S&P Global Ratings

Powered by Shades of Green

Second Party Opinion

Posten Bring Green Finance Framework

Oct. 29, 2024

Primary contact

Maxime Chul
Paris
+33 6 10 45 00 98
maxime.chul
@spglobal.com

Location: Norway | **Sector:** Transportation

Alignment With Principles

Aligned = ✓ Conceptually aligned = O Not aligned = ✗

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our Shades of Green Analytical Approach >

Strengths

The issuer has comprehensive targets to decarbonize its direct and value-chain emissions. By 2030, Posten Bring aims to have reduced scope 1 and 2 emissions by 85% compared to 2022 levels. It also targets a 30% reduction of scope 3 emissions within the same timeframe. The main levers to decarbonize direct emissions include its target to operate only non-fossil vehicles by 2030, including heavy duty vehicles. We also view the scope 3 target positively as it will require engagement with transport services suppliers and a modal shift toward lower carbon solutions, such as rail.

The majority of proceeds under the framework will be allocated to finance electric vehicles, rail transportation, and charging infrastructure. We assess these activities as Dark green because transport electrification and associated zero tailpipe emissions are essential to meeting 2050 climate goals.

Weaknesses

No weaknesses to report.

Areas to watch

The framework criteria do not address embodied emissions. Posten Bring aims to monitor the climate impact of its construction materials when building new terminals. While we acknowledge this effort, new construction still carries high emissions because the knowledge of, and methodologies for tackling, this industry challenge are just evolving.

Greenfield sites are eligible for the construction of new terminals. While the issuer will prioritize development on brownfield land and aim to restore natural areas affected by new construction, we consider this could lead to natural habitat degradation and associated biodiversity impacts. While Nordic countries mandate assessments of such risks, all deforestation contributes to climate change, and current practices might not consider biodiversity and climate risks sufficiently.

Eligible Green Projects Assessment Summary

Over the three years following issuance of the financing, Posten Bring expects to allocate 80% of proceeds to clean transportation, and the remaining 20% to green buildings.

The issuer expects most proceeds will be allocated to new projects, while a minority of proceeds will be directed to refinancing.

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Posten Bring's Green Finance Framework, we assess the framework as Dark green.

Eligible projects under issuer's green finance framework are assessed based on their environmental benefits and risks, using Shades of Green methodology.

Clean Transportation	**Dark to Medium green**
Financing of electric and other clean energy vehicles	
Financing of charging infrastructure	

Green Buildings	**Light green**
Financing of new or existing buildings	

See Analysis Of Eligible Projects for more detail.

Issuer Sustainability Context

This section provides an analysis of the issuer's sustainability management and the embeddedness of the financing framework within its overall strategy.

Company Description

Posten Bring AS is a Norwegian postal and logistics company, wholly owned by the Norwegian Ministry of Trade, Industry and Fisheries. The group operates under two main brands: Posten (serving the consumer market in Norway) and Bring (focusing on the corporate market and the consumer market outside of Norway). The group has a significant presence in the Nordic countries, with 64% of its revenues coming from Norway. However, its business outside of Norway is growing and now accounts for 36% of total revenue. The group’s revenue in 2023 totaled 24.4 billion kroner.

Material Sustainability Factors

Climate transition risk

Transportation is the fastest growing source of emissions worldwide, accounting for about 23% of global greenhouse gas emissions according to the IPCC in 2019. Surface transport modes cause most of the emissions in this sector compared with aircraft and shipping. Regulations on fuel efficiency, powertrains, and emissions are emerging in some markets and authorities may further tighten them to address climate goals. This could lead to higher regulatory costs, require investments in new engine technologies (battery, electric trucks, and locomotives), and use of more expensive alternative fuels (such as liquified natural gas and green hydrogen), or new supporting infrastructure. These are all being developed, but so far are more practical for short distances (pickup and delivery vans) than long distances. In 2022, the transport sector accounted for 39% of total emissions in Norway (IEA). Norway’s national transport plan aims for a 50% reduction in sector emissions between 2005 and 2030.

