



## SUSTAINABILITY-LINKED BOND FRAMEWORK: Cabonline

### PRE-ISSUANCE SECOND-PARTY OPINION

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<p>Questions regarding this document may be directed to <i>Joachim Nahem, or Tariq Desai</i> of The Governance Group:  Website: <a href="http://www.thegovgroup.org">www.thegovgroup.org</a>  Office phone: +47 22 83 43 00</p>	

## The Issuer

Cabonline ("Cabonline", the "Company" or the "Group") is the leading taxi company in the Nordic region with 2,500 connected transporters and approximately 4,600 vehicles in Sweden, Norway, Finland and Denmark. Cabonline contains a series of well-known Nordic brands namely, TaxiKurir, Sverigetaxi, TOPCAB, Norgestaxi, Kovanen, and Taxi 4x27. Cabonline intends to issue a Sustainability-Linked Bond (the "SLB" or "Bond") in March 2022. The Company has commissioned The Governance Group to review the Sustainability-Linked Bond Framework (SLBF) and provide an opinion on the alignment of the framework with the ICMA Sustainability-Linked Bond Principles (SLBP).<sup>1</sup>

## The Reviewer

The Governance Group AS (TGG) is an independent analysis and advisory firm based in Oslo, Norway. TGG provides expertise on environmental, social and governance (ESG) risk and compliance. The firm applies leading global ESG standards when conducting Company assessments, benchmarking, and gap analysis.

TGG has worked with over 150 public and private entities across all industries, most notably the maritime sector, oil and gas, renewables, defence, real estate, technology, and financial services. TGG also serves as a trusted advisor to public institutions such as the United Nations, the World Bank, and governmental agencies, as well as various NGOs and foundations.

TGG is a member of the Marine Transportation Advisory Group of the Sustainability Accounting Standards Board (SASB)/Value Reporting Foundation, an accredited CDP provider and a Certified Training Partner of the GRI. TGG is a signatory to the principles of the International Capital Market Association (ICMA).<sup>2</sup> TGG applies the International Standard on Quality Control 1 (ISQC) framework required for e.g. ISAE 3000 assignments.



<sup>1</sup> Note that the ICMA SLBP and the Sustainability-Linked Loan Principles (SLLPs) established by the Loan Market Association ([LMA](http://lma.com)) in 2018 correspond.

<sup>2</sup> The Secretariat of the Green Bond Principles, International Capital Market Association, includes TGG in its [membership list](https://www.icma.org/membership) on the ICMA website.

## SUMMARY

This review was conducted in accordance with ICMA's external review guidelines<sup>3</sup> using documentation provided by Cabonline as well as discussions with the Company's senior management. TGG confirms it has in place processes to safeguard professional integrity, objectivity, competence, behaviour and confidentiality.



*The Governance Group AS (TGG) is of the opinion that Cabonline's Sustainability-Linked Bond Framework (SLBF) is **aligned** with the five core components of the ICMA Sustainability-Linked Bond Principles of June 2020<sup>4</sup> (SLBP).*

**B+**

*TGG regards the Key Performance Indicators (KPIs) to have a **very high degree of relevance and materiality** to the Company's operations (score: 4). The Sustainability Performance Targets (SPTs) are deemed as being **fairly ambitious** (score: 3.33). This constitutes an overall 'B+' rating of the SLBF.*

TGG's opinion is based on the following:

### Principle One: Selection of Key Performance Indicators (KPIs)

The Company has selected three KPIs for its Sustainability-Linked Bond Framework (SLBF):

- Percentage of fossil-fuel independent vehicles as a percentage of total vehicle fleet, excluding minibuses
- Setting a Science Based Target ("SBT") for CO2e emission reduction in line with 1.5-degree scenario
- Percentage of cars with alcohol ignition interlocks as a percentage of total car fleet

*TGG has assessed KPIs 1, 2 and 3 which can be regarded as highly relevant and material to the operational characteristics of the Company's business and of high strategic significance to the Company.*

### Principle Two: Calibration of Sustainability Performance Targets (SPTs)

*TGG considers that the SPTs support the Company's sustainability strategy. TGG regards the Company's selected SPTs to be related to its sustainability strategy and to be highly ambitious. SPTs 1 and 2 are regarded as highly ambitious and SPT 3 is regarded as to some degree ambitious.*

### Principle Three: Security Characteristics

The Company's Sustainability-Linked Bond contains the characteristics of a conventional bond but with a penalty provision attached.

