of total trains (rolled out plan), %	94.8	96.0	95.8	-	
	Finance	Operating profit/loss, SEK m	160	-	448	-	 
		Net sales, SEK m	4,067	-	3,815	-	
		Return on operating capital % (Group)	5.2	-	20.7	-	
		Net debt/equity ratio, Group	1.4	-	2.5	-	

* The targets refer to the parent company if not explicitly stated otherwise. The definition of gCO₂e/tonkm has been updated from 2023, to exclude truck transport, as they are not operated by Green Cargo. The 2030 target is based on the new definition as is the targets included in the sustainability-linked finance framework in section 2.2.

** Refers to rail transport with electric and diesel locomotives.

1.2.2 Ethics and anti-corruption

We want our operations to be associated with high moral standards and good ethics. Our customers must be able to rely on our suppliers meeting the same standards that apply for us. Green Cargo has a supplier code of conduct that applies for all suppliers that we work with. The aim is to ensure that the products and services we provide from our business partners are produced in an ethically, societally, environmentally and financially sustainable manner.

An internal code of conduct is in place for our employees. It builds on our values and provides guidance in daily operations in how we act and meet each other and our stakeholders. The internal code of conduct covers areas such as safety, work environment, drugs and alcohol, diversity and equal treatment, environment, business ethics etc.

Green Cargo has a whistle-blower service, which can be used by our employees to report any misgivings or suspicions that something is out of line with the internal code of conduct, i.e., conditions that could result in a negatively impact or which may be hazardous to someone's life or health.

1.2.3 Our contribution to national and international climate objectives

The Swedish government and the EU have set high targets for reducing climate impact overall and specifically in the logistics sector. Sweden aims to become one of the world's first fossil-free welfare nations with zero net emissions of greenhouse gases by 2045. Sweden also has a target of reducing emissions from domestic transportation of at least 70 percent by 2030 compared with 2010. Transferring road freight to rail freight is one solution for an immediate reduction of environmental impact.

The transportation sector accounts for about 30 percent of carbon dioxide emissions in Sweden. Each tonne of reduced emissions from heavy goods transport is important and many industries are increasingly able to offer fossil-free production and value chains. The transition to a climate-smart society is moving at a fast pace and the transport dependent industries' need for energy-efficient and high-capacity logistics are greater than ever. Long, heavy and energy-efficient trains with minimal emissions are a prerequisite for carbon-neutral value chains when our customers' goods are to be transported nationally and internationally. Green Cargo is part of the solution, as we already today deliver large-scale, fossil-free freight shipments.

Green Cargo's transport solutions are essential for our customers' goods to reach their end destination, at the right time, in the right condition and with minimal climate impact. Green Cargo will increase the focus on intermodal transport solutions in the coming years, where a combination of rail and road offers an efficient and low carbon alternative to long-distance road freight. This will mean higher indirect (Scope 3) emissions of greenhouse gases for Green Cargo, but lower emissions in total for society. In this context, it bears emphasizing that reaching national and international climate objectives may very well mean that the absolute total emissions of Green Cargo as a company will increase.

2. Sustainable Finance Framework

In order to show external and internal commitment, we have formalised our green investments and sustainability ambitions into our debt solutions and developed a Sustainable Finance Framework ("the Framework"). This Framework outlines the terms for when Green Cargo can raise sustainable debt.

This Framework is developed to follow best market practice and is aligned with the Green Bond Principles published in June 2021 by ICMA and the Green Loan Principles published in March 2023 by LMA, APLMA and LSTA. It is further aligned with the Sustainability-Linked Bond Principles published in June 2020 by ICMA and the Sustainability-Linked Loan Principles published in March 2023 by LMA, APLMA and LSTA.

To avoid any misunderstanding, sustainability-linked instruments and green debt are neither synonymous nor mutually exclusive transaction types, and there may be times when an instrument can be both sustainability-linked and green debt. However, green debt is always defined by the green eligible assets and projects criteria described in this Framework. Green Cargo aims at providing information regarding the type of the instrument in connection to any sustainability-linked instrument or green debt issued.