Physical climate risk

Acute weather events--like storms, wildfires, and floods--can make operations extremely hazardous and immobilize assets, including planes, trains, and vessels. They may also limit the accessibility of essential infrastructure the industry relies on and increase the risk of accidents. Over time, both acute and chronic risks--changing temperature and precipitation patterns, and rising sea levels--might shorten the useful life of vehicles and infrastructure. Implications for stakeholders can be widespread over a region or the service area of the damaged infrastructure (or beyond). For northern European companies like Posten Bring AS and its partners, extreme precipitation, particularly during the winter, and associated flooding from heavy rainfall or snowmelt, will likely increase. Rising sea levels could become a concern in some coastal areas. For Posten Bring and partners, vehicle fuel supply chains, whether for fossil fuels, biofuels, or electricity, can also be disrupted by extreme events such as storms, droughts, heatwaves, or floods.

Pollution

The transportation sector significantly contributes to air pollution given vehicles' combustion of fossil fuels--about half of the issuer’s fleet in 2023. The implications of such emissions range from declining public health in urban cities to ecosystem damage in rural areas. More stringent regulation has driven a significant reduction in the air pollutants (such as nitrogen oxides) emitted by internal combustion engines, for example the EU's EURO 7 emissions standards. In the EU, diesel-fueled cars have declined as a portion of new passenger vehicle sales given increasing restrictions on the use of diesel vehicles in urban centers. The acceleration in electric vehicles (EVs) could result in reduced local air pollution related to vehicle use. Nevertheless, as mining is crucial to facilitating the large-scale implementation of EVs, the transportation sector is exposed to the air and wastewater pollution risks of the EV supply chain.

Biodiversity and resource use

Construction faces significant resource-use issues. Key challenges are biodiversity risks, energy consumption, and the overuse of materials. As new buildings require land, there are also climate risks relating to site selection. Preserving natural carbon stocks is key to meeting climate goals as many habitats, like bogs and organic soils, store large amounts of carbon. Disturbing these can lead to significant emissions. Nature also absorbs carbon dioxide, so conserving 30%-50% of land, sea, and fresh water (as the Intergovernmental Panel on Climate Change recommends), is central to reducing greenhouse gases and adapting to climate change. Some ecosystems, like bogs and topsoil, take a long time to recover, and certain changes are irreversible. Resource intensive materials and practices pose risks to finite resources. Addressing these problems through resource-efficient design, alternative materials, and resource management will help reduce the industry's impact on local habitats and global footprints.

Workforce health and safety

The health and safety of employees is critical given that the transportation industry sees regular incidents and accidents, especially on roads. Workplace incidents can result in injuries and fatalities, which can also affect companies' operations, legal exposure, and reputation. In the EU in 2020, the transportation and storage sector had the third-highest rate of fatal accidents, according to Eurostat. Statistics Norway highlights that the transportation and storage sector had the highest rate of accidents at work in the country in 2022.

Issuer And Context Analysis

The project categories in the financing framework address sustainability factors that we consider the most material for Posten Bring. The clean transportation and green building project categories aim to address climate transition risks. The clean transportation category also seeks to address pollution risks, notably via a higher share of EVs. We consider physical climate and biodiversity risks to be relevant for both categories, even more for fixed assets such as the financed terminals under the green building category.

Posten Bring's updated climate targets are comprehensive; the issuer aims to reduce scope 1 and 2 greenhouse gas emissions by 85% and scope 3 emissions by 30% by 2030 compared to 2022. The issuer confirmed to us that such targets have now been validated by SBTi. Posten Bring's decarbonization strategy focuses mainly on the electrification of its distribution operations including its fleet and distribution centers. To date, more than 50% of the issuer's fleet runs on fossil-free energy sources. By 2030 the issuer aims for all company-owned and leased vehicles to be low-emission alternatives, with about 90% of vehicles being electric. We note positively that Posten Bring's emissions intensity (in CO2 emissions per NOK earned) reduced by nearly 3x between 2012 and 2023.