*TGG notes that the penalty structure is to be in line with comparable sustainability-linked securities in the market.*

### Principle Four: Reporting

The Company commits to publishing up-to-date information regarding the development of the KPIs in relation to their respective SPTs. The Company will publish information regarding the development of the SPTs on the Company's website.

*TGG views this to be in line with the ICMA SLBP.*

### Principle Five: Verification

*TGG is of the opinion that the Company's verification scheme is in line with the requirements outlined by ICMA in that the Company will commission competent and independent third parties to conduct the assurance.*

<sup>3</sup> <https://www.icmagroup.org/assets/documents/Sustainable-finance/Guidelines-for-GreenSocialSustainability-and-Sustainability-Linked-Bonds-External-Reviews-February-2021-170221.pdf>

<sup>4</sup> <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/June-2020/Sustainability-Linked-Bond-Principles-June-2020-171120.pdf>

## 1. Methodology and rating scale

### Scope of review and responsibilities

This Second-Party Opinion (SPO) reflects TGG's independent opinion on the alignment of the reviewed SLBF framework with the Sustainability-Linked Bond Principles. TGG confirms that it has:

- expertise in SLBF framework requirements;
- assessed the potential sustainability impacts targeted by the SLBF;
- reviewed the Company's alignment with the five core components of the ICMA Principles; and
- evaluated the potential material environmental risks associated with the project identified by the Company.

TGG has relied on information provided by the Company's management team to understand the sustainability impact of their business strategy and SPTs, and the reporting and verification procedures applicable to the SLBF. The Company's representatives have confirmed that:

- 1) They understand it is the sole responsibility of the Company to ensure that the information provided is complete, accurate and up to date.
- 2) They have provided TGG with all relevant information.
- 3) The provided material information has been duly disclosed in a timely manner.

TGG received information through discussions with the Company and reviewed relevant documents published by the Company<sup>5</sup> as well as non-public information to prepare this report<sup>6</sup>. The opinion should be read in conjunction with the Sustainability-Linked Bond Framework<sup>7</sup> and other Bond Documents. TGG's SPO reflects TGG's opinion of the Bond's alignment with current market standards. As such, this SPO is no guarantee of alignment with future versions of relevant market standards. TGG's SPO addresses the defined SPT(s) of the KPI(s) but does not measure the KPI(s). The measurement and reporting of the KPI(s) are the sole responsibility of the Issuer.

No information provided by TGG under the present SPO shall be considered as being a statement, representation, warrant or argument either in favour or against the truthfulness or completeness of any facts or statements and related surrounding circumstances that the Company has made available to TGG for the purpose of this SPO.

### Alignment and rating scale

#### Alignment

When conducting a SPO review, TGG assesses whether the proposed framework can be said to be *aligned* or *not aligned* with the Sustainability-Linked Bond Principles issued by International Capital Market Association (ICMA). Where evidence is found that the said principles are covered, TGG deems a framework to be *aligned*.

#### Materiality and relevance

When reviewing the materiality and relevance of the Key Performance Indicator(s) (KPI(s)), TGG applies the following ratings, where the Issuer:

Rationale	Degree of materiality	Score
Has applied a recognized and quantifiable method of identifying KPIs material to the business model and sustainability effects.	Very high degree of relevance and materiality	4
Has employed a structured approach when identifying KPIs material to the Company.	High degree of relevance and materiality	3
Explains with limited quantifiable evidence the materiality of its KPIs.	Medium degree of relevance and materiality	2
Has insufficient explanation of the materiality of its KPIs.	Low level of relevance and materiality	1
Has no explanation of the materiality of its KPIs.	Clearly lacking relevance and materiality.	0

<sup>5</sup> E.g. Cabonline's Code of Conduct, Cabonline Sustainability Reports 2018 and 2019, and Cabonline Annual and Sustainability report 2020

<sup>6</sup> E.g. Cabonline's competitor analysis (confidential and not published)

<sup>7</sup> Cabonline, Sustainability-Linked Bond Framework, March 2022

### Level of ambition

When reviewing the ambition level of the Sustainability Performance Targets (SPTs), TGG has applied the following ratings, where the Issuer:

Rationale	Degree of ambition	Score
Provides an absolute and a relative benchmark of sustainability impact.	Highly ambitious	4
Provides evidence that the sustainability impact is material to society at large.	Fairly ambitious	3
Describes how the target is important to the sustainable operation of the Company, but not the effect on its surroundings.	To some degree ambitious	2
Provides insufficient description and evidence of the sustainability impact.	Low level of ambition	1
Provides no description and/or evidence of the sustainability impact.	Lacking ambition	0

### Overall rating

By combining the scores on materiality and level of ambition, TGG arrives at an overall score ranging from E (lowest rating) to A (highest rating). Generally, a 'D' or 'E' rating indicates that the issuer should refrain from using the term sustainability-linked. A 'C' rating means that the basic requirements for a sustainability-linked framework have been met. The two top level ratings (A and B) indicate that the issuer has a sustainability-linked framework that is fairly or highly material and ambitious.

For the Company and its Sustainability-Linked Bond Framework, TGG assessed the KPIs to have a *very high degree of relevance and materiality* (score: 4) to the Company and the SPTs as being *fairly ambitious* (score: 3.33). This constitutes an overall 'B+' rating of the instrument.

Combined score	Rating
8	A
7	B+
6	B
5	C+
4	C
3	D
2	D-
0-1	E

## 2. Alignment with core principles

TGG is of the opinion that the Company's Sustainability-Linked Bond Framework is *aligned* with the five core elements of the Sustainability-Linked Bond Principles (SLBP) of June 2020. The KPIs and SPTs employed by the Company are described in Table 1 and Table 2 below.

**Table 1: KPI definition**

<b>Key Performance Indicators</b>	<b>Definition</b>
<b>KPI 1: Percentage of fossil-fuel independent vehicles as a percentage of total vehicle fleet, excluding minibuses</b>	Fossil-fuel independent has been defined as electric vehicles, hydrogen vehicles and engines that run on biogas and any other zero-emission fuel or engine types that become available in the future.  The definition excludes the following fuels or engine types: natural gas; diesel, petrol, charging hybrid; electric hybrid; and HVO.
<b>KPI 2: Setting a Science Based Target ("SBT") for CO<sub>2</sub>e emission reduction in line with 1.5 degree scenario</b>	The Science-Based Target Initiative (SBTi) is a recognized verifier of climate targets. <sup>8</sup>
<b>KPI 3: Percentage of cars with alcohol ignition interlocks as a percentage of total car fleet</b>	Cars that are equipped with alcohol ignition interlocks (a small handheld car breath analyser device that measures amount of alcohol in the user's breath). The alcohol ignition interlock must be certified by governmental authorities.

**Table 2: SPT**

<b>Sustainability Performance Targets</b>	<b>Details</b>
<b>SPT 1: Increase in fossil-fuel independent vehicles</b>	FY 2023: 30% FY 2024: 40% FY 2025: 50%
<b>SPT 2: SBT to be validated by the Science Based Target Initiative (SBTi)</b>	The CO <sub>2</sub> e emission reduction targets to be validated by SBTi by 2024. The SPT will be aligned with the SBTi targets (as a sub-target) for 2025.
<b>SPT 3: Cars with alcohol ignition interlocks</b>	FY 2023: 77% FY 2024: 82% FY 2025: 87%

<sup>8</sup> SBTi is a partnership between The World Resource Institute, the UN Global Compact and World Wildlife Fund. The approval process is based on data from the Intergovernmental Panel on Climate Change (IPCC).

## Principle One

### Selection of Key Performance Indicators (KPIs)

#### Definition and methodology

The Company's Sustainability-Linked Bond Framework includes three KPIs:

**KPI 1:** *Percentage of fossil-fuel independent vehicles as a percentage of total vehicle fleet, excluding minibuses*

Fossil-fuel independent has been defined as electric vehicles, hydrogen vehicles and engines that run on biogas. The definition excludes the following fuels or engine types: natural gas; diesel, petrol, charging hybrid; electric hybrid; and HVO. The adoption of fossil fuel independent vehicles will reduce GHG emissions.

TGG is of the view that the KPI is clearly defined and aligns with targets set in the Paris Agreement and Sustainable Development Goal 13: Climate Action.