Green Cargo is to date not in scope for EU Taxonomy Reporting but closely follows the developments with regards to the regulation and will report, when feasible, alignment with the EU Taxonomy in the Green Bond Investor Report.

2.1 Green Finance

2.1.1. Use of Proceeds

The net proceeds of green finance instruments issued by Green Cargo will be used exclusively to finance or re-finance investments and projects that are eligible pursuant to the use of proceeds criteria below and which have been evaluated and selected by Green Cargo in accordance with this Framework.

The net proceeds are expected to be allocated to both new and existing projects and assets. Green Cargo operates mainly in the Swedish market but also operates in Norway and Denmark and, accordingly, the proceeds are used to finance or refinance investments in these markets. Tangible





assets (without age restriction) and operational expenses (with a look-back period of three years) are eligible for financing or refinancing.

Green finance Instrument net proceeds will not be allocated to projects for which the purpose is fossil energy production, nuclear energy generation, weapons and defence, potentially environmentally harmful resource extraction (such as rare-earth elements or fossil fuels).

2.1.2. Eligible Assets and Projects

If we are to attain Sweden’s climate and transportation goals, rail freight must be increased. The possibility to operate heavier and longer trains is a key piece of the puzzle for increasing the capacity of existing rail networks and enabling more efficient and attractive rail-based logistics solutions. Green Cargo’s long-term fleet strategy is based on stronger locomotives, wagons with higher payloads, optimized and proactive vehicle maintenance, as well as a higher degree of innovation for an improved work environment and increased streamlining.

Use of proceeds table

Category	GBP/GLP category	EU environmental objective	Project description	Impact on SDGs
Fossil-free transportation solutions	Clean Transportation	Climate change mitigation Pollution prevention and control	<i>New electric locomotives; to create more efficient logistics solutions and increased energy efficiency.</i> <i>Investments in, and maintenance of existing electric locomotives</i>	 
Energy-efficient transportation solutions	Energy efficiency	Climate change mitigation Pollution prevention and control	<i>New wagons, carriers and wagon equipment; increasing the weight and/or volume per train meter and reducing noise and wear on wheels.</i> <i>Eco-driving and automatic driver assistance; to achieve increased energy efficiency.</i>	 

2.1.3. Selection and evaluation of eligible projects

Green Cargo has a process whereby investments in assets and projects are assessed from a sustainability perspective by an Investment Council. The members of the Investment Council are: the CEO, the CFO, the Director of Sustainability and Communications, Legal Counsel, Head of Purchasing, Head of Treasury and the Controller responsible for investment cases. The CEO is chairman of the Council.

The Investment Council determines whether an asset is eligible for green finance and can be allocated funds under this framework. The Director of Sustainability and Communications holds a veto regarding which assets can be allocated funds from green finance.

As part of the process of investment monitoring, Green Cargo will prepare a register of the investments eligible for financing with green debt. This is performed by the Controller responsible for

investment cases. The register of green debt and the assets selected for financing with specific debt instruments is maintained by Treasury.

2.1.4. Management of proceeds

Green debt is credited to accounts administered and monitored by Treasury. Over the tenor of green debt outstanding, Green Cargo compiles and maintains a register of investments and projects on a portfolio level at an accumulated amount that at a minimum corresponds to the loans raised and outstanding.

In cases where green debt raised may periodically exceed the value of eligible assets and projects, these funds will be allocated to bank accounts or managed in accordance with Green Cargo's normal short-term liquidity management. No funds will be allocated to assets related to fossil fuels or other excluded assets.

2.1.5. Reporting and transparency

Green Cargo will annually, for as long as it has green bonds outstanding, make a Green Bond Investor Report publicly available on its website. In line with ICMA's Green Bond Principles, the report will include information on green bond allocation as well as on environmental impact from green bonds financed. The Green Bond Investor Report will be externally verified by Green Cargo's auditor. Green Cargo intends to provide aggregated reporting for all Green Cargo's green bonds. Green Cargo will align, on a best effort basis, the impact reporting with the portfolio approach described in the Handbook – Harmonized Framework for Impact Reporting issued by ICMA in 2021.

