



# Posten Norge Group Green Finance Second Opinion

October 15, 2021

**Posten Norge Group (“Norway Post”) is among the largest logistics companies in the Nordics.** The Posten brand serves the consumer market in Norway, while Bring serves the Nordic corporate market, including transport of goods and minor amounts of fossil fuels. Norway Post is wholly owned by the Norwegian government. In 2020, some 70% of overall emissions came from purchased transport (50% road, 12% air, 7% sea and 2% rail), and 25% from its own vehicle fleet. The group has cut its CO<sub>2</sub> emissions by 45% since 2012.

**Most green finance proceeds will go to new financing within clean transportation and green buildings, with the latter category expected to be the largest.** The issuer plans to build new terminals only in Norway, with energy performance 25% better than regulation and a “BREEAM Very Good” certification. While life cycle considerations are part of the standard process for investments, the issuer does not have specific requirements for minimizing embodied emissions in building materials nor reducing construction phase emissions for those buildings. In clean transportation, most proceeds are expected to go to electric vehicles and smaller amounts on sustainably sourced biofuels and biogas. The framework also opens for investments in renewable energy, climate adaptation, energy efficiency, technologies and innovations for eco-efficient packaging, route optimization and reduction of local pollution.

**Norway Post has strong environmental policies and has set new climate targets aligned with the Science Based Target initiative (SBTi), which according to the initiative are Paris-aligned.** An absolute reduction target of 42% compared to 2020 by 2030 is set for scope 1, 2 and the fuel and energy related scope 3 activities. An intensity based reduction target of 32% is set for upstream transportation and distribution (procured transport). Norway Posts assesses life cycle emissions in investment decisions, works on reducing energy use from buildings and takes into account access to public transport in site selection. The issuer is well aware of its sector’s significant exposure to physical climate risk, which is considered in overall risk management and decision making. Adaptation measures have been implemented in recently built terminals.

Based on the overall assessment of the project types to be financed under the green bond framework, governance and transparency considerations, Norway Post’s green bond framework receives a **CICERO Medium Green** shading and an **Excellent** governance score. While the issuer informed us they will initially have more focus on Medium Green projects there is a potential that this might shift towards Dark Green shaded clean transportation projects depending on technological development. We encourage Norway Post to further strengthen its work on embodied emissions in building materials as well as the incentives for its suppliers of transport services to reduce their environmental impact.

## SHADES OF GREEN

Based on our review, we rate the Norway Post’s green bond framework **CICERO Medium Green**.

Included in the overall shading is an assessment of the governance structure of the green bond framework. CICERO Shades of Green finds the governance procedures in Norway Post’s framework to be **Excellent**.



## GREEN BOND and GREEN LOAN PRINCIPLES

Based on this review, this Framework is in line with the principles.





# Contents

---

<b>1</b>	<b>Terms and methodology</b>	<b>3</b>
	Expressing concerns with 'Shades of Green' .....	3
<b>2</b>	<b>Brief description of Norway Post's green finance framework and related policies</b>	<b>4</b>
	Environmental Strategies and Policies .....	4
	Use of proceeds .....	5
	Selection .....	6
	Management of proceeds .....	6
	Reporting .....	6
<b>3</b>	<b>Assessment of Norway Post's green finance framework and policies</b>	<b>8</b>
	Overall shading .....	8
	Eligible projects under Norway Post's green bond framework .....	8
	Background .....	12
	Governance Assessment .....	12
	Strengths .....	13
	Weaknesses .....	13
	Pitfalls .....	13
	<b>Appendix 1: Referenced Documents List</b>	<b>15</b>
	<b>Appendix 2: About CICERO Shades of Green</b>	<b>16</b>

---



# 1 Terms and methodology

This note provides CICERO Shades of Green's (CICERO Green) second opinion of the client's framework dated October 2021. This second opinion remains relevant to all green bonds and/or loans issued under this framework for the duration of three years from publication of this second opinion, as long as the framework remains unchanged. Any amendments or updates to the framework require a revised second opinion. CICERO Green encourages the client to make this second opinion publicly available. If any part of the second opinion is quoted, the full report must be made available.

The second opinion is based on a review of the framework and documentation of the client's policies and processes, as well as information gathered during meetings, teleconferences, and email correspondence.