**KPI 2:** *Setting a Science Based Target ("SBT") for CO<sub>2</sub>e emission reduction in line with 1.5 degree scenario*

Committing to the SBTi is a tool that will ensure external validation of its targets and ensure a transparent overview of its GHG footprint. In order for a target to be validated by the SBTi, it must adhere to strict requirements and, as such, will be a robust target for achieving net zero in line with the 1.5 degree scenario.

In TGG's opinion, setting a SBT which in addition to Scope 1 and Scope 2 also takes into account Scope 3 emissions in line with the GHG Protocol is an internationally accepted approach to establish emission reduction targets.

**KPI 3:** *Percentage of cars with alcohol ignition interlocks as a percentage of total car fleet*

Cabonline endeavours to increase the share of cars in its fleet that are equipped with alcohol ignition locks. Alcohol ignition locks must be certified by government authorities and will ensure that no Cabonline drivers are able to operate their cars while under the influence of alcohol. This targets drunk driving, which is one of the major causes of fatalities and accidents on roads.

TGG is of the opinion that the KPI is clearly defined and aligned with targets set in Sustainable Development Goal (SDG) 3.6: Reduce the number of deaths and injuries from road traffic accidents.

#### Relevance and materiality of KPIs

In 2019, the Company conducted a materiality mapping, based on internal and external stakeholders' perspectives of relevant sustainability issues to the sector. The following stakeholders were included in the materiality mapping: Employees; Customers; Suppliers; Partners; Owners; Suppliers. The Company was supported by a Big Four audit firm to conduct the initial materiality screening. Following the first materiality mapping, additional topics have been included due to input from key stakeholders and Cabonline's management.

The materiality mapping identified a number of issues, including:

- Safe Journeys
- Fossil-free vehicles
- Greenhouse gas emissions

The identified issues align with material issues and focus areas identified by Cabonline's competitors.<sup>9</sup> In addition, SASB includes metrics on driver working conditions and accident and safety management for road transportation, including accident and fatality rates.

In conclusion, TGG is of the view that including percentage of fossil-fuel independent vehicles, GHG emissions and alcohol ignition locks is to be deemed to be of very high materiality and relevance to the sector in which the Company operates.

**KPI 1:** *Percentage of fossil-fuel independent vehicles as a percentage of total vehicle fleet, excluding minibuses*

The Company aims to increase the percentage of fossil-fuel free vehicles in its fleet to 50% by 2025 and 100% by 2030. Research underscores that cities can lower carbon emissions by 40-70% by 2050 if electric vehicles are rolled out at

<sup>9</sup> See, Uber, 2021 ESG Report; Free Now Sustainability Report 2021; Bolt's Environmental Policy; and Lyft 2020 ESG Annual Report.



large scale. Electric vehicles produce less than half the GHG emissions of comparable gasoline powered vehicles throughout their lifetime and produce no tailpipe emissions. These environmental benefits will mean society will move away from fossil fuel vehicles.

In TGG's opinion, given the outcome of the materiality mapping, fossil-fuel free vehicles are defined as material for the sector in which the Company operates, and that several of the Company's peers have begun increasing their fleets' percentage of fossil-fuel free vehicles, the KPI is deemed to be strategically significant and of a *very high degree of relevance and materiality*.

**KPI 2: Setting a Science Based Target ("SBT") for CO<sub>2</sub>e emission reduction in line with 1.5-degree scenario**

Given the asset light nature of Cabonline's business model, Scope 3 emissions account for the vast majority of the Company's CO<sub>2</sub>e emissions. The Company's Scope 3 emissions derive from its upstream and downstream activities, e.g. purchased goods, waste generated, fuel and energy related activities, and upstream and downstream transportation. Cabonline's fleet includes 2,500 connected transporters and approximately 4,600 vehicles, carrying around 16 million trips per year.

To address the Company's Scope 1-3 emissions in a structured way, Cabonline has committed to the Science Based Targets Initiative (SBTi) and has 24 months to submit a target for validation by the SBTi, which is within the lifetime of this bond. In order for the target to be validated, Cabonline will calculate its emissions according to the Science Based Target criteria and will set ambitious targets in line with the Paris Agreement (1.5 C), with those targets having to be validated by the SBTi before Cabonline can announce them. This will require Cabonline to gain a deeper understanding of scope 3 GHG emissions and enable the Company to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1.5 C target. This is of strategic significance due to policy and consumer actions increasingly penalising the use of fossil fuels.

