



Kinnevik AB

Sustainability Linked Financing

Second Opinion

1st November 2021

Kinnevik is an investment company headquartered in Stockholm, Sweden. Kinnevik invests in disruptive digital businesses in four sectors: healthcare services, food, consumer services and financial services, primarily in Europe, focusing on the Nordics, and the United States. Kinnevik is also the main shareholder in Tele2, a mobile and fixed connectivity provider.

Kinnevik has a solid sustainability governance structure in place that covers its own operations and investments. Kinnevik has implemented and is reporting on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and engages with portfolio companies to improve climate disclosure and set science-based emissions reduction targets and on diversity and inclusion matters. Overall Kinnevik demonstrates a high level of commitment to transparent sustainability reporting.

An overall Yellow shading, with potential for activities of all Shades of Green, has been assigned to Kinnevik's investment sectors. This means that without substantial changes to business models, companies in these sectors are unlikely to explicitly contribute to climate mitigation and adaptation, although they may address climate risks. Based on our assessment, a handful of Kinnevik's portfolio companies likely have some activities corresponding to a Shade of Green. This sectoral assessment approach has been taken as it is not possible to shade revenues in Kinnevik's portfolio without further analysis of each portfolio company.

We find that Kinnevik has developed a set of material and strategically significant KPIs and sustainability performance targets (SPTs) that reflect and support its corporate sustainability strategy. Based on our assessment of Kinnevik's sustainability strategy, we deem Kinnevik to have a credible and robust strategy to achieving the SPTs. We commend Kinnevik's commitment to achieving SPTs annually with potential annual variations in the financial characteristics, which offers a novel approach that can help differentiate issuers on ambition and commitment, as well as help improve credibility in the sustainability-linked market if adopted more widely.

Overall, we assess Kinnevik's SPTs to have a mixed level of ambition. Kinnevik's climate focused SPT cannot be considered ambitious when compared to a Paris-aligned trajectory, but is more ambitious than its direct growth equity and venture capital peers, who have not set portfolio-level targets. Kinnevik's gender-focused SPT is ambitious when compared to peers, but not compared to its own past performance. Kinnevik's governance-focused target cannot be compared externally due to its uniqueness, but could be considered ambitious in light of Kinnevik's portfolio companies' likely business-as-usual trajectories.

CICERO Green has not reviewed the degree to which the variation in the financial characteristics is commensurate and meaningful. Investors are encouraged to review the term sheets in detail and conduct their own assessment of the financial characteristics of the SLBs.

Included in the overall shading is an assessment of the governance structure of the sustainability linked bond framework. CICERO Shades of Green finds the governance procedures in Kinnevik's framework to be **Excellent**.



SUSTAINABILITY LINKED BOND PRINCIPLES

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

SUSTAINABILITY LINKED LOAN PRINCIPLES

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



Contents

1	Assessment of Kinnevik’s activities and environmental governance	3
	Company Description	3
	Governance Assessment.....	3
	Assessment of Kinnevik’s Portfolio	5
2	Kinnevik’s Sustainability Linked Financing Framework	17
	Description of the Sustainability Linked Financing Framework	17
	Assessment of the Sustainability Linked Financing Framework	18
3	Terms and methodology	32
	Appendix 1: Summary of Kinnevik’s sustainability management	34
	Appendix 2: Additional comments on KPI methodology	38
	Appendix 3: Referenced Documents List	39
	Appendix 4: About CICERO Shades of Green	40
	Appendix 5: About IISD	41



1 Assessment of Kinnevik's activities and environmental governance

Company Description

Founded in 1936, Kinnevik is an investment company headquartered in Stockholm, Sweden, with an additional office in London. The company had a net asset value of SEK 76 billion, or SEK 274 per share as of 30 June 2021. Kinnevik's shares are listed on Nasdaq Stockholm's list for large cap companies.

Kinnevik aims to invest in companies that make people's lives better while delivering superior shareholder returns. It takes a long-term approach and invests in businesses in every stage of their journey. The company seeks out opportunities in digital businesses with disruptive potential across four sectors: healthcare services, food, consumer services and financial services. Kinnevik invests primarily in Europe, with a particular focus on the Nordics, and the United States.

Governance Assessment

Kinnevik regards sustainability as a key factor for successful long-term investing and has a solid sustainability governance structure in place. As an investment firm, Kinnevik's environmental and social impacts from its portfolio are much larger than for its own operations. Accordingly, the company distinguishes between approaches and targets for its own operations and portfolio.

Kinnevik's sustainability strategy is built around the 2030 Sustainable Development Goals (SDGs). As part of its strategy, Kinnevik has set targets for topics identified as material across environment, society and governance via stakeholder dialogue, board and management team discussions, peer benchmarking, and industry best practices.

For environmental issues, Kinnevik focuses on Environmental Responsibility and Reduced Climate Impact. It has set a target of net zero greenhouse gas emissions from own operations and business travel by 2020, which will be met with a combination of emissions reductions and offsets. At the portfolio level, Kinnevik has set a target of halving carbon intensity by 2030 compared to 2020, which it aims to achieve through engagement with portfolio companies.

For social issues, Kinnevik focuses on Social Equality and Good Corporate Citizenship. In its own operations, this entails a target of 40/60 gender composition by 2022 in all its teams, including the board, management, investment and corporate teams. At the portfolio level, Kinnevik has set a target to invest at least 10% of the capital invested in new businesses annually into female founded or led companies. In addition, any potential follow-on investments are conditional upon clear diversity and inclusion progress.

For governance issues, Kinnevik focuses on Sound Governance Structures and Economic Growth. This entails a target of delivering 12-15% in total shareholder returns over the business cycle and accompanying objectives of maintaining sound corporate governance, risk management and compliance structures in its own operations and portfolio companies. Kinnevik's work with portfolio companies on corporate governance encompasses sustainability governance, i.e. the implementation of processes and frameworks that ensure sustainability is integrated into board and senior management oversight, risk management, compliance, etc.



Kinnevik’s sustainability strategy, including its approach to climate change, is overseen by the Audit & Sustainability Committee of its board of directors. A dedicated Sustainability Team is responsible for implementing Kinnevik’s sustainability strategy, both for its own operations and for its portfolio. Kinnevik has shared that all employees’ variable remuneration is linked to individual and corporate level targets, including sustainability targets, and discloses how this was applied to its CEO’s remuneration for 2020.¹ CICERO Green considers linking employee remuneration to sustainability targets as a best practice.

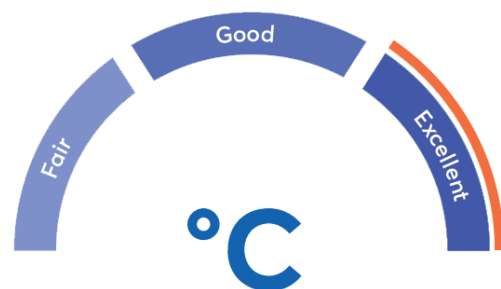
Kinnevik integrates ESG issues into evaluation and monitoring of portfolio companies and has a public sustainability policy outlining its approach and expectations, as well as an internal ESG scoring system (the “Kinnevik Standards”) used for benchmarking. Three rounds of sustainability-related assessment and due diligence are conducted before investment. Post-investment, Kinnevik develops annual roadmaps with companies to address outstanding issues. Portfolio companies’ ESG performance and progress is monitored via regular review processes involving the sustainability and investment teams. Kinnevik has shared that it does not yet explicitly integrate ESG into its valuation processes but is exploring methodologies for doing so.

Climate change is integrated into Kinnevik’s core business activities, i.e. its investments, via expectations for portfolio companies to establish a climate strategy, measure and disclose emissions, and set 1.5-degree or Paris-aligned emissions reduction targets, alongside subsequent engagement with portfolio companies over these expectations. Kinnevik also assesses portfolio companies’ exposure to physical climate risks and engages with them to take mitigating actions. Kinnevik has implemented and is reporting on the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), including qualitative scenario analysis covering transition and physical risks.

Kinnevik has identified social issues as material in its operations and portfolio. This relates to its strategy on gender diversity and inclusion as previously discussed, but also human and labour rights and corruption. Kinnevik’s sustainability policy and the Kinnevik Standards outline expectations for companies to support international frameworks such as the UN Guiding Principles on Human Rights, ILO Core Conventions, and OECD Guidelines for Multinational Enterprises in their own operations and supply chains, as well as to incorporate anti-corruption practices and training.

Kinnevik reports on its sustainability strategy and progress via annual sustainability reports that are aligned with the Global Reporting Initiative (GRI). This reporting clearly outlines Kinnevik’s sustainability-related targets and progress against them for its operations and portfolio. Kinnevik reports on its annual emissions in accordance with the GHG Protocol Corporate Reporting and Accounting Standard. For its portfolio, Kinnevik reports on absolute portfolio emissions and publishes the percentages of its investee companies that meet certain criteria in the Kinnevik Standards, based on both portfolio value and number of companies. Kinnevik’s sustainability report has received limited third-party assurance. Kinnevik also discloses in line with the TCFD Recommendations via a standalone TCFD report. Overall, CICERO Green finds Kinnevik to have a high level of commitment to transparent reporting on sustainability risks and impacts.