## Expressing concerns with 'Shades of Green'

CICERO Green second opinions are graded dark green, medium green or light green, reflecting a broad, qualitative review of the climate and environmental risks and ambitions. The shading methodology aims to provide transparency to investors that seek to understand and act upon potential exposure to climate risks and impacts. Investments in all shades of green projects are necessary in order to successfully implement the ambition of the Paris agreement. The shades are intended to communicate the following:

### CICERO Shades of Green



**Dark green** is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Ideally, exposure to transitional and physical climate risk is considered or mitigated.



**Medium green** is allocated to projects and solutions that represent steps towards the long-term vision, but are not quite there yet. Fossil-fueled technologies that lock in long-term emissions do not qualify for financing. Physical and transition climate risks might be considered.



**Light green** is allocated to projects and solutions that are climate friendly but do not represent or contribute to the long-term vision. These represent necessary and potentially significant short-term GHG emission reductions, but need to be managed to avoid extension of equipment lifetime that can lock-in fossil fuel elements. Projects may be exposed to the physical and transitional climate risk without appropriate strategies in place to protect them.

### Examples



Wind energy projects with a strong governance structure that integrates environmental concerns



Bridging technologies such as plug-in hybrid buses



Efficiency investments for fossil fuel technologies where clean alternatives are not available

Sound governance and transparency processes facilitate delivery of the client's climate and environmental ambitions laid out in the framework. Hence, key governance aspects that can influence the implementation of the green bond are carefully considered and reflected in the overall shading. CICERO Green considers four factors in its review of the client's governance processes: 1) the policies and goals of relevance to the green finance framework; 2) the selection process used to identify and approve eligible projects under the framework, 3) the management of proceeds and 4) the reporting on the projects to investors. Based on these factors, we assign an overall governance grade: Fair, Good or Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.



## 2 Brief description of Norway Post's green finance framework and related policies

Norway Post is a leading Nordic logistics group with NOK 23 996 m revenues in 2020, whose vision is to “make everyday life simpler and the world smaller”. The group has two brands: Posten and Bring. The Posten brand delivers parcels and letters to private individuals in Norway, while Bring serves corporate customers in the Nordics and private customers outside of Norway. The group has operations in Norway, Sweden, Denmark and Finland, with 62% of turnover generated in Norway in 2020. The group has terminals in 38 locations across these countries but is also present in countries outside the Nordics. Over the last decade, the share of revenues from mail services has declined steadily, while that of logistics has increased, accounting for 76% of revenues in 2020. Norway Post has a diversified customer portfolio which includes e-commerce, retail, government and groceries, while transporting a minor amount of fossil fuels (2 million litres in 2020) as well as equipment for drilling and exploration to offshore oil and gas installations in Norway.

Norway Post is wholly owned by the Norwegian government. Delivery of postal services in Norway is regulated by law and it is essential for the government that there is a provider that delivers nationwide postal services.

### Environmental Strategies and Policies

Norway Post has worked systematically with sustainability since 2010 and aims at being the greenest logistics provider in the Nordics. In a 2050 perspective, it expects to reach net zero emissions. The group reports on progress yearly in its sustainability report and reporting is in line with the Global Reporting Initiative (GRI). Emissions are reported using the Greenhouse Gas Protocol methodology, and emissions reporting is audited by an external third party. The group has reduced its CO<sub>2</sub> emissions intensity (per NOK earned) by 45% since 2012, and the absolute emissions over the period have also declined by 45%.

As a large logistics company, Norway Post's main emission source is transport. Some 70% of total emissions came from purchased transport in 2020 (50% from road transport, 12% from air, 7 % from sea and 2 % from rail), while 25% came from the company's directly owned fleet. In addition, the terminal infrastructure requires significant amounts of energy.

Norway Post is committed to the Science Based Targets Initiative (SBTi<sup>1</sup>) and has the following targets:

- Reduce absolute scope 1 and 2 greenhouse gas (GHG) emissions as well as scope 3 GHG emissions from fuel and energy related activities with 42% by 2030 from a 2020 base year. The fuel and energy related scope 3 activities are fuel used by the group's self-owned vehicles. This is included in the 42% in order to cover “well-to-wheels” emissions from in-house vehicles with an absolute goal.
- Reduce scope 3 GHG emissions from upstream transportation and distribution with 32 % per tonne kilometer by 2030 from a 2020 base year. These include emissions from all procured transport.
  - Additionally, Norway Post commits to reduce absolute scope 3 GHG emissions from employee commuting with 25% by 2030 from a 2020 base year.