In TGG's opinion considering the Company's business model and the outcome of the mapping of Scope 3 emissions, which includes the Company's supply chain emissions, are of a *very high degree of relevance and materiality* to the Company. Defining CO<sub>2</sub> reduction targets in line with SBTi and the Paris Agreement (1.5 C) and getting these targets validated by the SBTi is the most ambitious and reliable way to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1.5 C target.

**KPI 3: Percentage of cars with alcohol ignition interlocks as a percentage of total car fleet**

Cabonline has set a goal for having all its cars fitted with alcohol ignition locks, which is part of its overall focus on Safe Journeys, as it will ensure that drivers cannot operate cars while drunk.

TGG is of the view that, given the outcome of the materiality mapping and the increased focus on safe customer journeys in the industry, fitting all cars in its fleet with alcohol ignition locks is strategically significant has a *very high degree of relevance and materiality* to the Company's sustainability efforts.

**Ability to be benchmarked**

KPI 1: may be benchmarked as the percentage of fossil-free vehicles within a fleet which can easily be compared with companies in the same industry, e.g. Uber, Freenow, Bolt, Lyft, Yango, Gett and Oslo Taxi.

KPI 2: may be benchmarked with comparable companies that have established SBTi commitments and targets. Information about peers' commitment to reducing scope 3 emissions is however limited as targets are either currently not set by the Company's peers or the information about the targets is not available. Only three of the Company's peers has provided official information about their SBTi commitments and targets.

KPI 3: may be benchmarked as the percentage of cars with alcohol ignition interlocks as a percentage of total car fleet can easily be compared with companies in the same industry, e.g. Uber, Freenow, Bolt, Lyft, Yango, Gett and Oslo Taxi. However, information from competitors on their share of total car fleet that has alcohol ignition locks is limited. Only one of the Company's peers has provided official information about this metric.<sup>10</sup>

**ASSESSMENT**

Overall, TGG has assessed the KPIs to have a *very high degree of relevance and materiality*. KPIs 1-3 can be regarded as highly relevant and material to the operational characteristics of the Company's business areas, of high strategic significance to the Company, and further quantifiable evidence on the business model's potential impact on sustainability have been assessed.

<sup>10</sup> Ref. the competitor analysis of Cabonline (not publicly available)



## Principle Two

# Calibration of Sustainability Performance Targets (SPTs)

## Alignment with the Company's sustainability strategy

SPT	Strategy to achieve the SPT
1. Increase in fossil-fuel independent vehicles	As Cabonline does not own vehicles, it must encourage its transporters and build a consensus as to the of value of fossil-fuel independent vehicles, so that more transporters choose them. To do this, Cabonline has plans to implement several initiatives.
2. SBT to be validated by the Science Based Target Initiative (SBTi)	The CO2e emission reduction targets to be validated by SBTi by 2024. The SPT will be aligned with the SBTi targets (as a sub-target) for 2025.
3. Cars with alcohol ignition interlocks	As Cabonline does not own cars, it must encourage its drivers and build a regulatory consensus as to the of alcohol ignition interlocks, so that more drivers choose to use them. To do this, Cabonline has plans to implement several initiatives.

TGG views the SPTs as supporting the Company's sustainability strategy (please see section 3 for discussion of the Company's sustainability strategy).

### Level of ambition, Baseline and Benchmarks

The targets (SPTs) established are based on the Company's internal priorities.

#### SPT 1

Fossil-fuel independent vehicles accounted for 26% of Cabonline's fleet in 2021. As the Company does not own its fleet, Cabonline must introduce targeted activities that convince self-employed transporters to switch to fossil-fuel independent vehicles. This has been a priority area for Cabonline since 2019, when it announced its plan to convert to a fossil-fuel independent fleet by 2030 and the Company's SPTs set a target to increase the share of fossil-fuel independent vehicles by ten percent between 2023, 2024 and 2025, with an overall goal of 100% fossil-fuel independent vehicles by 2030. Cabonline has included targets for 2026-2030 in its Framework, which highlights a long-term strategy to achieve its overall goal of a fleet of 100% fossil-fuel independent vehicles.