The largest source of emissions for Posten Bring is its scope 3 emissions--more than 80% of total emissions in 2023. These emissions stem from transport and distribution activities Posten Bring obtains from external companies and, to a lesser extent, from purchased goods and services. To reduce its scope 3 emissions, the issuer's strategy relies on systematic dialogue with transportation service providers. This includes setting strict requirements for certain vehicle types to be fossil-free alternatives. Where feasible, charging infrastructure owned by Posten Bring will allow external suppliers to use fossil-free vehicles over longer distances, replacing traditional vehicles. The issuer also aims to purchase more rail transport solutions as an alternative to road transport.

Physical risks matter for some of Posten Bring's distribution centers due the fixed nature of its assets, yet they vary based on their geographical locations. We view positively that Posten Bring has conducted climate scenario assessments using two scenarios in line with RCP 2.6 and RCP 4.5. Although physical risk is certainly present, it is not critical, under these scenarios, to Posten Bring's operations according to the issuer's assessment. However, we note this assessment does not include higher emission scenarios such as RCP 8.5, which we consider relevant to assessing potential exposure to future climate hazards. Extreme weather events identified in the Nordics are not expected to have significant consequences, while rising sea levels pose risks to certain distribution centers but are unlikely to occur suddenly. The main risks Posten Bring identifies are landslides, floods, and unstable ground conditions. To prepare for a future rise in sea levels, the issuer analyses potential exposures before building a new terminal. Where this risk is present, Posten Bring builds its exposed terminals on higher foundations. According to Posten Bring, one of its most exposed terminals was lifted by one meter as a preventive measure. The other most salient risk--changing ground conditions--is closely monitored both before construction and during use.

Posten Bring's new terminals could affect biodiversity, particularly the greenfield projects given their potential to disturb local ecosystems. Posten Bring has identified its terminals as having the most material impacts on nature. For each property in Norway and its new development projects, it has mapped various data points to better assess impacts, such as the types of landscape and ecosystems, and the presence of red list species in the area. While the issuer favors brownfield (previously developed) sites, Posten Bring also has some greenfield developments in its pipeline, which could lead to the degradation of natural habitats. For these projects, the issuer commits to restore the locations where projects are built, and the surrounding areas.

Alignment Assessment

This section provides an analysis of the framework's alignment to Green Bond/Loan principles.

Alignment With Principles

Aligned = ✓ Conceptually aligned = ○ Not aligned = ✕

✓ Green Bond Principles, ICMA, 2021 (with June 2022 Appendix 1)

✓ Green Loan Principles, LMA/LSTA/APLMA, 2023

✓ Use of proceeds

We assess all the framework's green project categories as having a green shade, and the issuer commits to allocating the net proceeds issued under the framework exclusively to eligible green projects. Please refer to the Analysis Of Eligible Projects section for our analysis of the environmental benefits of the expected use of proceeds. There will be no look-back period for capital expenditure refinancing, which we view as a limitation compared to market practice. The issuer expects that for EVs the look-back period could extend to the leasing period of each vehicle. Regarding operational expenditure, refinancing will be limited to one year. Posten Bring commits to disclose the proportion of financing versus refinancing in its Green Financing Impact Report. We view positively that the framework excludes allocating proceeds to any assets that aim to finance fossil-fuel vehicles, equipment, or generation.

✓ Process for project evaluation and selection

Posten Bring has established a Green Finance Committee (GFC) responsible for project evaluation and selection. The GFC assesses proposed assets under the framework’s eligibility criteria and ensures that the pool of eligible assets is aligned with these criteria. It is responsible for replacing investments that no longer meet such criteria and updating the framework to reflect any changes related to the group’s strategy, technology, or market developments. The GFC is comprised of members from the treasury, sustainability, and business control teams and the CFO. To evaluate environmental and social risks tied to financed projects, the issuer relies on risk assessments performed at the group level and on the consideration of certain risk factors within its procurement process.