---

<sup>1</sup> The SBTi is a partnership between the Carbon Disclosure Project (CDP), the United Nations Global Compact, the World Resources Institute (WRI) and the World Wide Fund for Nature (WWF). The SBTi aims to promote best practice in emissions reductions and net-zero targets in line with climate science and provides technical assistance to companies.



According to the SBTi, the targets covering company operations (scopes 1 and 2) are consistent with reductions required to keep warming to 1.5°C, while the targets covering indirect emissions (scope 3) are consistent with reductions required to keep warming well-below 2°C, making these targets aligned with the Paris agreement on climate change.

To achieve both its long term and intermediary targets, Norway Post has many policies in place to reduce both direct and indirect emissions. For instance, the group aims to move freight from road to rail, as well as electrify its vehicle fleet and use biofuels. In 2020, 26% of vehicles (own fleet and reporting sub-contractors) were running on renewable energy, with the remaining running on fossil fuels. One of the intermediary goals is to use only renewable sources of energy in vehicles and buildings by 2025. The group works to optimize energy use at terminals and reduce power consumption, and all new terminals will be built with an Energy Performance Certificate level A (EPC A). For its buildings, Norway Post sees public transport as key. It tries to either locate buildings close to existing infrastructure or establish new public transport connections. At its Trondheim terminal, it established dedicated bus transport, while in Bergen it chose a location close to the intercity rail.

Norway Post strives to reduce the environmental impact of its value chain. Firstly, the issuer has an active dialogue with suppliers on new products and solutions that are more environmentally friendly. All suppliers must adhere to a declaration on ethical standards, which includes an intention to minimize environmental impact. For suppliers of road transport services, which account for half of Norway Post's total emissions, specific environmental requirements apply. For vehicles larger than 3.5 tonnes, suppliers are requested to systematically train drivers on eco-driving and use vehicles with EuroVI standard or higher<sup>2</sup>. Vehicles weighing less than 3.5 tonnes must be no more than five years old. In relation to the SBTi targets, Norway Post plans to strengthen its follow-up of contractors and to develop incentives to reward those using cleaner modes of transportation. Finally, the group cooperates with its largest customers with the aim to reduce waste from packaging.

According to the issuer, the main climate risks to its terminals in the Nordics are related to rising water levels and increased rainfalls. No significant climate-related damages at the terminals have been experienced so far. Climate risk assessment is already well integrated in Norway's Post standard risk assessments. A semi-annual climate risk assessment, including both physical, transition and supplier climate risk, is part of the risk analysis report to the board and top management. In addition, the company's standard process for buildings entails a physical climate risk assessment. Adaptive measures have been implemented at the Tromsø and Florø terminals. The group is preparing to report according to the recommendations of the Task force on Climate related Financial Disclosures (TCFD). Climate change scenarios have been prepared and various types of risks to the group's operations have been identified. Norway Post's different business units will have to include these aspects in their risk analysis.

### Use of proceeds

According to the issuer, eligible assets under the framework promote in part or in full the transition to a low-carbon and climate resilient growth, as defined in its sustainability policy. The proceeds from Norway Post's Green Financing Framework will be spent on projects within clean transportation, green buildings, pollution prevention and control, climate adaptation, renewable energy, eco-efficient and/or circular economy adapted products, production technologies and processes, as well as energy efficiency. There is a clear focus on technology, vehicles and buildings, aiming at reducing energy use and emissions. Fossil fuel vehicles, equipment or generation of any sort (including transport of fossil fuel for customers) are explicitly excluded from the framework.

Proceeds will be allocated both to new and existing projects in Norway and Sweden. The issuer expects most funds to go to new financing. The maximum look-back period for refinancing is three years. Renovation and upgrades

---

<sup>2</sup> EuroVI is an emission standard for heavy vehicles. Compared to EuroV, EuroVI adjusts the emissions limits, extends the durability provisions, and introduces several important new elements among other new testing requirements.



of existing assets may be financed for assets older than 12 months. Eligible assets are owned directly by Norway Post or indirectly through its subsidiaries.