The overall assessment of Kinnevik’s governance structure and processes gives it a rating of **Excellent**. See Appendix 1 for a more detailed description of Kinnevik’s sustainability management.



¹ <https://www.kinnevik.com/globalassets/documents/4.-governance/remuneration-reports/remuneration-report-2020.pdf>



Assessment of Kinnevik’s Portfolio

In this section, we assess Kinnevik’s portfolio in terms of environmental and social risks and its potential to generate positive environmental and social impacts.² This assessment is not a bottom-up company-by-company analysis; instead our analysis is at the level of sectors and sub-sectors represented in Kinnevik’s portfolio: consumer services, food, healthcare services and financial services, and TMT. Considering Kinnevik’s strategy of focusing on digital businesses, we have assessed these sectors primarily in the online context, factoring in physical operations where relevant. A sectoral assessment approach has been taken as it is not possible to shade revenues in Kinnevik’s portfolio without further detailed analysis of each portfolio company.

CICERO Green Shading of Kinnevik’s portfolio value by sector

For each (sub)sector, we summarize key environmental and social risks, and comment on how businesses can go beyond mitigating sustainability risks to more proactively aligning their business models with climate mitigation and adaptation and sector-specific social aspects. Where relevant, we identify businesses in Kinnevik’s portfolio that could be illustrative of this. We have also applied our Shades of Green methodology to each (sub)sector to provide an indication of its alignment to a low carbon and climate resilient future, noting that Kinnevik’s portfolio companies need to be evaluated on a case-by-case basis to determine their individual shadings. Although we make note of social considerations for each sector, the shading is based only on climate and environmental considerations and does not systematically factor in social risks and impacts. The shadings are summarized in the table below.

Sector / subsector	Portfolio Value ³	Shading
Consumer services	26%	Yellow, indicating caution. It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.
<i>General online</i>	2%	
<i>Online fashion</i>	15%	
<i>Online travel</i>	2%	
<i>Online food</i>	6%	
Healthcare services	41%	Yellow, indicating caution, for healthcare services generally; virtual healthcare may be Light to Dark Green. It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.
Financial services	6%	Yellow, indicating caution. It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.
Technology, media, and telecommunications	32%	

Consumer services (26% of Kinnevik’s portfolio value including subsectors)

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

For clarity, based on our review of Kinnevik’s portfolio, “consumer services” is best understood as referring to e-commerce companies that are directly consumer-facing or serve consumer-facing businesses. We discuss e-commerce generally in this section, before covering the specific sub-sectors of fashion, travel, and food in subsequent sections. As a whole, consumer services comprises 26% of Kinnevik’s current portfolio by fair value, while the proportion of its consumer services portfolio not falling under fashion, travel or food comprises 2%.

² While noting their importance and Kinnevik’s inclusion of a corporate governance focused SPT, we do not evaluate the full scope of corporate governance issues. Rather, we include a governance assessment that reflects on the issuer’s governance as it relates specifically to implementing the SLB.

³ Portfolio values as of 30 June 2021; may not add up to 100% due to rounding.



Overview of E&S Risks in the Consumer Services Sector and Sub-sectors

	Consumer Services ⁴	Online Fashion	Online Travel	Online Food Retail and Distribution
Climate risk (Physical)	<ul style="list-style-type: none"> ✓ Climate change impacts are already causing supply chain disruptions from extreme weather events and impairing companies' abilities to manufacture, transport and/or sell products. ✓ Increased occurrences of heat and drought can impact data center operational costs by increasing cooling needs and disrupting availability of water for cooling. 	<ul style="list-style-type: none"> ✓ Apparel manufacturing has high water usage, both in dyeing and finishing processes and in supply chains of raw materials like cotton. More frequent drought can disrupt supply chains and manufacturing processes, as well as create tensions with local communities over water availability. 	<ul style="list-style-type: none"> ✓ Increased occurrence and severity of climate-related natural disasters could disrupt transportation routes, temporarily reducing travel demand and increasing the likelihood of cancellations and demands for refunds from travelers. 	<ul style="list-style-type: none"> ✓ Agricultural supply chains are already impacted by increased variability in rainfall and temperature and will be increasingly exposed to both acute (e.g. drought or extreme precipitation) and chronic (e.g. saltwater intrusion from sea level rise) physical risks. ✓ Seafood supply chains will also be impacted by ocean acidification driven by climate warming.
Climate risk (Transition)	<ul style="list-style-type: none"> ✓ Energy use and emissions from goods deliveries and operation of buildings and network infrastructure exposes the industry to carbon pricing and other climate regulations. Regulations on transportation may require reinvestment in delivery vehicle fleets. ✓ Growing concern over climate change could impact revenues for e-commerce providers that do not address their climate impacts or match potential growth of consumer demand for low-carbon and sustainable products and services. 	<ul style="list-style-type: none"> ✓ Fashion retailers may face reputational risks from life-cycle impacts of clothing including textile waste, excessive packaging, or if found to be destroying unsold and returned merchandise. ✓ The sector may also be expected by consumers or regulators to take greater responsibility for textile waste. 	<ul style="list-style-type: none"> ✓ Demand for online travel bookings may fall as consumers and businesses become more conscious of their travel-related emissions and travel less as a result. ✓ More stringent regulation on air travel and other emissions-intensive transportation modes may translate into higher ticket prices and lower demand. 	<ul style="list-style-type: none"> ✓ Substantial emissions from food supply chains, especially deforestation-linked commodities, are a supply chain risk that could impact consumer demand and create reputational risks (e.g. from NGO campaigns) and regulatory risks (e.g. related to imported deforestation). ✓ Food waste is a climate concern and a potential source of regulatory and reputational risk.

⁴ Risks discussed here could generally be considered applicable across Kinnevik's entire portfolio given its focus on digital businesses.



Other environmental risks:	<ul style="list-style-type: none"> ✓ Ongoing biodiversity loss and environmental degradation causes declines in performance of assets or economic activities with dependencies on ecosystem services provided by natural capital, impacting production/provision of goods and services. ✓ Product life cycle impacts may contain deforestation, air/water pollution, and other environmental impacts that create transition risks related to environmental regulation, litigation, technological developments, and changing consumer preferences. ✓ High dependence on mobile devices, computers and other IT infrastructure creates exposure to regulatory and reputational risks related to the disposal of e-waste. 	<ul style="list-style-type: none"> ✓ Supply chains for online fashion retailers can contain regulatory, liability, and reputational risks if suppliers and factories do not properly manage waste and wastewater and other negative environmental impacts, including land use and biodiversity impacts from natural fiber production. ✓ Microplastics pollution from repeated washing of synthetic textiles could affect consumer demand and create reputational risks 	<ul style="list-style-type: none"> ✓ While unlikely in the immediate term, concerns about broader environmental impacts of transportation infrastructure, e.g. habitat fragmentation, could impact demand for travel on particular routes and modes of transport. ✓ Degraded natural capital weakens resilience of transportation infrastructure and creates other physical risks, e.g. deforestation-linked soil erosion and landslides, which impact travel demand and cancellations. 	<ul style="list-style-type: none"> ✓ High water use and pollution in the food and agriculture sectors and links to biodiversity loss exposes companies to market and reputational risks and regulations that may increase capital expenditures, operating costs, remediation costs, and/or potential fines. ✓ Biodiversity loss may negatively impact food production due to loss of animal pollinator species, as well as create market and reputational risks if linked with food retailers and distributors via their supply chains.
Social risks:	<ul style="list-style-type: none"> ✓ Access to financial information and other user data raises privacy concerns as this information can be easily transmitted and stored illegally. Since online services depend on digital payments, a persistent risk of cybercrime prevails. Most countries lack robust regulatory frameworks to protect their citizens. ✓ Intense competition in the sector among companies to attract talent and among skilled workers or jobs. While this contributes to improved innovation, this increases turnover and the risks of neglecting workers' rights. Hiring foreign nationals to compensate for the lack of local talent can often have social implications for the local economy. 	<ul style="list-style-type: none"> ✓ Critical concerns include fair wages, child labor, and forced labor. Many companies outsource production to countries with lower costs involving several suppliers and sub-contractors along the supply chain. It is difficult to ensure the fair treatment and rights of workers across different countries and jurisdictions. ✓ The fashion industry has a history of neglecting safety standards, increasing risks of fatal workplace accidents. 	<ul style="list-style-type: none"> ✓ Risks around privacy violations are a major concern in this sector; personal information extends to users' current location, travel history, and potential trips. Exposure of this sensitive information increases the digital footprints of users. ✓ The popularity of online travel services provided has negatively impacted the business of local travel agents. By means of the industry being lower-skilled, seeking alternate professions is difficult, with no compensation offered in most cases. 	<ul style="list-style-type: none"> ✓ Companies face liability risks pertaining to food safety. Several companies in the sector are also facing serious lawsuits related to delivery drivers' tampering with packages. ✓ Since the sector is heavily dependent upon timely delivery of food products, delivery drivers face increased risks of traffic accidents. Furthermore, since many workers are contractors, they are also often exposed to significant 'wage and hour liability' risks.



Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial changes. Despite the emissions associated with transportation of goods for delivery, research suggests that online shopping and services may have a lower carbon footprint than in-store shopping and services, although this is sensitive to assumptions.⁵ Studies have also suggested that online shopping could reduce environmental impacts, e.g. by enabling purchases of second-hand or less resource-intensive products, while also having the potential to create rebound effects and induce overconsumption, depending on the type of good or service bought.⁶ As such, key factors for determining shading of companies in this sector would be the nature of goods and services traded, their direct and supply chain impacts, and the business model of the company. Budbee, a Kinnevik portfolio company that provides logistics services to e-commerce businesses, has a portion of core business activities that may fall under a Shade of Green as it employs cargo bikes and electric vehicles for some of its deliveries.

Initiatives for greening the sector

- ✓ Renewable energy procurement for operation of IT and logistics infrastructure and investments to improve their resiliency against physical climate risks
- ✓ Zero carbon solutions, e.g. electrification of delivery vehicle fleets
- ✓ Embrace of circular economy principles, e.g. maximizing the use of sustainably-sourced and/or recycled materials in production and packaging; implementation of design-for-environment principles and product take-back programs
- ✓ Further reorienting business models away from dependency on increasing consumption and towards the circular economy, consumer usership, or the sharing economy, including second hand and rental businesses

Social impacts and risk mitigation

To mitigate key social risks companies should institute strong data security and privacy policies. General best-practices for ensuring that labor rights are maintained throughout supply chains should also be implemented.

Consumer Services – Online Fashion (15% of Kinnevik’s portfolio value)

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial changes. Key issues to address include emissions and environmental impacts from apparel supply chains, notably high water use, pollution from waste generation and wastewater discharge and land use impacts and water use for production of cotton and other natural fibers. These will be especially relevant for the low-price, mass-produced segment often referred to as “fast fashion.”

Initiatives for greening the sector

- ✓ Initiatives highlighted for consumer services apply here, especially the application of circular economy principles, including improving product durability; addressing environmental impacts from sourcing, production processes and products’ end-of-life; implementation of clothing takeback programs, and general innovation to move away from business models that encourage and depend upon throwaway consumer attitudes to clothing
- ✓ Climate resilience investments, including those that support water stewardship in operations and supply chains, i.e. conducting water risk assessments, improving internal water efficiencies, treating/recycling wastewater, and engaging with other stakeholders in water basins to improve water governance

⁵ <https://www.econstor.eu/bitstream/10419/228946/1/hicl-2020-30-071.pdf>

⁶ <https://www.sciencedirect.com/science/article/abs/pii/S2352550920300890>



Social impacts and risk mitigation

Due to the multiple actors involved in the supply chain, assessing the social performance of companies in this sector might be difficult. Companies could generate a positive impact by standardizing the assessment across the supply chain, including outsourcing; establishing and implementing an internal framework to streamline wages, and labor safety considerations, companies can seek to comply with voluntary social standard certifications like the SA8000, and other regulations established by the institutions like the World Fair Trade Organization, and the International Oeko-Tex Association. Other initiatives could include engaging external verifiers to provide an independent opinion on the social considerations of the process. Towards this end, one of Kinnevik's portfolio companies, Global Fashion Group (GFG), has developed an ethical trade framework, wherein certain factories located in developing countries are required to provide comprehensive social audits assessing the local working conditions before any production commences.⁷ These audits are later verified by an independent party through employee interviews.

Consumer Services – Online Travel (2% of Kinnevik's portfolio value)

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades

Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial changes. In and of themselves, travel booking platforms can have minimal climate impacts if sourcing 100% renewable energy. However, as the last link in the supply chain for travel, they contribute to emissions from air travel and other transportation modes. Air transportation is a “hard-to-abate” sector due to limited technological solutions, which heightens the importance of demand-side approaches for lowering emissions. Kinnevik currently supports portfolio companies by assisting them in understanding the issues associated with offsets and how to better assess their quality and credibility, while encouraging them to explore other avenues for mitigating climate impacts, such as nudging consumers to low emission alternatives.

Initiatives for greening the sector

- ✓ Initiatives highlighted for consumer services apply here, especially renewable energy procurement and investments in IT infrastructure resiliency
- ✓ Improving resilience of travel plans to physical climate risks
- ✓ Demand-side innovations for reducing transportation emissions, e.g. supporting consumers to choose low emission alternatives through improved information or nudges
- ✓ Offering offsets to travelers for mitigating emissions. However, risks around the quality of offsets are a major concern, as is the risks that offsets may promote licensing effects among consumers, leading to increased consumption and environmental impacts from other spheres of everyday life

Social impacts and risk mitigation

To mitigate social risks, the rights of workers across the supply chain should be considered. Companies in the sector could establish stringent sanctions for breaches of codes of conduct or other relevant standards. For example, TravelPerk, one of Kinnevik's portfolio companies has formulated mandatory obligations for its suppliers to ensure fair working conditions, wages and benefits to their employees under its ‘Code of Suppliers’.⁸ TravelPerk does not work with suppliers that do not accept these obligations.

⁷ <https://global-fashion-group.com/sustainability/ethical-trade/>

⁸ http://www.travelperk.com/wp-content/uploads/TravelPerk_Suppliers_Code_of_Conduct.pdf



Consumer Services – Online Food (6% of Kinnevik’s portfolio value)

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial change. Key issues to address include supply chain impacts from food production, which include emissions, pollution, and biodiversity loss from agriculture and seafood production. Food waste along the value chain is a major climate and environmental issue due to its potential to generate methane emissions and contribute to air and water pollution, as well as the significant waste of resources it represents. Food retailers should address waste arising from unsold food, as well as possible food waste from delays and inefficiencies in last-mile distribution of e-groceries.⁹ Food retailers are uniquely positioned to help tackle farm losses and consumer food waste due to their central position in food supply chains.

Among Kinnevik’s portfolio companies in this sector, Karma and Simple Feast have business models that could be considered green in terms of their active contribution to climate mitigation. Karma reduces food waste by offering an online platform that connects buyers with sources of surplus food, including retailers, wholesalers, restaurants, and F&B outlets. Simple Feast supports consumers with adopting more sustainable diets by supplying plant-based meal kits consisting of locally sourced and certified-organic ingredients. The benefits of local-only sourcing should however not be assumed, as research indicates it may not have lower climate impacts than global sourcing, while delivering greater benefits in terms of health, biodiversity, governance and resilience.¹⁰ More generally, Kinnevik also supports its companies in this sector with understanding and addressing supply chain impacts through traceability and sustainable sourcing commitments.

Initiatives for greening the sector

- ✓ Initiatives highlighted for consumer services apply here
- ✓ Supplier engagement to drive demand for fully traceable and certified sustainable commodities, promotion of agroecology and landscape approaches to agriculture,¹¹ and to drive water stewardship practices
- ✓ Supporting consumer dietary shifts towards more sustainable and healthy options while working with policymakers to improve their accessibility and affordability¹²
- ✓ Addressing food waste, e.g. by collaborating with stakeholders along the value chain to identify uses for surplus food and helping consumers avoid over purchasing

Social impacts and risk mitigation: Companies in the sector should try to use local produce as much as possible to empower local producers and communities. Food waste is also a social issue for the sector. In 2020, the Food and Agriculture Organization (FAO) reported a five-year high in acute food insecurity with over 155 million people being affected globally.¹³ Despite this, recent estimates suggest that over 2 billion tonnes of food is wasted each year.¹⁴ To mitigate the issue of food waste without compromising on food safety, companies should improve consumer awareness around “use by” and “best before” dates. Identifying uses for surplus food as highlighted already, can also create positive social impacts if benefiting vulnerable populations. Karma’s business model also has positive social impacts given the risks that food waste poses to global food security.

⁹ <https://www.sciencedirect.com/science/article/abs/pii/S0360835218300500>

¹⁰ <https://www.sciencedirect.com/science/article/abs/pii/S0959652617314671>

¹¹ <https://www.sciencedirect.com/science/article/pii/B9780128121344000297>

¹² <https://www.wwf.no/assets/attachments/WWF-2021-Bringing-It-Down-To-Earth-Nature-risk-and-agriculture.pdf>

¹³ <http://www.fao.org/news/story/en/item/1397355/icode/>

¹⁴ https://wwf.panda.org/wwf_news/?3211466%2FOver-1-billion-tonnes-more-food-being-wasted-than-previously-estimated-contributing-10-of-all-greenhouse-gas-emissions



Healthcare Services (41 % of Kinnevik's portfolio value)

CICERO Green sector shading: **Yellow, indicating caution, for healthcare services generally; virtual healthcare may be Light to Dark Green.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

Overview of E&S Risks in the Healthcare Sector



Climate risks (Physical): Extreme weather events can damage or disrupt the infrastructure on which virtual healthcare providers rely, such as access to the internet, other technology and equipment. Climatic shifts may alter the range of disease-bearing vectors, leading to introduction of novel diseases that may require healthcare providers to adapt accordingly and increasing risks of pandemics, which can impact revenues for physical healthcare providers by inducing patients to stay home instead of seeking elective treatment.

Climate risks (Transition): Climate regulations such as carbon pricing can impact the healthcare sector due to its emissions, estimated at 4.4% of global emissions. It is likely that privatized healthcare providers operating hospitals and physical facilities will be more exposed to such transition risks, while virtual healthcare providers are likely to be less exposed.