✓ Management of proceeds

The issuer will credit to a separate register an amount equal to the net proceeds raised from the instruments. Posten Bring commits to remove any eligible asset from the earmarked pool if the asset ceases to comply with the framework criteria. In cases where proceeds would temporarily exceed the total value of eligible assets, the company commits to place any unallocated proceeds in its liquidity reserves, including in cash deposits or liquidity funds, in compliance with the exclusion criteria listed in the framework.

✓ Reporting

The issuer commits to publish annually and until full allocation of the proceeds an Impact and Allocation Report. This report will include, notably, a description of the portfolio of eligible assets, the type of green instrument utilized, and the amounts allocated to eligible assets and disbursed per category and location. The issuer will, on a best-efforts basis, align its impact reporting with the ICMA’s Handbook: Harmonised Framework for Impact Reporting (June 2024). Reported impact indicators will include, for example, annual greenhouse gas reduction for transportation-related projects and environmental certifications and energy performance certificates (EPCs) for buildings. An external independent auditor will provide assurance on the project selection process and the proceeds allocation, which we view positively.

Analysis Of Eligible Projects

This section provides details of our analysis of eligible projects, based on their environmental benefits and risks, using the Shades of Green methodology.

Overall Shades of Green assessment

Based on the project category shades of green detailed below, the expected allocation of proceeds, and consideration of environmental ambitions reflected in Posten Bring's Green Finance Framework, we assess the framework as Dark green.

Posten Bring expects to allocate 80% of proceeds to clean transportation, and the remaining 20% to green buildings.

Dark green

Activities that correspond to the long-term vision of a low-carbon climate resilient future.

Our Shades of Green Analytical Approach >

Green project categories

Clean transportation

Assessment	Description
Dark to Medium green	Financing of electric and other clean-energy vehicles such as bikes, cars, and trucks running on electricity, biodiesel, or biogas, as well as rail and multi-modal transportation. This category can also be used for financing supporting infrastructure such as charging stations for clean-energy vehicles as mentioned above and for rail and multi-modal transportation.

Analytical considerations

- Mitigating greenhouse gas emissions from transportation will be central to meeting global decarbonization goals given that the transport sector accounted for 23% of global energy-related emissions in 2019, according to the IPCC. Fossil-fuel-powered vehicles and vessels also emit air pollutants such as nitrogen oxides and sulphur oxides. Electric road and electric rail transport is key to decarbonizing land transportation. The use of biofuels and synthetic fuels could also contribute to lowering emissions as long as climate and environmental risks--such as feedstock sourcing and direct and indirect land use--are addressed, and the energy intensity of production is effectively mitigated.
- According to the issuer, most investments in this category are expected to be for financing new EVs. Hybrid vehicles are not eligible. The issuer intends for 50% of total proceeds to be directed to EVs, 10% to biofuel vehicles, 10% to rail, and 10% to infrastructure such as charging stations. We assign an overall shade of Dark to Medium green for the clean transportation project category. Transitioning from fossil-fuel-based transport to cleaner modes is necessary to move toward a low carbon economy. For heavy-duty vehicles, electrification can be more challenging and, as such, sustainably sourced advanced biofuels also have a role to play.
- We assign a Dark green shade to investments in EVs and supporting electric infrastructure as these align with a low carbon climate resilient future. In Norway, as of 2023, less than 2% of electricity generation comes from fossil fuels while around 98% comes from renewable sources, mostly hydropower (source: IEA). We therefore view positively that charging stations dependent on the grid's local energy mix have low life-cycle emissions. Norway has an above-global-average share of primary energy consumption from renewable sources. We assign a Medium green shade to the investments in bio-fuel vehicles provided, as the issuer has informed us, that biofuels will be sourced under RED II requirements and contain no palm oil inputs. While we assess electric rail as Dark green, we note that 10% of the trains will run on diesel. However, we note

positively that the company is in dialogue with rail transport suppliers on potential pilot projects to run on biodiesel in Northern Norway.