### **Selection**

The selection process is a key governance factor to consider in CICERO Green's assessment. CICERO Green typically looks at how climate and environmental considerations are considered when evaluating whether projects can qualify for green finance funding. The broader the project categories, the more importance CICERO Green places on the governance process.

A Green Finance Committee ("GFC") is established and is composed of representatives from Treasury, Group Sustainability, Business Control and the CFO. This committee will evaluate whether proposed assets comply with the eligibility criteria of the framework and select eligible assets. Decisions will be made by consensus, but the representative with environmental expertise will have a veto power. Assets' life cycle impacts will be part of the committee's assessment, either based on the assets' rating or certification or through performing a bespoke analysis. Environmental risk is also assessed, as in any other investment analysis by Norway Post. The GFC oversees monitoring and assess alignment of the pool of eligible assets, and to replace investments that no longer meet the criteria (e.g., following divestment, liquidation, concerns regarding alignment of underlying activity). Finally, the GFC is responsible for updating the framework, for example due to changes in the company's corporate strategy, technology and regulatory developments such as the EU taxonomy.

### **Management of proceeds**

CICERO Green finds the management of proceeds of Norway Post to be in accordance with the Green Bond and Green Loan Principles.

Green bond proceeds are segregated by using an earmarked account from which proceeds will be lent to eligible assets. The earmarked account will ensure monitoring and tracking of the proceed allocation to the eligible assets, for which the Group Treasury is responsible. If any assets cease to comply with the framework criteria, it will be removed from the earmarked pool. Proceeds yet to be allocated will be placed in the liquidity reserve and managed as such. According to the issuer, temporary investments do not include fossil fuel related assets. In its allocation reporting, the issuer will disclose the portfolio balance of unallocated proceeds.

### **Reporting**

Transparency, reporting, and verification of impacts are key to enable investors to follow the implementation of green finance programs. Procedures for reporting and disclosure of green finance investments are also vital to build confidence that green finance is contributing towards a sustainable and climate-friendly future, both among investors and in society.

Norway Post will report on allocation and impact on an annual basis in an investor report publicly available on its website. The GFC is responsible for reporting. The allocation reporting will include a description of the portfolio of eligible assets, the type of financing instruments used and their outstanding amounts, the split between new financing and re-financing, as well as a list of the assets financed, included allocated and disbursed amounts per category and geographical distribution.

The impact report will to some extent be aggregated. The issuer intends to include at least one key performance indicator for each project category, with the reservation that some calculations may not always be possible. For instance, for eco-efficient and/or circular economy adapted products, production technologies and processes, it might instead provide an example. For green buildings under construction, it will provide best estimates of future



energy performance. The impact report will be aligned with the methodologies in the company's annual sustainability report, which is audited by a third party, including the emission factors.

Norway Post will appoint an external auditor to annually assure that the selection process of projects under the framework and the allocation of proceeds are in accordance with the framework.



### 3 Assessment of Norway Post’s green finance framework and policies

The framework and procedures for Norway Post’s green bond investments are assessed and their strengths and weaknesses are discussed in this section. The strengths of an investment framework with respect to environmental impact are areas where it clearly supports low-carbon projects; weaknesses are typically areas that are unclear or too general. Pitfalls are also raised in this section to note areas where Norway Post’s should be aware of potential macro-level impacts of investment projects.

#### Overall shading

Based on the project category shadings detailed below, and consideration of environmental ambitions and governance structure reflected in Norway Post’s green bond framework, we rate the framework **CICERO Medium Green**.

#### Eligible projects under Norway Post’s green bond framework

At the basic level, the selection of eligible project categories is the primary mechanism to ensure that projects deliver environmental benefits. Through selection of project categories with clear environmental benefits, green bonds aim to provide investors with certainty that their investments deliver environmental returns as well as financial returns. The Green Bonds Principles (GBP) state that the “overall environmental profile” of a project should be assessed and that the selection process should be “well defined”.