Green Cargo may choose to report the impact and allocation of other green finance instruments than bonds directly, and non-publicly, to the lenders or counterparts. For the avoidance of doubt, a green asset will not be financed by several green finance instruments at the same time.

Allocation report

Green Cargo will include at least the below reporting metrics in its Green Bond Investor Report:





- A list of green bond instruments outstanding, amounts allocated and ISIN
- Amounts invested in each category as defined in the Use of Proceeds section and the relative share of new financing versus refinancing
- Unallocated proceeds balance

Impact report

Green Cargo will strive to report on the actual environmental impact of the green assets financed by green bonds. If actual impact for some reason is not observable, or proves unreasonably difficult to establish, the estimated impact will be reported.

The impact report may provide:

- A description of relevant eligible green assets
- The breakdown of the eligible green portfolio by green bond category
- Environmental impacts from the green assets financed, guided by the metrics in the below list

Green Project categories	Key performance indicators (KPIs)
Fossil-free transportation solutions	<ul style="list-style-type: none"> Gram CO₂e/tonne km¹ Annual GHG emissions avoided (tonnes of CO₂e emissions) Short description of investments made
	 
Energy efficiency	<ul style="list-style-type: none"> Annual kWh/tonne km electric rail traffic Short description of investments made
	 

2.2. Sustainability-Linked Finance

2.2.1. Summary of Key Performance Indicators (KPIs) and Sustainability Performance Targets (SPTs)

KPIs	Carbon emissions intensity Reduction in carbon emissions from own operations (Scope 1 and 2) <i>Gram CO₂e/tonne km</i>	Energy efficiency Increased energy efficiency in electric rail traffic <i>kWh/tonne km electric rail traffic</i>
SPTs	1,50	0,030
Target Observation Date	Year End 2030	Year End 2030
Financial Characteristics	Margin adjustments, coupon step-ups or increased redemption price	
Reporting and post issuance verification	Annually in Sustainability Report or in separate Sustainability Progress Report	

2.2.2. Selection of Key Performance Indicators (KPIs)

Green Cargo uses large quantities of electricity, but electricity usage only constitutes a small proportion of Green Cargo's emissions. Most of the carbon emissions generated in our operations, are due to our shipments drawn by diesel locomotives. For this reason Green Cargo decided to combine the green finance framework with the sustainability-linked framework in order to encompass the full scale of emissions and to achieve a significant reduction across the business.

¹ Tonne kilometre is the same as net tonne kilometre, which is defined as one tonne of goods transported a distance of one kilometre. Accordingly, ten tonnes of goods transported 100 kilometres corresponds to 1,000 net tonne kilometres.

The selection of KPIs is based on our materiality analysis and has been made after considerations on topics which are relevant, core and material to the company and the rail freight sector. Green Cargo's materiality analysis is based on results from various stakeholder dialogues, management reviews within the framework of the integrated management system, as well as strategic and business-planning processes. It is also based on our program for systematic improvement initiatives where we prioritise measures within management and procedures to achieve increased control, quality and profitability.

KPIs	Carbon emissions intensity Reduction in carbon emissions from own operations (Scope 1 and 2) <i>gram CO2e/tonne km²</i>	Energy efficiency Increased energy efficiency in electric rail traffic <i>kWh/tonne km electric rail traffic</i>
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Green Cargo may incorporate one or several KPIs per financial instrument issued under this Framework. The selection of KPIs will be specified in the respective finance instrument documentation.

2.2.3. Calibration of Sustainability Performance Targets

Green Cargo works systematically to reduce its climate impact. Carbon emission reductions and energy efficiency are reported on an annual basis and in the quarterly report as a twelve-month average.