- Not all types of biofuels are sustainable given risks of indirect land use change such as deforestation and negative impacts on biodiversity. Sourcing is key to ensuring 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 from, or as a biproduct of, palm oil. The issuer will only invest in biofuel solutions where sustainable sourcing is certain, considering the sustainability criteria of the renewable energy directive (RED II) and favoring local sourcing in the Nordics. 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 production of batteries and sourcing of raw materials to make them can have substantial climate and environmental impacts. Posten Bring follows Norwegian procurement regulations, which state that climate and environmental considerations shall be weighted 30%. Posten Bring further requires suppliers to provide LCAs for various vehicle types; the supplier's environmental policy, and the supplier's greenhouse gas statements. We view this positively. In addition, Posten Bring has developed specific requirements for all procurement types including supporting infrastructure for transportation.

Green Buildings

Assessment	Description
Light green	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 Posten Bring, in addition to an Energy Performance Certificate (EPC) with energy class A according to corresponding national standards.

Analytical considerations

- The issuer expects most proceeds will be allocated to the construction of new terminals, although the criteria allow for both new and existing buildings to be financed under the framework. These terminals are used by Posten Bring to operate its distribution activities. The IEA emphasizes that reaching net-zero emissions in buildings demands major energy efficiency strides and fossil fuel abandonment. In new construction projects, ensuring highly efficient energy performance and minimizing embodied emissions from building materials and construction are essential to achieving low-carbon objectives. Additionally, addressing physical climate risks is key to strengthening climate resilience across all buildings.
- We assess the project category as Light green given that most proceeds will be allocated to the construction of new buildings, specifically terminals. These terminals are used by Posten Bring’s to operate its distribution activities. For new or ongoing construction projects, we consider Posten Bring’s green finance framework to be relevant to decreasing emissions because it aims to ensure energy efficiency and mitigate physical climate risks. While the issuer expects most proceeds will be allocated to the construction of new terminals, the criteria allow for both new and existing buildings to be financed under the framework. However, we consider that the criteria do not ensure embodied emissions will be significantly reduced across the construction projects, which limits our assessment to Light green.
- Both new and existing terminals are exposed to physical climate risks. The issuer has conducted a climate risk assessment, identifying these assets as the most exposed to such risks. For each terminal, the issuer assesses the exposure to these risks and discloses the most relevant ones for each location in its integrated report. Notably, Posten Bring has highlighted that flooding and changing ground conditions are the most material risks potentially impacting the terminals. The issuer has confirmed that exposures to rising sea levels and changing ground conditions are analyzed before it starts construction of a new terminal and are monitored regularly. Some of the adaptive measures Posten Bring has taken in the past include raising its most exposed terminal, given rising sea levels in Tromsø, or adding water pumps to better cope with flooding risks.
- The issuer will only finance buildings that have an EPC A rating, while the regulation requires an EPC C rating at minimum. We view positively that this requirement is more stringent than the regulation. Additionally, the issuer has confirmed no fossil fuel systems would be used for heating at the terminals in scope of this framework. Another requirement is for buildings to reach at least a “Very Good” score under the BREEAM-NOR certification or an equivalent. The issuer has confirmed that the

equivalent could be the BREEAM-SE certification but given that most proceeds are to be allocated in owned terminals in Norway, the BREEAM-NOR is expected to be used in most cases.

- Although green building certifications cover a broad set of environmental issues, they differ considerably in their requirements for energy efficiency, embodied emissions of construction materials, and climate resilience. Typically, their points-based systems guarantee neither low carbon new construction nor highly energy efficient existing buildings. Certifications' robustness depends on a variety of factors, such as levels achieved and the type of certification.
- While embodied emissions in building materials are significant, the framework does not include thresholds for such emissions. We view positively that the BREEAM-NOR certification has some minimum requirements for monitoring the embodied emissions of construction materials. The issuer has confirmed that life-cycle assessments of construction projects are performed to ensure embodied emissions thresholds of materials are not breached. However, we note there is no requirement in the eligibility criteria to ensure that embodied emissions are significantly reduced, which limits our assessment to Light green for new construction projects. This limitation does not apply to existing buildings, which we assess as Medium green. The expected allocation of proceeds to new construction projects drives our recommendation of light green at the project category level.
- The construction of new buildings also leads to other non-climate-related environmental risks. The issuer informed us that, while it will prioritize brownfield land, some projects in the pipeline will be built on greenfield land. If construction is on greenfield land, Posten Bring will aim to restore the area. Yet, such projects are likely to lead to natural habitat degradation and associated biodiversity impacts. While Nordic countries mandate assessments of such risks, all deforestation negatively affects climate, and current practices might not consider biodiversity and climate risks sufficiently.