Category	Eligible project types	Green Shading and some concerns
Clean Transportation	Financing of electric and other clean energy vehicles such as bikes, cars and trucks running on electricity, hydrogen, biodiesel, biogas and bioethanol.  This category can also be used for financing of supporting infrastructure such as charging stations for clean energy vehicles as mentioned above and for rail and multi-modal transportation.	<b>Dark Green</b>  ✓ Transitioning from fossil fuel based transport to cleaner modes of transportation is necessary to move towards a low carbon economy. For heavy-duty vehicles, concurrent investments in electrification and hydrogen are key. Sustainably sourced advanced biofuels also have a role to play.  ✓ According to the issuer, most investments in this category are expected to be electric vehicles. The issuer views electricity and hydrogen as the most viable long-term solutions and eligible investments will only be in relation to green hydrogen. Hybrid vehicles are not eligible.  ✓ Not all types of biofuels are sustainable, due to risks of indirect land use change such as deforestation and risks of negative impacts on biodiversity. Sourcing is key





to ensure lower life cycle emissions than fossil fuels.

- ✓ The issuer is aware of the risks associated with biofuels and is not using any biofuel made directly or as a byproduct from palm oil. The issuer will only invest in biofuel solutions where there is certainty on sustainable sourcing, considering the sustainability criteria of the renewable energy directive and favoring local sourcing in the Nordics. The biofuel vehicles currently in Norway Post's fleet use the waste based Hydrogenated Vegetable Oil (Sweden), as well as Rapeseed Methyl Ester.
- ✓ Biogas forms part of a closed loop in which waste, wastewater, forestry and industrial residues are used in renewable products such as fuel. Biogas is normally produced from organic waste that has few other uses: this is positive from a resource efficiency perspective.
- ✓ The issuer aims for a 50/50 split of proceeds between clean transportation and green buildings, but sees a risk for the split to tilt more towards green buildings if technology development does not catch up in the transport sector.

Green  
Buildings



Financing of new or existing buildings that have or will receive a design stage certification or a post construction certification from BREEAM-NOR with a minimum certification level of "Very Good" or an equivalent system determined by Norway Post, in addition to an Energy Performance Certificate (EPC) with energy class A according to corresponding national standards.

**Medium Green**

- ✓ In sum, Norway Post's buildings, in particular terminals, have a significant energy use, from both district heating and electricity. In a 2050 perspective, the energy performance of buildings needs to improve. According to the IEA, efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand.
- ✓ According to the issuer, none of the buildings financed under the framework have fossil fuel heating.
- ✓ New terminals with EPC A are expected to achieve an energy performance that is 25% better than current regulations in Norway.
- ✓ In the Nordic context, approximately half of lifetime emissions from buildings stem



from energy use, and the other half from materials and construction, but the specific shares will vary depending on the type of building.

- ✓ While certification schemes like BREEAM take many environmental issues into account, they do not always secure high energy standards and a small climate footprint. Combining the certification with an EPC A represents a more robust approach, but the issuer does not have specific requirements for minimizing embodied emissions in building materials nor reducing construction phase emissions.
- ✓ Access to public transport, climate resilience and life cycle assessments are part of the group's decisions on buildings. Most buildings will be terminals in Norway.
- ✓ The issuer aims for a 50/50 split of proceeds between clean transportation and green buildings, but sees a risk for the split to tilt more towards green buildings.

Pollution Prevention and Control Financing of investments into infrastructure or technologies reducing local air and/or water pollution in connection to buildings and/or industrial sites



**Medium Green**

- ✓ It is currently not clear what types of investments could be financed in this broad category, making it hard to assess how ambitious this is.
- ✓ Financing any fossil fuel related assets is excluded.

Climate Adaptation Financing of investments into infrastructure or technology enhancing the resilience of buildings such as enforcements to protect terminals from flooding or increased precipitation.



**Dark Green**

- ✓ Adaptation measures are necessary to reduce adverse effects of a changing climate, and the real estate sector in general is highly exposed.

Renewable Energy Financing and refinancing renewable energy production, such as solar power, hydro power, emission free geothermal heating and cooling or other non-fossil sources as well as related infrastructure connection, electric substations and foundations.