Environmental risks: Ongoing habitat destruction and biodiversity loss can increase the risk of pandemics from zoonotic diseases such as COVID-19, impacting physical healthcare providers' revenues. Medical waste has a large environmental footprint, both in terms of embodied resources wasted and potential contribution to soil and water pollution. The latter is likely to create regulatory risks for operators of physical healthcare services, but unlikely to translate into risks for virtual healthcare providers.

Social risks: Virtual prognosis could be subject to inaccuracy as a result of miscommunication. This increases the risk of misdiagnosis, hence increasing legal liability and reputational risks. Additionally, the service provider should ensure compliance of their medical practice with the obligations set by the local jurisdiction to prevent illegal medical practice.

Our generalized view on companies in the wider healthcare sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial changes. However, we believe that virtual healthcare business models can actively contribute to climate mitigation and adaptation and are likely to be a Shade of Green.

Kinnevik's healthcare services portfolio contains a mix of pure play virtual healthcare providers and value-based healthcare providers with virtual and digital capabilities. Unlike e-commerce businesses selling physical goods, the delivery of virtual services generates minimal to no physical transportation needs. Virtual healthcare can thus help maintain continuity of healthcare services through climate-related disruptions and avoid emissions from patient travel and emergency transportation. Avoided emissions could be significant for highly specialized consultations and low-density areas due to the longer distances traveled by patients seeking in-person consultation in such contexts.¹⁵ Studies suggest such reductions may outweigh emissions associated with manufacturing and operation of additional equipment required.¹⁶ There is further potential for emissions reductions and avoided environmental impacts to the extent that virtual healthcare supports prevention of illness, helping patients avoid

¹⁵ <https://www.rcpjournals.org/content/futurehosp/8/1/e85>

¹⁶ Ibid.



the need for treatment in physical facilities. Rebound effects are a risk depending on how patients and businesses spend or reinvest time and money saved.

In a similar vein, value-based healthcare provision has the potential to help reduce emissions and resource consumption from healthcare. By focusing on receiving payment for positive health outcomes and not a fee-for-service model, healthcare providers are more strongly incentivized to focus on preventative healthcare and minimize unnecessary testing and treatment. This creates financial benefits by lowering costs, but also can reduce emissions, pollution and waste from the sector. Further, minimizing healthcare's environmental impacts indirectly contributes to positive health outcomes by removing drivers of damage to human health. Yet despite the complementarity of value-based healthcare and environmental sustainability, value-based healthcare providers have yet to fully maximize the potential to align the two. As such there is a significant opportunity for Kinnevik to work with value-based healthcare providers in its portfolio to more strongly integrate climate and environmental considerations into their operations.¹⁷

Initiatives for greening the sector

- ✓ Renewable energy procurement and energy efficiency improvements for equipment and buildings
- ✓ Implementing sustainable sourcing and disposal policies for medical and electronic equipment to address life-cycle impacts
- ✓ Developing environmentally preferable clinical care pathways and practices, through better integration of life cycle environmental impacts into healthcare providers' policies and decision-making processes

Social impacts and risk mitigation

Online healthcare enables improved information, given that the information is clinically relevant, accurate and valid.¹⁸ To enhance the positive impact of virtual healthcare services, companies should opt to earn validation from an independent party like the URAC Telehealth Accreditation Program,¹⁹ to both build legitimacy, as well as protect its customers. Their websites could also be simplified to enable senior citizens to benefit from their services. Several countries around the world currently suffer from inequitable access to health care. The discrimination faced by the LGBTQ+ community often prevents them from accessing quality health care facilities.²⁰ This prominent concern can be addressed through virtual health care. One of Kinnevik's portfolio companies, Teladoc, initiated the Transgender and Intersex Medical Advocacy Program (TIMAP) to help identify trans-friendly providers and offer continuity of care.²¹

Financial services (6 % of Kinnevik's Portfolio)²²

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

¹⁷ <https://www.sciencedirect.com/science/article/pii/S092134492030197X>

¹⁸ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC4526934/>

¹⁹ <https://www.urac.org/accreditation-cert/telehealth-accreditation/>

²⁰ <https://www.liebertpub.com/doi/abs/10.1089/lgbt.2015.0124>

²¹

https://downloads.ctfassets.net/13v9j0ltz3yi/NQJiA4sKPi49XxAP7jGMs/60d76d426b5495974c5a739aae2af227/586493028_TDH-CSR-Report-US-2020.pdf

²² This number excludes Kinnevik's investments in financial services firms held under its emerging markets portfolio.



Overview of E&S Risks in the Financial Sector



Climate Risks (Physical): Through lending, investment and underwriting activities, the financial sector is indirectly exposed to most economic sectors and therefore a broad range of physical climate risks. The insurance sector is particularly exposed to physical risks as the increase in severity and frequency of climate-related natural hazards will increase insurance claims.

Climate Risks (Transition): Similarly, exposure to transition risks is likely to be wide-ranging due to the financial sector's exposure to multiple sectors and their exposure to changing regulations, technologies, and market conditions from international climate action. Growing regulatory and supervisory expectations for greater disclosure and oversight of climate financial risks and civil society focus on the finance sector's contribution to climate change create regulatory, liability, and reputational risks. Financial institutions may also be exposed to systemic risks from mispricing of climate-exposed assets.

Other Environmental Risks: As with climate change, nature and biodiversity loss can create physical and transition risks while contributing to systemic risks and financial system instability.²³ Despite their scale and immediate nature, awareness and capacity to manage these risks is likely to be lower than that for climate change.

Social Risks: Since the sector deals with sensitive data, companies are exposed to risks of data breach and fraud, which can be more prevalent in developing countries due to the lack of protective regulatory frameworks. The sector is also subject to regulatory and reputational risks due to risks from malpractices like market manipulation, money laundering and tax evasion. Underrepresentation by women and other minority groups, especially at senior positions is also an issue for the sector.²⁴

Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals, although they have significant potential to do so. The majority of Kinnevik's portfolio companies in this sector are consumer fintech firms that do not directly invest consumers' savings or investments, but instead facilitate access to and choice of personal finance products like savings accounts and investment funds managed by more traditional partner financial institutions, as well as digital payment services. Fintech companies' environmental impacts are limited to their own operations, but they can indirectly enable positive or negative impacts depending on how and where they direct consumers' money, i.e. the type of investment or savings products offered, and the sustainability strategies and policies of the partner financial institutions that provide these products.

Just as financial institutions' investments, loans and insurance underwriting can enable wide-ranging negative environmental impacts, they can also play a crucial role in financing the transition to a low-carbon and climate resilient future. The ultimate scale and nature of their portfolios' environmental impacts depends on the types of economic activities they finance, the robustness and ambition of their sustainability policies and strategies, and the extent to which they go beyond mitigating climate and environmental risks to also focus on positive impact generation.

²³

https://www.ngfs.net/sites/default/files/medias/documents/biodiversity_and_financial_stability_exploring_the_case_for_action.pdf

²⁴ https://www.sasb.org/wp-content/uploads/2018/11/Investment_Banking_Brokerage_Standard_2018.pdf



Kinnevik's portfolio companies in this sector include Betterment, which offers consumers the option of a "Climate Impact Portfolio" that invests in green bonds and companies with low carbon footprints. This part of Betterment's business could qualify for a Shade of Green depending on the robustness and credibility of the portfolio's investment policies and criteria.

Initiatives for greening the sector

Consumer fintech firms:

- ✓ Improving consumer awareness, choice and access to investment options with credible sustainability objectives and criteria
- ✓ Improving transparency to increase consumer awareness of which traditional financial institutions manage their savings and what their savings finance
- ✓ Implementing sustainability criteria that govern the choice of financial institution partners and the products on offer

Traditional financial institutions:

- ✓ Scale up financing for companies and activities corresponding with the various Shades of Green
- ✓ Subjecting financing for yellow activities to robust sustainability risk assessments and engaging with clients to address identified risks and impacts
- ✓ Withholding and phasing out financing for red-shaded activities and companies that do not have ambitious and credible transition plans

Social impacts and risk mitigation

Companies in the sector can generate a positive impact by increasing accessibility to financial services. To enhance this impact, companies should consciously target members of minority communities and other disadvantaged groups seeking basic financial services like banking and insurance. Considering the scope of potential impact in comparison to traditional banking, companies should be encouraged to establish and implement strong corporate social responsibility (CSR) policies.²⁵ Gender diversity is a key social issue for the sector as women are underrepresented at all levels of the global financial system.²⁶ Kinnevik itself has a strong focus on improving gender diversity in its own organization and portfolio companies.

²⁵ <https://socialfintech.org/financial-technology-and-social-impact-the-new-social-fintech-sector-2/>

²⁶ <https://www.imf.org/en/Publications/Staff-Discussion-Notes/Issues/2018/09/17/women-in-finance-a-case-for-closing-gaps-45136>



Technology, media, and telecommunications (TMT) (32 % of Kinnevik Portfolio)

CICERO Green sector shading: **Yellow, indicating caution.** It is not possible to allocate a shading to companies in the sector without further analysis. The sector has the potential for activities of all shades.