Goal indicators	2022 (baseline)	2030
gram CO2e/tonne km, rail traffic	2,28	1,50
kWh/tonne km electric rail traffic	0,036	0,030

Historic data

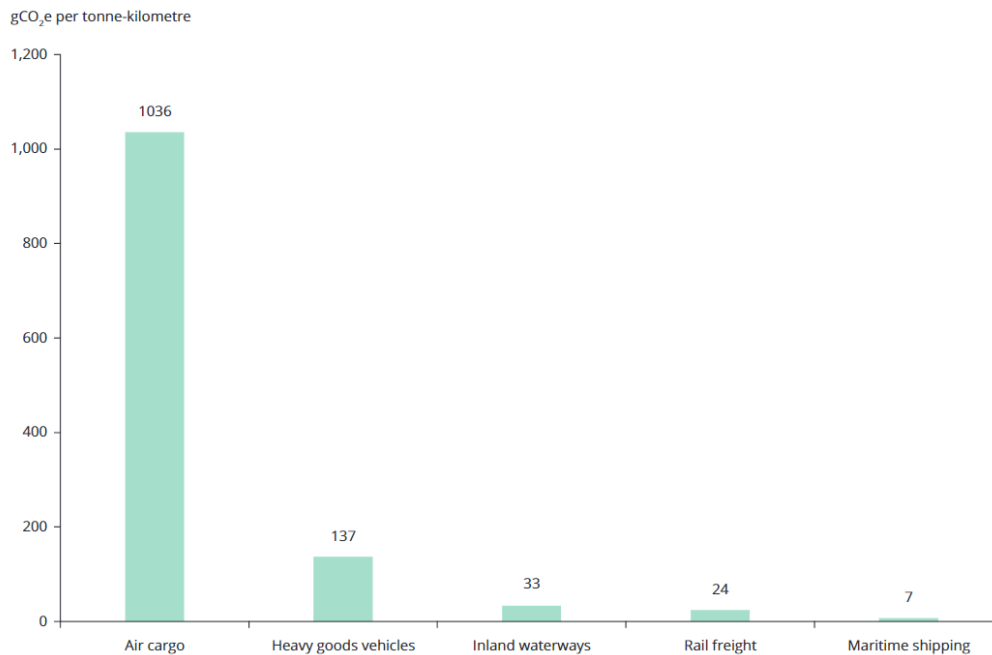
Indicators	2020	2021	2022
Scope 1 and 2 emissions from own operations (gram CO2e/tonne km)*	2,57	2,42	2,28
Energy efficiency in electric rail traffic (kWh/tonne km electric rail traffic)	0,036	0,036	0,036

* The definition has been updated from 2023, to exclude truck transport, as they are not operated by Green Cargo. The historical values are reported in line with the updated definition.

Transportation Mode and Geographical Comparison

According to the European Environment Agency, freight transport by rail has one of the lowest life cycle climate impacts per tonne-kilometre compared with other modes of transport and furthermore has a lower overall impact than heavy goods vehicles with regards to air pollution, noise, accidents and habitat damage.

² Tonne kilometre is the same as net tonne kilometre, which is defined as one tonne of goods transported a distance of one kilometre. Accordingly, ten tonnes of goods transported 100 kilometres corresponds to 1,000 net tonne kilometres.



Average GHG emissions (gCO₂e/t-km), WTW, for freight transport in the EU, 2018 (EEA, 2022)

The Swedish railway network is electrified to a greater extent than the EU average, and compared to other rail freight operators in the EU, Green Cargo's Sustainability Performance Target for gram CO₂e/tonne km is therefore significantly lower. Green Cargo has for a long time worked deliberately to minimize diesel-hauled trains on electrified routes.

Strategy to achieve the SPTs

Green Cargo's ambition and goal is to increase the proportion of transport work by rail and a part of that goal is to enable companies to move an increasing share of goods transported from road to rail. There is a great potential for intermodal growth in international freight traffic, why we are establishing a new efficient network for intermodal transport, which also includes an expansion of our digital services. But we will also run more heavy and heavier freight trains with a single electric locomotive than today.

To achieve the ambition in increasing our rail transports Green Cargo will strengthen its fleet of assets by purchasing new electric locomotives and new wagons. The locomotives create possibilities for more efficient logistics solutions with increased capacity through longer and heavier trains. Moreover, the increased tractive power means a lower environmental impact since, in total, less energy is used per net tonne kilometre compared with running a higher number of lighter trains.

With new wagons, we can increase the weight or volume per train kilometre, and by equipping wagons with disc brakes we can reduce wear on wheel discs and to extend the life of wheels, and at the same time reduce noise.