**Dark Green**

- ✓ Increased renewable energy generation is key to achieve a low carbon future but impacts on local environment as well as life cycle emissions need to be addressed.
- ✓ An assessment of the local environmental impact is integrated in the investment analysis. In addition, regulations in the Nordic region generally require an



		<p>environmental impact assessment for new power generation.</p> <ul style="list-style-type: none"> <li>✓ According to the issuer, life cycle impacts will be considered in any investments in this category.</li> <li>✓ The issuer has currently no plans to finance hydropower plants, but if it does so in the future, it would be new hydropower capacity. Associated impacts on local environment would have to be managed.</li> </ul>
<p>Eco-efficient and circular economy adapted production technologies and processes</p>	<p>Financing of resource-efficient packaging and distribution solutions within the “Elskede By” concepts such as parcel boxes with the aim to reduce pollution, waste, noise, and transportation through route optimizations as well as creating a better atmosphere and promotion of sustainable transportation solutions and circular economy.</p>	<p><b>Medium Green</b></p> <ul style="list-style-type: none"> <li>✓ To reduce emissions from the transport sector, reducing the transport needs, i.e., through route optimization, is important.</li> <li>✓ The “Elskede By” project only includes electric vehicles, which is an important low carbon technology.</li> <li>✓ Effects of “Elskede By” projects are to be quantified in collaboration with a research institution (Transportøkonomisk Institutt), but it is currently hard to assess how ambitious these projects are. In addition, there is a risk of rebound effect, i.e., that optimized routes allow to increase amount of goods transported, keeping the amount of overall transport unchanged.</li> <li>✓ Packaging can be associated with the use of petroleum if the packaging is plastic. Nonetheless, improvements of plastic packaging, e.g. increasing the recycled or renewable content, can lead to GHG reductions.</li> <li>✓ According to the issuer, none of these projects will include any fossil fuel vehicles.</li> </ul>
<p>Energy Efficiency</p>	<p>Financing of energy retrofits such as the installation of more energy efficient ventilation or heating systems, adjusting light control and light fittings. The Green Finance Committee will only include investments that target a minimum energy saving of 30% and where a minimum negative climate impact and potential rebound effect is achieved.</p>	<p><b>Dark Green</b></p> <ul style="list-style-type: none"> <li>✓ According to the IEA, efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand.</li> <li>✓ To prevent rebound effects, actual energy use is monitored and kept under control.</li> </ul>

Table 1. Eligible project categories



## Background

Global transport emissions increased by less than 0.5% in 2019 (compared to 1.9% annually since 2000) owing to efficiency improvements, electrification and greater use of biofuels. Nevertheless, transportation is still responsible for 24% of direct CO<sub>2</sub> emissions from fuel combustion. Road vehicles – cars, trucks, buses and two- and three-wheelers – account for nearly three-quarters of transport CO<sub>2</sub> emissions, and emissions from aviation and shipping continue to rise, highlighting the need for greater international policy focus on these hard-to-abate subsectors.<sup>3</sup> The transport sector is in a critical transition. Existing measures to increase efficiency and reduce energy demand must be deepened and extended for compliance to move towards a low carbon future.

This process should be set in motion in the upcoming decade, as any delay would require that stricter measures be taken beyond 2030, which could noticeably raise the cost of reaching climate targets. Combined efforts across all transport modes, accompanied by power sector decarbonization, will be crucial to achieve the International Energy Agency's Sustainable Development Scenario<sup>4</sup>. The largest amount of carbon savings come from switching from inefficient modes of transport (e.g., private cars) to mass transit<sup>5</sup>. For projects aimed at like-for-like replacement of transport infrastructure, the improvements in environmental performance depend on the fuel type and efficiency. While electric modes of transportation are preferable to those that directly use fossil fuels, one should nevertheless be aware of the indirect GHG emissions stemming from the production and use and strive to keep increasing their efficiency.

According to the International Energy Agency (IEA), the buildings and buildings construction sectors combined are responsible for 36% of global final energy consumption in 2018 and nearly 40% of total direct and indirect CO<sub>2</sub> emissions. Appliances (excluding heating, cooking and cooling appliances) are responsible for around 17% of final electricity use by buildings. The energy and emissions savings potential remain largely untapped because of continued use of less efficient technologies, lack of effective policies and weak investments in sustainable buildings. The IEA's Sustainable Development Scenario suggests 50% of new constructed building area in 2030 to be near zero emission – in addition to increased renewable heat sources up to 25% in 2030<sup>6</sup>. Efficiency of building envelopes needs to improve by 30% by 2025 to keep pace with increased building size and energy demand – in addition to improvements in lighting and appliances and increased renewable heat sources.<sup>7</sup> In a low carbon 2050 perspective, energy efficient buildings are crucial important building blocks towards reaching the 2°C goal. In addition, voluntary environmental certifications such as LEED and BREEAM or equivalents measure or estimate the environmental footprint of buildings and raise awareness of environmental issues. These points-based certifications, however, fall short of guaranteeing a low-climate impact building, as they may not ensure compliance with all relevant factors e.g., energy efficiency, access to public transport, climate resilience, sustainable building materials. In the Nordic context, approximately half of life cycle emissions of buildings come from energy use and the other half from buildings materials, construction and demolition<sup>8</sup>.