Overview of E&S Risks in the TMT Sector



Climate Risks (physical): As the frequency of extreme weather events associated with climate change increases, telecommunication services companies will face increasing risks to network infrastructure, with potentially significant impacts. In the absence of resilient and reliable infrastructure, companies may face lost revenue associated with service outages and unplanned capital expenditures to repair damaged or compromised equipment.²⁷ Heatwaves and droughts can contribute to increased data center cooling costs.

Climate Risks (transition): High energy demands from hosted IT equipment and cooling exposes businesses to risks from climate regulations such as carbon pricing.

Other Environmental Risks: The rapid obsolescence of mobile devices and corresponding increase in the proportion of electronic waste in landfills create growing regulatory risks, e.g. from e-waste recycling laws mandating the creation of systems for collection, recycling, reuse, or proper disposal of electronic devices.²⁸ Degraded natural capital weakens the climate resilience of network infrastructure and creates other physical risks, e.g. deforestation-linked soil erosion and landslides. Physical network infrastructure also has impacts on ecosystems and biodiversity loss from their installation and electromagnetic fields,²⁹ creating possible reputational and regulatory risks.

Social risks: The growing use and storage of personal data raises privacy concerns and the illicit sale of user data by third parties is a concern. While markets like the EU have introduced the General Data Protection Regulation (GDPR), most developing countries lag behind in the development of stringent regulations to protect their citizens.

Our generalized view on companies in this sector is “business-as-usual” in terms of addressing climate mitigation and adaptation, i.e. their business models are unlikely to explicitly contribute to these goals without substantial changes. Overall, the impacts of companies in this sector depends on their ability to manage emissions associated with energy consumption from operation of data centers and other network infrastructure, and wider life cycle environmental impacts from construction, manufacturing and operation of network infrastructure and equipment such as mobile devices. Within Kinnevik’s portfolio, Tele2 is an example of a company taking steps in the right direction, with emissions reductions targets validated by the Science-Based Targets Initiative and a short-term commitment to defining a circular economy-based business model and evaluating its commercial viability.

Initiatives for greening the sector

- ✓ Renewable energy procurement and energy efficiency improvements for network infrastructure and buildings, e.g. waste heat capture for building heating
- ✓ Resilience investments and strategic planning for disruptions to data centers and other network infrastructure

²⁷ https://www.sasb.org/wp-content/uploads/2018/11/Telecommunication_Services_Standard_2018.pdf

²⁸ Ibid.

²⁹ <https://pubmed.ncbi.nlm.nih.gov/34047144/>



- ✓ Collaborating with equipment manufacturers to implement circular economy principles, e.g. design for environment standards that improve the ease of e-waste recycling, product takeback programs, etc.
- ✓ Longer-term innovation to create business models that do not depend on planned obsolescence of consumer devices
- ✓ Engagement and collaboration with environmental and planning authorities, civil society and scientific experts to address impacts of network infrastructure on ecosystems and biodiversity

Social impacts and risk mitigation: To enhance the positive impact generated by the sector, companies should ensure the highest level of privacy regulations are complied with. Other precautionary measures should be considered too, for instance, purchasing cyber insurances, constantly assessing data, and preparing an effective Incident Response Plan (IRP). TMT is another sector with low female representation. Tele2 has been praised by UN Women for their efforts in implementing diversity and inclusion at the workplace, which involves actively basing decisions on recruitment, promotion and career development, training, rewards and recognition on individual abilities and genuine professional requirements.³⁰

³⁰ <https://www.tele2.com/sustainability/our-sustainability-strategy/diversity-inclusion/>

2 Kinnevik’s Sustainability Linked Financing Framework

Description of the Sustainability Linked Financing Framework

Kinnevik has developed a framework oriented around three KPIs and corresponding SPTs across three themes: 1) environmental responsibility and reduced climate impact, 2) social equality and good corporate citizenship, and 3) sound governance structures and economic growth.

Selection of Key Performance Indicators (KPIs)

Kinnevik’s three KPIs are outlined below.

Theme	Environmental responsibility and reduced climate impact	Social equality and good corporate citizenship	Sound governance structures and economic growth
KPI	✓ Greenhouse gas emissions intensity from Kinnevik’s portfolio companies (majority of Kinnevik’s Scope 3)	✓ New capital allocation to female founded or led companies	✓ Annual average ESG Score across portfolio companies

Calibration of Sustainability Performance Targets (SPTs)

Kinnevik has identified a single SPT for each of the three KPIs, which are summarized below:

Theme	Environmental responsibility and reduced climate impact	Social equality and good corporate citizenship	Sound governance structures and economic growth
SPT	SPT 1 ✓ 7% reduction in greenhouse gas emission intensity from Kinnevik’s portfolio from year to year, i.e. 50% reduction by 2030 compared to 2020 (majority of Kinnevik’s scope 3)	SPT 2 ✓ On a two year rolling basis, at least 10% of the capital invested into new companies by Kinnevik, should be invested in female founded or led companies	SPT 3 ✓ 5 percentage points improvement in annual ESG score average from year to year across the portfolio

Financial Characteristics

Kinnevik’s framework has been published to support the issuance of sustainability-linked loans and bonds, the proceeds of which will be used for general corporate purposes.

Kinnevik will select the KPI(s) and corresponding SPT(s) to be used in the issuance of sustainability-linked financing instruments. The financial characteristic will take the form of yearly coupon, redemption price, or margin adjustments that will be applied if Kinnevik fails to report or provide verification of its performance against the



SPTs. Adjustments can be upward or downward. Kinnevik has clarified that adjustments are non-cumulative over multiple years. Where instruments issued include more than one SPT, Kinnevik has shared that the size of the adjustment will be based on the number of SPTs achieved, with the weighting of SPTs to be determined by Kinnevik for each specific instrument. KPIs and SPTs within the framework are applicable throughout the tenor of any instrument issued under the framework.

Reporting

Kinnevik is committed to reporting on the progress towards each SPT on its website and in its annual sustainability report or a separate sustainability-linked progress report, both of which will be made available on its website. In cases where instruments other than bonds are issued, Kinnevik may provide a sustainability-linked progress report to lenders or counterparties. It should be noted that Kinnevik is unable to report on progress against SPT 1 until 2022 due to unavailability of portfolio companies' emissions data before then.

In addition to reporting on the KPIs and related SPTs, Kinnevik's reporting will cover calculation methodology and baselines (including any recalculation), share of portfolio companies included and excluded, and updates to Kinnevik's sustainability strategy and/or governance that are relevant to the SPTs.

Where feasible and possible the reporting will also include explanations of the contribution of the main factors behind the performance on the KPIs, illustrations of positive sustainability impacts, any re-assessments of KPIs and/or restatement of the SPT and/or proforma adjustments of baselines or KPI scope and regulatory updates.

Verification

In addition to this pre-issuance second party opinion, Kinnevik will also seek independent and external verification of its performance level against each SPT by a qualified external reviewer. This will be done at least once a year and for any period for which SPT performance may lead to an adjustment of the issued instruments' financial or structural characteristics. Reporting will continue until after the last reporting date of the financial instrument has been reached. Kinnevik has confirmed it will make the verification of its performance against the SPTs public for both bonds and loans issued under this framework.

Assessment of the Sustainability Linked Financing Framework

In this section we comment on the alignment of Kinnevik's framework with the SLBP and SLLP. According to the SLBP and SLLP, the KPIs should be relevant, core and material to the issuer's overall business, and of high strategic significance to the issuer's current and/or future operations. The SLBP and SLLP further recommend that three benchmarking approaches are considered during the target-setting exercise. The sections below summarize our conclusions from our review of Kinnevik's KPIs and target-setting processes for each SPT, which also includes more detailed comments on methodologies and the benchmarking of the targets. We conclude our assessment of this framework with general comments on bond characteristics, reporting and verification.

Overall, we commend Kinnevik on having developed a set of KPIs and SPTs that strongly reflect its overall corporate sustainability strategy. We also commend the novelty of Kinnevik's approach of setting SPTs that need to be achieved every year. This breaks from market trends and addresses criticisms of sustainability-linked frameworks that leave trigger events until the very end of the financing period, thereby providing little incentive for issuers to achieve their SPTs. This would not be the case for Kinnevik, which will be subject to penalties every year should it fail to achieve its SPTs.



The table below summarizes our assessment of individual SPTs.

Target	Material	Strategically Significant	Ambitiousness versus:		
			Own Performance	Peers	External Benchmarks
SPT 1	Yes	Yes	n/a	Yes, with caveats	No
SPT 2	Yes	Yes	No	Yes	Yes
SPT 3	Yes	Yes	Yes, with caveats	n/a	n/a

SPT 1: 7% reduction in greenhouse gas emission intensity from Kinnevik’s portfolio from year to year, i.e. 50% reduction by 2030 compared to 2020 (majority of scope 3)

Assessment: SLBP/SLLP-aligned; ambitious vs immediate peers, but not Paris-aligned

- ✓ We do not assess SPT 1 as 1.5-degree and Paris-aligned. The choice of emissions intensity as the KPI due to Kinnevik’s growth-focused strategy means portfolio emissions could grow on an absolute basis even if SPT 1 is achieved annually. This is likely incompatible with reducing GHG emissions to net zero by 2050, which must entail absolute emissions reductions combined with any intensity targets. Kinnevik has not attempted to estimate the likelihood and magnitude of possible absolute emissions growth.
- ✓ We are encouraged that Kinnevik will disclose absolute portfolio emissions and engages with portfolio companies to set absolute emissions targets, but this is not covered by target-setting under this framework.
- ✓ Kinnevik’s climate targets are ambitious compared to immediate peers in the growth equity and venture capital space, but less so compared to 2050 net zero and interim targets set by investors via voluntary industry initiatives that include private equity firms, e.g. the Net Zero Asset Manager Initiative.
- ✓ Benchmarking SPT 1 against Kinnevik’s own past performance is not possible due to lack of historical data.