Eco-driving will reduce energy consumption and wear on brakes. Green Cargo has training modules for courses in Eco-driving for all types of locomotives, and it is standard training for our train drivers. Through new investments we will, while increasing our capacity also improve energy efficiency and continue to keep emissions on the lowest level.

Risks to achieving the SPTs

Modal shift

One of the means to reduce greenhouse gas emissions from transports is to shift transports to less emitting transport modes. Being part of this shift could followingly lead to an increase in our own emissions per tonne kilometre and to a reduction in our energy efficiency, when transporting relatively more of lighter goods than today and using more short-haul transports between terminals and customers.

Diesel locomotives and short haul road transports

Most of Green Cargo's emissions from operations are due to diesel locomotives and road transportation. By type of transportation, in 2022 diesel trains made up two percent of Green Cargo's tonne kilometrage and road freight about one and a half percent. Since not all Swedish railway tracks are electrified it is necessary to use diesel locomotives to fulfil logistics chains and there sometimes arises a need to complement rail transports with road transports, which is the essence of intermodal rail traffic. Our goals to increase freight transport by rail might therefore result in increased energy consumption. Similarly to the modal shift this would reduce overall energy consumption and emissions for society as a whole, while it might negatively impact Green Cargo's performance against targets.

2.2.4. Financial Characteristics

Characteristics outlined in this Framework are applicable to all sustainability-linked finance instruments issued under it. The proceeds of sustainability-linked finance instruments will be used for general corporate purposes.

Both KPIs described in section 2.2.2 of this Framework will be included in any sustainability-linked debt to the extent possible. Financial characteristics of sustainability-linked debt will change, depending on Green Cargo's performance versus the applicable SPT(s) as per the target observation dates. This may include coupon step-ups, increased redemption price of bonds or variation of the loan margin. The financial characteristics will be specified in the specific finance instrument documentation.

In addition, should Green Cargo fail to provide relevant reporting or verification, in line with this Framework, the financial characteristics of sustainability-linked finance instruments will change as outlined in the transaction specific documentation.

2.2.5. Reporting

The progress of each SPT will be included in Green Cargo's publicly available Annual and Sustainability Report, published on Green Cargo's website. Green Cargo may also select to report on the information outlined below in a separate Sustainability-Linked Progress Report.

In the case Green Cargo would have other sustainability-linked finance instruments than bonds outstanding, Green Cargo may choose to report, in relation to these other financial instruments, directly and non-publicly, to the lenders or counterparts.

The Sustainability Report/Sustainability-Linked Progress Report will form the basis for evaluating the impact on respective finance instrument characteristics as outlined in "financial characteristics" as well as in the respective transaction documentation. The Sustainability Report/Sustainability-Linked Progress Report will include the following reporting points.

- The performance of the KPIs and related SPTs, as per the relevant reporting period and when applicable, including the calculation methodology and baselines when relevant
- Information about potential recalculations of baselines
- Information on any relevant updates to Green Cargo' sustainability strategy and/or governance with an impact on the KPIs and SPTs
- A list of sustainability-linked finance instruments outstanding.

Where feasible and possible the reporting will also include:

- Qualitative and/or quantitative explanations of the contribution of the main factors behind the evolution of the performance on the KPIs on an annual basis
 - Illustration of the positive sustainability impacts of the performance improvement
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPT

2.3. External review

2.3.1 Second Party Opinion

Green Cargo has engaged CICERO Shades of Green to issue an independent opinion on the Sustainable Finance Framework, which is available on our website www.greencargo.com together with additional information about our work with sustainable business.

2.3.2 Post-Issuance Verification

Green Cargo will assign an independent verifier to provide, on an annual basis, limited assurance that an amount equal to the green finance instrument net proceeds has been allocated to green projects as well as on the impact reporting.

Green Cargo will seek independent and external verification of the performance level against each SPT for each KPI by a qualified external reviewer with relevant expertise, such as an auditor or an environmental consultant, at least once a year, and in any case for any date/period relevant for assessing the SPT performance leading to a potential adjustment of the sustainability-linked bond financial characteristics, until the last reporting date, specified in the finance instrument specific documentation, has been reached.