## Governance Assessment

Four aspects are studied when assessing the Norway Post's governance procedures: 1) the policies and goals of relevance to the green bond framework; 2) the selection process used to identify eligible projects under the framework; 3) the management of proceeds; and 4) the reporting on the projects to investors. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: Fair, Good or

<sup>3</sup> Tracking Transport 2020, International Energy Agency ([Tracking Transport 2020 – Analysis - IEA](#))

<sup>4</sup> Ibid (same reference as 1)

<sup>5</sup> [WG1AR5\\_Chapter08\\_FINAL.pdf \(ipcc.ch\)](#)

<sup>6</sup> <http://www.iea.org/tcep>

<sup>7</sup> Ibid

<sup>8</sup> [https://cicero.oslo.no/file/2/sectorbriefs\\_realestate\\_17\\_12.pdf/download](https://cicero.oslo.no/file/2/sectorbriefs_realestate_17_12.pdf/download)

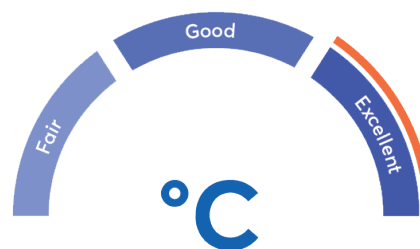


Excellent. Please note this is not a substitute for a full evaluation of the governance of the issuing institution, and does not cover, e.g., corruption.

Norway Post has targets for scope 1, 2 and 3 emissions, a robust system for reporting on progress towards its targets and generally robust environmental policies. Climate risk is integrated in its standard processes, and it is preparing to report according to TCFD. The company engages with both suppliers and customers to lower their environmental impact.

The selection criteria in the framework are clear, and life cycle impacts will be considered. The environmental expertise in the Green Financing Committee has veto power, even if the aim is to take decision by consensus. Green bond proceeds are segregated and tracked, while a process is in place to remove assets that no longer meet the framework's criteria from the earmarked pool.

The issuer aims to report on one relevant key performance indicator for each project category. Reporting will be done at project category level, in a publicly available investor report. The report will be in line with methodologies from the company's sustainability reporting, which is verified by an external auditor. In addition, allocation of proceeds and selection will be reviewed by an external auditor on a yearly basis.



The overall assessment of Norway Post's governance structure and processes gives it a rating of **Excellent**.

### Strengths

Norway Post's strong environmental policies, as well as their integration in general decision making and risk assessments, represent a clear strength, making the GFC well placed for environmentally robust project selection. The selection criteria for the clean transportation category are in line with a low carbon transport sector, including both bikes, cars and trucks running on electricity, hydrogen, biodiesel, biogas and bioethanol. It is a strength that also the related infrastructure can be financed. Policies are in place to contribute to sustainable sourcing of biofuels. For the buildings category, it is a strength to combine EPC A with an environmental certification, while having measures in place to reduce rebound effects, facilitate access to public transport and build in a climate resilient way.

The focus on technology, both in the company's engagement with customers, suppliers and in this framework, is a strength as new technologies play a central role in a 2050 low carbon perspective. According to IEA's Net Zero by 2050 report<sup>9</sup>, almost half of the reductions needed to reach net zero in 2050 come from technologies currently at the demonstration and prototype phase. Meanwhile, most of the reductions in CO<sub>2</sub> emissions through 2030 are expected to come from technologies already on the market today.

### Weaknesses

We find no obvious weaknesses in Norway Post's green finance framework.