SPT 2: On a two year rolling basis, at least 10% of the capital invested into new companies by Kinnevik, should be invested in female founded or led companies

Assessment: SLBP/SLLP-aligned; ambitious vs peers

- ✓ SPT 2 can be considered ambitious compared to peers as the targeted 10% substantially exceeds equivalent statistics for venture capital investments in Sweden and globally. However, it cannot be considered a material improvement compared to a business-as-usual trajectory as Kinnevik already achieved this SPT in 2021 YTD³¹ and came close to doing so in 2020.

SPT 3: 5 percentage points improvement in annual ESG score average from year to year across portfolio

Assessment: SLBP/SLLP-aligned; ambitious vs the business-as-usual trajectory of Kinnevik’s portfolio companies

- ✓ Due to the Kinnevik Standards’ revision in 2020, benchmarking this SPT against Kinnevik’s own past performance is only possible using historical KPI data based on the previous version of the Kinnevik Standards. Using this imperfect approach, we do not find the SPT represents a material improvement from a business-as-usual trajectory.
- ✓ However, based on cases shared by Kinnevik, it is reasonable that portfolio companies’ performance on the Kinnevik Standards might not improve as quickly without Kinnevik’s continued engagement. As

³¹ YTD includes investments that were made public as of mid-July and this figure may change



such, the SPT might be considered a material improvement if a “business-as-usual trajectory” is interpreted from the perspective of Kinnevik’s portfolio companies.

- ✓ Benchmarking this SPT externally is not possible as the underlying KPI is unique to Kinnevik.

SPT 1: 7% reduction in greenhouse gas emission intensity from Kinnevik’s portfolio from year to year, resulting in a total reduction of 50% by 2030 compared to 2020 (majority of Kinnevik’s Scope 3).

Summary

Kinnevik has selected emissions intensity for this KPI/SPT, with no component focused on absolute emissions, due to its strategy of focusing on high growth companies. This means Kinnevik could achieve this SPT while the emissions of its portfolio companies continue to grow in absolute terms. CICERO Green cannot rule out this possibility and is unable to estimate the potential scale of such emissions growth.

While established target-setting methodologies for investors³² allow for intensity-based targets, these are accompanied by absolute emissions reductions targets or determined using sector-specific decarbonization pathways that factor in the likely growth of the sector. Kinnevik has not factored in absolute emissions in developing this SPT. Considering that a 1.5-degree or Paris-aligned pathway requires absolute contraction of emissions, leading to their halving by 2030 and reduction to net zero by 2050, this SPT cannot be considered aligned with said pathway.³³ It should be noted that Kinnevik is committed to disclosing absolute portfolio emissions and engages with portfolio companies to set absolute emissions reduction targets, though these are not directly covered by the target setting framework.

Additionally, Kinnevik’ use of a bespoke methodology for this KPI and SPT provides challenges for comparison and external benchmarking with other companies in the investment sector that have set similar targets for portfolio decarbonization under initiatives such as the Net Zero Asset Owner Alliance, Net Zero Asset Manager Initiative, and Paris-Aligned Investment Initiative. Methodological differences aside, these targets are focused on achieving net zero portfolio emissions by 2050, with commitments to set and review interim targets. Kinnevik’s SPT is to be achieved annually; this can be considered a strength. Kinnevik is also ahead of listed peers in the venture capital/growth equity space, who have not set equivalent targets.

Comments on methodology, materiality and strategic significance of the KPI

Kinnevik Framework	CICERO Green Comments
<p><i>Methodology</i></p> <ul style="list-style-type: none"> ✓ Kinnevik has shared that the KPI is calculated by taking the annual difference in portfolio-level emissions intensity. Portfolio-level emissions intensity is calculated by 	<ul style="list-style-type: none"> ✓ Overall, the bespoke methodology for this KPI provides challenges for comparison and external benchmarking. Notably, Kinnevik’s use of portfolio weightings for calculating changes in portfolio emissions intensity differs from guidance in the Global GHG Accounting and Reporting Standard for the

³² These principally include SBT-Finance, Net Zero Asset Owners Alliance’s 2025 Inaugural Target Setting Protocol, and the Paris-Aligned Investment Initiative’s Net Zero Investment Framework.

³³ We note that Kinnevik’s strategy for achieving this SPT entails having its portfolio companies set emissions reduction targets “in line with science and the 1.5 degree ambition.” To make this determination, we assume that Kinnevik will apply the same definition it has employed in setting this SPT, as it does not currently require companies to have these targets validated by the SBTi. However, if Kinnevik chose to engage with portfolio companies to seek SBTi validation and is successful to the extent that it is on a linear path to achieve 100 percent SBT coverage in its portfolio by 2040, this would likely fulfill the criteria for 1.5-degree portfolio alignment under the SBT-Finance methodology. We also note that the SBT-Finance methodology was not yet available when Kinnevik developed its portfolio target in May 2020.



aggregating percentage intensity reductions for each portfolio company, weighted according to their fair value share of Kinnevik's portfolio companies that are reporting on emissions.

- ✓ Emissions intensity is calculated by dividing Scope 1, 2, and 3 emissions, as measured using the GHG Protocol, by relevant units of production for each portfolio company.
- ✓ A year on year KPI has been selected to allow for changes in portfolio composition over time and to ensure consistent effort over time.

Financial Industry developed by the Platform on Carbon Accounting Financials (PCAF).³⁴ This reduces the comparability of this SPT with relevant targets set by other issuers under initiatives employing PCAF's methodology (see peer benchmarking section and footnote 32). It should be noted that PCAF guidance was not finalized when Kinnevik set its portfolio target in May 2020.

- ✓ The use of portfolio weighting to calculate the KPI means that Kinnevik could achieve the SPT by relying more on emissions reductions from companies that form a larger part of its portfolio. However, these may not be the companies that are the most emissions intensive, and so it is possible that the targeted 7% reductions in emission intensity will be achieved from an already low baseline. As such, it is difficult to assess how the SPT will translate into real world reductions in emissions intensity. We encourage Kinnevik to disclose the actual emissions intensities for each portfolio company in addition to the percentage reduction each year.
- ✓ Utilizing emissions intensity measures that are specific to each companies' units of production allows Kinnevik to follow up with companies on the emissions reductions for each company over time. However, reporting a single number for this KPI/SPT could mask differences in performance among portfolio companies.
- ✓ The choice of denominator as relevant units of production for each company avoids issues with fluctuations in purely economic factors such as prices. However, the relationship between emissions and production may not be linear, meaning that reductions in emissions intensity could be achieved by increasing production, e.g. for a tech company a large share of direct emissions may be fixed and emissions intensity would be expected to decline with growth regardless of actions to reduce emissions by the company.
- ✓ The year on year nature of the KPI and SPT should be considered a strength in that it requires consistent efforts from Kinnevik and its portfolio companies each year. It is however unclear whether portfolio companies' emissions reductions will occur in regular enough increments to be captured every year if their initiatives take more than a year to come to fruition.

Scope

- ✓ The KPI and SPT cover only companies that are measuring and reporting on emissions for at least two years in a row—currently there
- ✓ Kinnevik shared that it excluded the emerging market portfolio as it is no longer a focus area and it does not believe companies in this portfolio face consumer expectations to act on climate change; these companies include online classifieds businesses

³⁴ The Standard recommends attributing emissions on the basis of a financial institution's share of a portfolio companies' enterprise value plus cash (EVIC). See <https://carbonaccountingfinancials.com/standard>



- | | |
|---|--|
| <p>are four such companies, representing 53% of portfolio value.</p> <ul style="list-style-type: none"> ✓ The KPI and SPT are not applicable to Kinnevik’s emerging markets portfolio, which comprised less than 2% of Kinnevik’s portfolio value as of June 2021. | <p>and providers of credit, microinsurance and other financial solutions.</p> <ul style="list-style-type: none"> ✓ Kinnevik is unable to estimate the approximate share of portfolio emissions represented by the companies currently not covered by the KPI and SPT. |
|---|--|

Materiality

- | | |
|---|---|
| <ul style="list-style-type: none"> ✓ Climate change is identified as a material topic for Kinnevik’s business. | <ul style="list-style-type: none"> ✓ A KPI focused on the portfolio emissions addresses a material issue, given that Kinnevik’s portfolio accounted for nearly 100% of its emission in 2020. ✓ Emissions intensity is material as a measure of production efficiency but does not reflect absolute emissions. |
|---|---|