The Company plans to implement several initiatives to reach its targets, as described below:

- Encouraging the demand for non-fossil vehicles internally
- Participating in organizations such as Nollzon and 2030 Secretariat
- Incentivizing transporters to use EV, hydrogen, or other non-fossil fuel vehicles
- Cooperating with companies to improve the charging infrastructure for EVs and other non-fossil vehicles

TGG is of the opinion the Company's targets for the percentage of its fleet being fossil-fuel independent are *highly ambitious*. The Company's SPTs go beyond the stated targets of many of its competitors, up to 2025 and 2030. Competitors with similar targets use a broader definition of fossil-fuel independent, with only Lyft and Freenow having similar targets to Cabonline.<sup>11</sup>

#### SPT 2

Scope 3 emissions account for the vast majority of Cabonline's total CO2e emissions and thus constitute the biggest emission source for the Company. As Cabonline's ambition is to ensure it does not create net emissions of GHGs, it has acknowledged its greater responsibility for emissions outside of its control. As such, committing to the SBTi will ensure external validation for its targets and help Cabonline to achieve its net zero ambitions.

For Cabonline to set and get approval of a Science Based Target, Cabonline needs to further deepen the understanding of emissions from Scope 3 and accurately map its upstream and downstream emissions. Cabonline has a fleet of 2,500 connected transporters and approximately 4,600 vehicles, carrying around 16 million trips per year. A

<sup>11</sup> Ref. the competitor analysis of Cabonline (not publicly available)

deeper understanding of scope 3 GHG emissions will enable Cabonline to create a clear roadmap for how to reach substantial GHG emission reductions in line with the 1.5 C target.

In TGG's opinion considering the Company's business model, the ambition to align with the strict requirements of the SBTi and the outcome of the mapping of Scope 3 emissions, which includes the Company's supply chain emissions, setting reduction targets in line with the Paris Agreement (1.5 C) is *highly ambitious*.

### SPT 3

Cabonline has sought to prioritise Safe Journeys and views alcohol ignition locks as a key facet of this, with a stated goal of all Cabonline cars having an alcohol ignition lock. This is both as alcohol ignition locks will stop drunk driving and will make drivers more aware of other safety issues before they start driving. In January 2022, 73% of Cabonline's car fleet had alcohol ignition interlocks. Despite the high share of cars with alcohol ignition interlocks, the spread between countries is uneven. 100% of Cabonline's cars in Sweden and 50% of its cars in Finland have alcohol ignition interlocks, while 0% have them in Norway and Denmark. This means that in two of its countries of operation, Cabonline will be starting from a very low point, which will require additional effort to ensure uptake should there be a high adoption threshold. This is particularly an issue due to Cabonline not owning its cars. Cabonline intends to reach a target of 87% of cars in its fleet being equipped with alcohol ignition locks by 2025. This includes reaching a target of 77% in 2023 and 82% in 2024. Cabonline has included targets for 2026-2030 in its Framework, which highlights a long-term strategy to achieve its overall goal of 100%.

To reach the target, Cabonline has planned several initiatives, including:

- Encouraging the use and implementation of alcohol ignition interlocks internally
- Participating in organizations advocating for a mandatory roll-out of alcohol ignition interlocks throughout the Nordics
- Cooperating with companies and organisations to facilitate the use of drivers and transporters.

A review of 13 peers showed that only one of Cabonline's peers – Taxi Stockholm 15 000 – has mandatory alcohol ignition locks in their cars. Another peer encourages their use, but the majority of peers have not set this as a target, indicating that Cabonline is more ambitious than its peers in this regard. However, drunk driving is only one aspect of ensuring Safe Journeys and, as such, alcohol ignition locks cannot be said to address all aspects of this strategic priority. For example, ensuring safe journeys can include alert buttons and journey tracking for customers, vehicles with high safety standards, drug use, tiredness, the use of mobile phones and seatbelts, sharing the road with other road users and road safety infrastructure.<sup>12</sup> As such, the SPT will not address all aspects of the Road Safety material issue.

In TGG's opinion a target of 87% of cars having alcohol ignition locks by 2025 is *to some degree ambitious*.