S&P Global Ratings' Shades of Green

Assessments	**Dark green**	**Medium green**	**Light green**	**Yellow**	**Orange**	**Red**
Description	Activities that correspond to the long-term vision of an LCCR future.	Activities that represent significant steps toward an LCCR future but will require further improvements to be long-term LCCR solutions.	Activities representing transition steps in the near-term that avoid emissions lock-in but do not represent long-term LCCR solutions.	Activities that do not have a material impact on the transition to an LCCR future, or, Activities that have some potential inconsistency with the transition to an LCCR future, albeit tempered by existing transition measures.	Activities that are not currently consistent with the transition to an LCCR future. These include activities with moderate potential for emissions lock-in and risk of stranded assets.	Activities that are inconsistent with, and likely to impede, the transition required to achieve the long-term LCCR future. These activities have the highest emissions intensity, with the most potential for emissions lock-in and risk of stranded assets.
Example projects	Solar power plants	Energy efficient buildings	Hybrid road vehicles	Health care services	Conventional steel production	New oil exploration

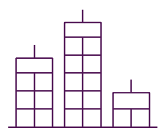
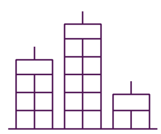
Note: For us to consider use of proceeds aligned with ICMA Principles for a green project, we require project categories directly funded by the financing to be assigned one of the three green Shades.

LCCR--Low-carbon climate resilient. An LCCR future is a future aligned with the Paris Agreement; where the global average temperature increase is held below 2 degrees Celsius (2 C), with efforts to limit it to 1.5 C, above pre-industrial levels, while building resilience to the adverse impact of climate change and achieving sustainable outcomes across both climate and non-climate environmental objectives. Long term and near term--For the purpose of this analysis, we consider the long term to be beyond the middle of the 21st century and the near term to be within the next decade. Emissions lock-in--Where an activity delays or prevents the transition to low-carbon alternatives by perpetuating assets or processes (often fossil fuel use and its corresponding greenhouse gas emissions) that are not aligned with, or cannot adapt to, an LCCR future. Stranded assets--Assets that have suffered from unanticipated or premature write-downs, devaluations, or conversion to liabilities (as defined by the University of Oxford).

Mapping To The U.N.'s Sustainable Development Goals

Where the Financing documentation references the Sustainable Development Goals (SDGs), we consider which SDGs it contributes to. We compare the activities funded by the Financing to the International Capital Markets Association (ICMA) SDG mapping and outline the intended linkages within our SPO analysis. Our assessment of SDG mapping does not impact our alignment opinion.

This framework intends to contribute to the following SDGs:

Use of proceeds	SDGs
Clean Transportation	 **11. Sustainable cities and communities***
Green Buildings	 **11. Sustainable cities and communities***

*The eligible project categories link to these SDGs in the ICMA mapping.

Related Research

- Analytical Approach: Second Party Opinions: Use of Proceeds, July 27, 2023
- FAQ: Applying Our Integrated Analytical Approach for Use-of-Proceeds Second Party Opinions, July 27, 2023
- Analytical Approach: Shades of Green Assessments, July 27, 2023
- S&P Global Ratings ESG Materiality Maps, July 20, 2022

Analytical Contacts

Primary contact

Maxime Chul
Paris
+33 6 10 45 00 98
maxime.chul
@spglobal.com

Secondary contacts

Irina Velieva
Stockholm
+46 70 957 07 31
irina.velieva
@spglobal.com

Alexander Volden
Oslo
+47-2195-8337
alexander.volden
@spglobal.com