Strategic significance

- | | |
|---|---|
| <ul style="list-style-type: none"> ✓ Kinnevik has selected emissions intensity due to the high growth nature of its companies. | <ul style="list-style-type: none"> ✓ Given the risks and opportunities posed by climate change to financial portfolios, a focus on reducing portfolio emissions can be considered highly strategic for Kinnevik particularly from a risk management perspective. ✓ There are important limitations due to the KPI not reflecting absolute emissions, although it should be noted that Kinnevik monitors portfolio companies’ absolute emissions, encourages them to set absolute reduction targets, and reports on portfolio companies’ absolute emissions such that they are comparable from year to year. |
|---|---|

Comments on target-setting

Benchmark	Kinnevik SPT	CICERO Green Comments
<i>Own performance</i>	<ul style="list-style-type: none"> ✓ Kinnevik does not have historical data pertaining to this SPT, as its portfolio companies only started reported on emissions in 2020. 	<ul style="list-style-type: none"> ✓ It is not possible to benchmark this SPT against historical performance.
<i>Peers</i>	<ul style="list-style-type: none"> ✓ Kinnevik’s closest listed peers include Prosus and VNV Global. Neither have disclosed portfolio-level emissions targets. In a wider pool of growth-focused venture capital firms and 	<ul style="list-style-type: none"> ✓ Investors committed to net zero under the NZAOA and NZAMI³⁵ invest in a wider range of sectors and asset classes. Their net zero portfolio targets can be considered more ambitious and challenging from this perspective although the targets currently do not need

³⁵ The NZAMI includes several private equity firms, e.g. Investible, Kerogen Capital, Vista Equity Partners



-
- growth capital funds, we have not been able to identify any that have set portfolio decarbonization targets.
- ✓ More generally, investor commitments to reducing portfolio emissions in line with the Paris Agreement have primarily been made through global investor initiatives, e.g. the Net Zero Asset Owner Alliance (NZAOA), the Net Zero Asset Manager Initiative (NZAMI), and the Paris-Aligned Investment Initiative. Targets set by participants of these initiatives involve reducing portfolio emissions to net zero by 2050 or sooner.
 - ✓ Interim targets are a vital indicator of ambition level for Paris Alignment. The aforementioned investor initiatives involve setting and regularly reviewing interim targets.
 - ✓ These initiatives do not uniformly require that investors' targets cover their portfolio companies' Scope 3 emissions due to concerns around data quality and availability.
- to cover all asset classes;³⁶ many of these investors have larger AUM than Kinnevik and operate in a different context in that they may not operate with a permanent capital investment model. Unlike these investor initiatives, Kinnevik's SPT does not involve a 2050 net zero commitment.
- ✓ Interim targets are not relevant to Kinnevik's SPT as it involves achieving emissions reductions every year.
 - ✓ Kinnevik's target includes portfolio companies' scope 3 emissions; this SPT could be considered to exceed peer targets from this perspective.
-

³⁶ For example, the NZAOA target setting protocol covers listed equity and corporate debt; real estate equity; infrastructure equity; sovereigns, sub-sovereigns and multi-nationals. Other asset classes, e.g. private equity are currently excluded due to concerns over availability of robust data and methods.



<i>Science-based scenarios or international targets</i>	<ul style="list-style-type: none"> ✓ This SPT reflects Kinnevik’s goal of supporting emissions reductions across its portfolio companies. 	<ul style="list-style-type: none"> ✓ The use of emissions intensity as the KPI means that this SPT could be achieved with growth in absolute emissions if overall production increases faster than reductions in emissions intensity. This possibility cannot be ignored given Kinnevik’s focus on high growth companies. ✓ While established target-setting methodologies for investors (see footnote 32) allow for intensity-based targets, these are accompanied by absolute emissions reductions targets or determined using sector-specific decarbonization pathways based on climate models that account for social, technological and economic variables, including the underlying growth of the sector. ✓ Kinnevik anticipates some portfolio companies will set and achieve absolute emissions reductions targets, but has not investigated nor made any assumptions about absolute emissions when developing this SPT.
---	--	---

SPT 2: *On a two year rolling basis, at least 10% of the capital invested into new companies by Kinnevik, should be invested in female founded or led companies.*

Summary

It should be noted that Kinnevik already achieved this SPT in 2021 YTD³⁷ and came close to doing so in 2020. While it will need to maintain this level of performance moving forward, from this perspective alone, the SPT does not represent a material improvement from Kinnevik’s business-as-usual trajectory.

However, the percentage of venture capital funding going to women-led startups peaked at 2.8% in 2019, before dropping to 2.3% in 2020.³⁸ In Sweden, only 1% of the same went to female founded companies in the same year.³⁹ Such industry level data suggest that Kinnevik’s SPT represents a material improvement compared to the industry average.

Comments on methodology, materiality and strategic significance of the KPI

Kinnevik Framework	IISD Comments
<i>Methodology</i>	
<ul style="list-style-type: none"> ✓ The KPI is clearly defined as the percentage of the total new investments that is allocated to female founder or led companies within a two-year rolling period. 	<ul style="list-style-type: none"> ✓ Kinnevik has clarified that the most senior level of the company refers to the Board and C-Suite or otherwise highly influential management roles. ✓ The requirement for female founders to be active in the company raises the ambition of this KPI.

³⁷ YTD includes investments that were made public as of mid-July and this figure may change

³⁸ <https://hbr.org/2021/02/women-led-startups-received-just-2-3-of-vc-funding-in-2020>

³⁹ <https://www.di.se/digital/miljarderna-fortsatter-rulla-in-till-man-dodlage-for-kvinnors-bolag/>



- ✓ A company qualifies as a female founded company if at the time of investment (i) at least 50% of the founding team active in the company are women, or (ii) at least 1/3 of the founding team active in the company are women and serve in the most senior level of the company, or (iii) a woman co-founder also serves as CEO or Chairman of the Board. Active in the company is defined as someone who is working operationally for the company or serving of the board.
- ✓ A company qualifies as a female led company if at the time of investment (i) at least 50% of the senior management team are women, or (ii) a woman serves as CEO and at least 30% of the senior management team are women.
- ✓ However, the ambition level could be raised further by merging definitions (i) and (ii). This would effectively increase the threshold of definition (ii) to 50% while addressing the possibility of female founding team members to be awarded less influential roles.
- ✓ Based on historic data, Kinnevik only invests into a few companies (2-10) every year, therefore there could be significant fluctuations in its performance against this SPT.

Materiality

- ✓ Kinnevik has identified gender equality as a material topic for its business.
- ✓ The KPI on allocating capital to female founded or led companies addresses a material issue, given that these companies have been historically underrepresented in Kinnevik’s portfolio.

Strategic significance

- ✓ Studies have shown that women-led startups perform on par or better than the average man-led startup⁴⁰
- ✓ The KPI can be considered of strategic significance considering that gender diversity can improve financial performance of portfolio companies through encouraging innovation and better decision making. Also, venture capital investors play an important role in shaping their portfolio companies’ policies, culture and ambition on gender equality.

Comments on target-setting

Benchmark	Kinnevik SPT	IISD Comments
<i>Own performance</i>	✓ This SPT reflects Kinnevik’s goal of improving gender equality in its portfolio by allocating at least 10% of its capital into female	✓ Kinnevik came close to achieving this SPT in 2020 and has already achieved it per July 2021, therefore it does not represent a material improvement beyond its “business-as usual-trajectory.”

⁴⁰ 1) <https://www.bcg.com/en-us/publications/2018/why-women-owned-startups-are-better-bet>
2) <https://www.forbes.com/sites/allysonkapin/2019/01/28/10-stats-that-build-the-case-for-investing-in-women-led-startups/?sh=2bc5283a59d5>



	<p>founded or led companies. Kinnevik aims to achieve this target by incorporating diversity and inclusion considerations, including gender, into all stages of its investment process and provide capacity building on gender diversity for relevant portfolio company staff.</p> <ul style="list-style-type: none"> ✓ Since the launch of its corporate targets framework in May 2019, Kinnevik’s new rolling two-year capital allocation to female founded or led companies was 8% for 2019-2020 and 17% for 2020-2021 per July. 	<ul style="list-style-type: none"> ✓ Kinnevik has developed a Diversity & Inclusion Toolkit that provides a practical guide to its portfolio companies to help them develop a more inclusive and diverse workplace.
<i>Peers</i>	<ul style="list-style-type: none"> ✓ Female led or founded companies tend to be underrepresented in the total venture capital investment received. Women-led startups received just 2.3% of VC funding in 2020.⁴¹ In Sweden only 1% of VC funding went to female founded companies in the same year.⁴² ✓ Kinnevik’s listed peers, Prosus and VNV Global, do not share similar data in their respective sustainability reports. 	<ul style="list-style-type: none"> ✓ Kinnevik has shared that growth-focused venture capital firms and growth capital funds are its closest peers. Many of these are unlisted and/or do not publish sustainability reports; as such there are limited points of comparison on what percentage of their total allocation go to female founded or led companies. ✓ Industry level data suggests that Kinnevik’s SPT represents a material improvement compared to the industry average.
<i>Science-based scenarios or international targets</i>	<ul style="list-style-type: none"> ✓ There are no international targets on gender diversity at the investment portfolio level. However, companies are expected to be aligned with the Women’s Empowerment Principles (WEPs) on promoting gender equality and women’s empowerment. 	<ul style="list-style-type: none"> ✓ Female founded or led companies tend to be more gender diverse and therefore more aligned to the WEPs.