### ASSESSMENT

Overall, TGG regards the Company's SPTs related to its sustainability strategy and the selected SPTs as being *fairly ambitious*.

### Principle Three

#### Securities Characteristics

The Company's Sustainability-Linked Bond framework contains the characteristics of a conventional bond but with a penalty provision attached.

Should the Company fail to meet the SPTs by the Target Observation Date, the redemption price will increase by a specified fraction of the Nominal Amount. For the avoidance of doubt, for the bond characteristics to remain unchanged, the Company must (i) reach the applicable SPTs at the Target Observation Dates, and (ii) provide and make public relevant reporting and verification (as per the reporting section of the Framework).

### ASSESSMENT

TGG notes that the penalty structure is in line with other comparable sustainability-linked securities in the market.

<sup>12</sup> The AA, [Road safety and Mobility](#)

## Principle Four

### Reporting

The Company commits to annually publish up to date information regarding the development of the KPIs in relation to the respective SPTs.

In any case, for any date/period relevant for assessing the trigger of the SPT performance leading to a potential adjustment in the redemption price of the bond, such information will be made accessible on the Company's website.

Cabonline commits to make available (in the sustainability report or sustainability progress report) any relevant information enabling investors and others to monitor the progress of the KPIs versus the SPTs (including the changes to baseline if relevant). The Company will seek independent annual verification of the performance on the KPIs to be published on its website.

#### ASSESSMENT

TGG views the reporting structure to be in line with the ICMA principles.

## Principle Five

### Verification

To confirm the transparency and robustness of the Company's Sustainability-Linked Bond Framework, Cabonline will seek external and independent verification by one or more qualified external reviewers, with relevant expertise, confirming whether the relevant Key Performance Indicator meets the relevant Sustainability Performance Target within the predefined timeframe. As stated above, the verification report provided by the external verifier will be published on the Company's website.

#### ASSESSMENT

TGG is of the opinion that the Company's verification scheme is in line with the requirements outlined by ICMA in that the Company will commission independent and external verification to conduct the assurance.

Alignment with Sustainability-Linked Bond Principles of June 2020

#### CONCLUSION

*TGG finds that the Company's March 2022 SLBF is aligned with the five core elements of the ICMA Sustainability-Linked Bond Principles.*

### 3. Alignment with strategy

#### Objectives of the Company's sustainability strategy and ESG risk management

Cabonline is a market-leading taxi company in the Nordic countries, and a part of the Nordic transportation infrastructure. Due to its size, Cabonline considers itself to have a great responsibility for sustainable development of society. The Company's ambitions is therefore to be a forerunner and take the lead in areas where it can make a difference. Cabonline does this through a structured process and by integrating sustainability into daily operations.

The overall sustainability strategy of Cabonline focuses on three areas of sustainability: Operational excellence, Attractive workplace and good cooperation, and Climate neutral operations. In 2019, the Company performed a materiality assessment which identified relevant ESG considerations from a stakeholder perspective. Material ESG issues included Safe Journeys, Fossil-free vehicles, and Greenhouse gas emissions.

As a part of its strategy, Cabonline aims to achieve climate neutral operations and implement other sustainability measures that benefit people and the environment. This includes ensuring safe journeys and good service, supporting equality and diversity, converting to fossil-fuel independent vehicles, and ensuring efficient traffic planning.

Cabonline aims to achieve these targets through special training, ensuring drivers and transporters have valid qualifications, engaging with employees, viewing diversity as a success factor, optimising journey, partnering with companies to develop hydrogen fuel cars, and cascading down expectations on transporters and drivers, and active participation in the transition to a fossil-free society.

Priority areas in the Company's sustainability strategy	SLBF KPI/SPT
Climate action and reducing the Group's climate impact is a core element of the Company's sustainability strategy. The Company is working towards becoming climate neutral and is taking measures to reduce its GHG emissions.	1 & 2
The Company has a clear goal for its passengers to travel safely, through having drivers and transporters with the right competences and attitude, with very safe, correctly equipped and high standard vehicles.	3

Given Cabonline's quantitative goals, corporate-wide strategy and past performance, TGG is of the view that Cabonline has a suitable sustainability strategy and that its performance is on track to achieve the established objectives.