### Pitfalls

The logistics industry in general is dependent on light and heavy road transport, air transport and shipping, all of which are largely dependent on fossil fuel combustion. There are currently few electric or hybrid solutions

<sup>9</sup> Net Zero by 2050, A Roadmap for the Global Energy Sector: [Net Zero by 2050 – Analysis - IEA](#)



available for this kind of transport. With a large share of transport services purchased from road transport providers, the issuer has limited influence on the development in this sector and in particular for the transport coming from outside Europe. We encourage the issuer to strengthen its environmental requirements and incentives for its suppliers of transport services both road, air and sea.

While electric modes of transportation are preferable to those that directly use fossil fuels, investors should nevertheless be aware of the indirect GHG emissions stemming from the production and use of new vehicles. The production of such vehicles, in particular the production of batteries and the sourcing of raw materials, can have substantial climate and environmental impact. We encourage the issuer to have active policies to prolong lifetime of vehicles and to consider potential for re-use and recycling of the vehicles and their components at the end of their lifetime.

Achieving a BREEAM Very Good certification requires to take many environmental issues into account and the EPC A represents energy performance well beyond regulations in Norway, but these criteria nonetheless do not guarantee a low climate impact building. As the energy performance of buildings improves, the embodied emissions in building materials are becoming a more significant share of a building's climate footprint and should be managed, even if the buildings represent a small share of Norway Post's overall emissions. Efforts to reduce construction phase emissions as well as construction waste, are also important to further limit the environmental impact of buildings. The green building criteria in Norway Post's framework could be more ambitious on these elements, even if the framework represents valuable steps towards the long-term vision of low carbon and climate resilient buildings.

The framework includes some broad categories, where the issuer currently does not have specific expectations as to what will be financed, i.e. in the pollution prevention and control category. It is Norway Post's responsibility to ensure the selected projects align with the framework's goal to promote in part or in full the transition to a low-carbon and climate resilient growth.



# Appendix 1: Referenced Documents List

Document Number	Document Name	Description
1	Posten Norge Group, Green Finance Framework October 2021.	Green Finance Framework for Norway Post, dated October 2021.
2	Annual and sustainability report 2020, Posten Norge.	Annual report and sustainability report for Posten Norge Group for 2020.
3	Ethical Guidelines Posten Norge	Internal ethical guidelines for Posten's employees.
4	Styreinstruks for Posten Norge AS	Description of rules for the work of the Board of Posten Norge.
5	Sustainability Strategy 2021 Posten Norge	High level description of sustainability strategy and overview of achieved results.
6	Supplier Declaration concerning Ethical Standards	Sets out the minimum ethical standard applicable to the Group's suppliers, including sub-contractors.
7	Environmental requirements for suppliers of road transport services	Requirements for suppliers of road transport services to the brands Posten and Bring.
7	Fact booklet: Sustainability at Posten, attachment to the annual and sustainability report 2020.	Supplement to the main report with detailed indicators (including emissions), guidelines and responsibilities related to sustainability.



## Appendix 2: About CICERO Shades of Green

CICERO Green is a subsidiary of the climate research institute CICERO. CICERO is Norway's foremost institute for interdisciplinary climate research. We deliver new insight that helps solve the climate challenge and strengthen international cooperation. CICERO has garnered attention for its work on the effects of manmade emissions on the climate and has played an active role in the UN's IPCC since 1995. CICERO staff provide quality control and methodological development for CICERO Green.

CICERO Green provides second opinions on institutions' frameworks and guidance for assessing and selecting eligible projects for green bond investments. CICERO Green is internationally recognized as a leading provider of independent reviews of green bonds, since the market's inception in 2008. CICERO Green is independent of the entity issuing the bond, its directors, senior management, and advisers, and is remunerated in a way that prevents any conflicts of interests arising as a result of the fee structure. CICERO Green operates independently from the financial sector and other stakeholders to preserve the unbiased nature and high quality of second opinions.

We work with both international and domestic issuers, drawing on the global expertise of the Expert Network on Second Opinions (ENSO). Led by CICERO Green, ENSO contributes expertise to the second opinions, and is comprised of a network of trusted, independent research institutions and reputable experts on climate change and other environmental issues, including the Basque Center for Climate Change (BC3), the Stockholm Environment Institute, the Institute of Energy, Environment and Economy at Tsinghua University, the International Institute for Sustainable Development (IISD) and the School for Environment and Sustainability (SEAS) at the University of Michigan.