#### Assessment of the SLBF based on the Company's sustainability strategy

##### CONCLUSION

The selected sustainability topics chosen are deemed as strategically significant and relevant to the Company's operations based on its sustainability strategy. Formalising the targets as outlined in the SLBF will strengthen the Company's governance of selected ESG topics.

*In sum, TGG regards the KPIs and SPTs to reflect main elements of the Company's sustainability strategy.*

## 4. Impact of the defined SPTs

Cabonline has operations in Sweden, Norway, Finland and Denmark. The Group's fleet is responsible for around 16 million trips a year<sup>13</sup>. The Company has an impact on the environment and humans as the Company is responsible for a fleet of vehicles, as well as the safety of the passengers and transporters. More specifically, the Company's business model can have a negative effect on the environment through emissions, pollution (including particulate matter), and the industry is one where passenger safety can be at risk if not managed properly.

In the case of the Company and its SLBF, the impacts of SPTs 1 and 2 are linked to Climate Action.

For SPT 1, it is noted that in absolute terms, increasing the fossil-fuel independent share of vehicles within Cabonline's fleet will decrease emissions from vehicles from just under 33,000 tonnes of CO<sub>2</sub>e<sup>14</sup> in 2020 to close to 0 tonnes CO<sub>2</sub>e in 2030.

Switching to fossil-fuel independent vehicles is a major challenge for the industry in general. Although electric vehicles are becoming more widespread, there are massive delays in production due to supply chain issues and a shortage of semiconductors. As demand for electric vehicles increases, metals such as Lithium will become scarcer, presenting further challenges to electrifying a fleet. In addition, other fuels like Hydrogen are not fully developed and although Cabonline has begun testing the use of Hydrogen vehicles in its fleet in the Stockholm area, availability of engines that work on hydrogen and accessibility to hydrogen fuel will remain major challenges in the near future. However, there is still a large number of electric vehicles in production, meaning that the targets should be achievable, though challenging. Achieving this target will have a significant impact on the environment.

The impact of SPT 2 is not measurable at this stage. However, TGG would like to underline the importance of decision-makers in companies understanding that their mitigation and other actions influence Scope 3 emissions: ignoring Scope 3 impacts might lead to the promotion of technologies that do not yield the expected emission reductions. The Company has rightly identified Scope 3 emissions from its supply chain as important, and it is to be expected that future reductions will surpass those measured in SPT 1.

Drunk driving is a serious issue and is responsible for a significant number of road fatalities and injuries.<sup>15</sup> SPT 3 seeks to address this through the installation of alcohol ignition locks, which will have an immediate impact in making it impossible for Cabonline's drivers to operate their vehicles whilst under the influence of alcohol. However, given the nature of drink driving, in that drivers will not disclose whether they do drink and drive, Cabonline does not have reliable data on how many of its drivers will be impacted by alcohol ignition locks. However, it can measure with certainty how many of its journeys will be guaranteed to be alcohol free. This can be considered to be impactful, both to actual journey safety and to achieving Cabonline's strategic priority.

In sum, TGG notes that the impact of SPT 1-3 can be quantified to a certain degree, and TGG is confident that the impact will be impactful, given the scope and nature of the Company's operations.

### The Company's alignment with and contribution to the UN SDGs

The UN Sustainable Development Goals (SDGs) were launched in September 2015 and represent an agenda for achieving sustainable development by the year 2030. Global challenges – ranging from climate change, depletion of natural resources to poverty and inequality – are in need of solutions that the private sector can contribute to. To achieve results, it is important that companies wanting to contribute to the SDGs link action to their core operations and business strategy. Cabonline has identified SDG 3 (Good Health and Well-being), SDG 5 (Gender Equality), SDG 8 (Decent work and economic growth), SDG 10 (Reduced inequalities), SDG 11 (Sustainable Cities and communities), and SDG 13 (Climate Action) and SDG 15 (Life on land) as relevant to its operations.

<sup>13</sup> Cabonline's SLB Framework

<sup>14</sup> See Cabonline Annual and Sustainability Report 2020

<sup>15</sup> European Transport Safety Council, [Alcohol Interlocks and Drink Driving Rehabilitation in the European Union](#)

Sustainability impact of the defined SPT

## **CONCLUSION**

Taking into account the nature and scope of the Company's operations, TGG regards the SPTs to be impactful.

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