⁴¹ <https://hbr.org/2021/02/women-led-startups-received-just-2-3-of-vc-funding-in-2020>

⁴² <https://www.di.se/digital/miljarderna-fortsatter-rulla-in-till-man-dodlage-for-kvinnors-bolag/>



SPT 3: 5 percentage points improvement in annual ESG score average from year to year across portfolio.

Summary

Benchmarking of this SPT is challenging given the uniqueness of the underlying KPI to Kinnevik. This places much greater importance on benchmarking against historical performance. However historical data is of limited comparability due to Kinnevik’s 2020 update of the Kinnevik Standards from v2 to v3. The data for v2 show that Kinnevik has been able to achieve a 5-percentage point improvement in average ESG score each year between 2018 and 2020. On this basis alone, the SPT does not represent an improvement from Kinnevik’s business-as-usual trajectory.

However, it is important to also consider this SPT from the perspective of Kinnevik’s underlying sustainability strategy, which is to use its influence as an investor to drive and support ESG improvements by working closely with its portfolio companies. Consequently, an alternative perspective on business-as-usual trajectory can be taken from the perspective of Kinnevik’s portfolio companies and how their score on the Kinnevik Standards would change without Kinnevik’s continued engagement.

Kinnevik has shared examples of how it has engaged with two portfolio companies over their emissions; this entailed starting discussions on their emissions and climate ambitions, supporting capacity building and workshops to learn and implement GHG measurement and reporting, and discussing emissions reduction strategies. This led to both companies setting emissions reduction targets, improving engagement with customers over their emissions, and the development and integration of a climate strategy into their business plans. Correspondingly, both companies saw 10-percentage point improvements in their ESG scores between 2019 and 2020. Although it is difficult to precisely attribute historical improvements in the average portfolio score to Kinnevik’s engagements, it is plausible that in their absence, the improvements would have been smaller or non-existent. As such, this SPT could be considered an improvement from a business-as-usual trajectory from the perspective that portfolio companies’ ESG performance might not improve as quickly in its absence.

While there are indicators in the Kinnevik Standards that are potentially relevant to science-based scenarios or international targets, their low weighting means that Kinnevik can achieve this SPT without fulfilling these indicators.

Comments on methodology, materiality and strategic significance of the KPI

Kinnevik Framework	CICERO Green Comments
<p><i>Methodology</i></p> <ul style="list-style-type: none"> ✓ The ESG score is based on the Kinnevik Standards, an internally developed scoring framework with 84 indicators across the areas of environment, society and corporate governance. ✓ Kinnevik has clarified that the 5% target is a percentage point improvement, not a multiplicative improvement 	<ul style="list-style-type: none"> ✓ One single score is simple to track but may contain high risks in one area which will not show if they are balanced by great performance in another area. ✓ Tying in with Kinnevik’s intention for this SPT to be governance-oriented, the scoring mainly indicates a level of corporate governance among Kinnevik’s portfolio companies, as the governance section is weighted at 60% of the total score. Some of these governance indicators are sustainability-specific.



- ✓ A year on year target has been selected to allow for changes in portfolio composition over time. The KPI and SPT are not applicable to Kinnevik’s emerging markets portfolio, which comprised less than 2% of Kinnevik’s portfolio value as of June 2021.

Materiality

- ✓ Kinnevik has identified governance, as a material topic for its business.
- ✓ The materiality of ESG factors to corporate financial performance, and by extension investment portfolio performance, is by now nearly universally agreed and supported by a growing body of practitioner and academic research.
- ✓ The majority of the scoring indicators reward policies, processes and transparency. This is common among many ESG scoring methodologies, with the assumption that good processes and transparency are indicators of actual sustainability performance. However, there is no guarantee of this, e.g., measuring and reporting GHG emissions may not lead to lower emissions.

Strategic significance

- ✓ Kinnevik works with portfolio companies to promote progress on ESG matters, including climate change, diversity and inclusion, and corporate governance.
- ✓ The Kinnevik Standards’ focus on corporate governance reflects Kinnevik’s strategy of engaging with portfolio companies on governance, in addition to environmental and social issues.
- ✓ Measuring ESG performance consistently across similar indicators allows Kinnevik to follow up on gaps and track improvement among portfolio companies.

Comments on target-setting

Benchmark	Kinnevik SPT	CICERO Green Comments
<i>Own performance</i>	<ul style="list-style-type: none"> ✓ The average ESG score across Kinnevik’s portfolio was 52% in 2020. ✓ Kinnevik has shared historical data based on a previous version of the Kinnevik Standards; the average portfolio score was 68% in 2020, and the improvement for both 2018-19 and 2019-20 was 8 percentage points. 	<ul style="list-style-type: none"> ✓ The historical data provided do not serve as a good benchmark as the scoring framework was updated in 2020.



<i>Peers</i>	<ul style="list-style-type: none">✓ Investors differ in their internal approaches to ESG scoring. Some make use of off-the-shelf solutions from ESG data providers, while other may create their own scoring frameworks that draw on multiple data sources, including ESG data providers, other datasets (e.g. NGO data), and big data.✓ There are a multitude of commercial ESG scoring and rating systems available, for example from Sustainalytics, ISS-Oekom, V.E Moody's and MSCI.⁴³ These data providers often use a blend of publicly available datasets and company responses.✓ It is possible that investors have also set internal targets for improving the ESG rating or scoring of their portfolios. However, such targets are generally not made publicly available.	<ul style="list-style-type: none">✓ Even if publicly available, other investors' portfolio level ESG targets would have severely limited comparability with Kinnevik's scoring framework due to the highly customized nature of their underlying methodologies.✓ A possible approach to benchmarking could be to examine average historical improvements in ESG data provider scores for a basket of securities similar to Kinnevik's portfolio. However, different metrics and their weighting make comparison across ESG data providers difficult, and the industry has been criticized for providing inconsistent scoring of the same companies.⁴⁴
<i>Science-based scenarios or international targets</i>	<ul style="list-style-type: none">✓ Science-based scenarios or international targets that are directly relevant to this SPT do not exist.✓ The Kinnevik Standards include one indicator on whether portfolio companies have set emissions reduction targets in line with a 1.5 degree pathway or the Paris Agreement, representing 1.6% of the overall score.✓ The standards also include two indicators relating to portfolio companies'	<ul style="list-style-type: none">✓ While there are indicators in the Kinnevik Standards that are potentially relevant to science-based scenarios or international targets, their low weighting means that Kinnevik can achieve this SPT without fulfilling these indicators.

⁴³ As an example of how these scores can be compiled, the index provider MSCI uses over 100 data sets, in addition to corporate disclosures and media surveillance. For each industry, 37 key issues are selected; these may also be weighted differently for the different industries. Each company is scored on both exposure and corporate management and assigned a final rating from AAA-CCC.

⁴⁴ See for example <https://ftalphaville.ft.com/2018/12/06/1544076001000/Lies--damned-lies-and-ESG-rating-methodologies/>



corporate and supply chain policies that reference international standards (the ILO Core Conventions and UN Guiding Principles on Human Rights), together representing ≤3% of total.

Summary of key factors beyond the issuers’ direct control that may affect the achievement of the SPTs

Kinnevik is a minority shareholder in its portfolio companies. As such its control and influence over companies’ emissions intensity reduction efforts and implementation of criteria in the Kinnevik Standards is limited. While this can be mitigated by the effectiveness of Kinnevik’s engagements, the portfolio companies’ individual circumstances and contextual factors may affect the achievement of SPT 1 and SPT 3.

Specifically, Kinnevik has highlighted that many of its portfolio companies are young and immature businesses that may lack the resources to drive ESG-related workstreams, or whose strategies and priorities may not be aligned with Kinnevik’s goals. For emissions reductions, Kinnevik has shared that its efforts include working with companies via their boards to set up plans for measuring emissions, including by offering to organize an initial workshop on materiality and to pay for the first year of subscription to emissions reporting software. However, there may be resistance if economic conditions are adverse (e.g. from the COVID-19 pandemic).

Kinnevik’s ability to achieve SPT 2 would likely be impacted by competition from other investors whose profile or terms might be more attractive to potential investment targets.

Comments on Bond Characteristics, Reporting and Verification

Component	CICERO Green Comments
Bond Characteristics	<ul style="list-style-type: none"> ✓ CICERO Green has not reviewed to what degree the variation in the financial characteristics of an SLB is commensurate and meaningful. ✓ Investors are encouraged to review the terms sheets in detail and conduct their own assessment of the financial characteristics of the SLBs when issued.
Reporting	<ul style="list-style-type: none"> ✓ Transparency, reporting, and verification of impacts are key to enable investors to follow the performance of the KPIs selected. Procedures for reporting and disclosure are also vital to build confidence that the SLB/SLL is contributing towards a sustainable and climate-friendly future, both among investors and in society ✓ In addition to reporting on progress against the SPTs, Kinnevik is committed to also reporting on the share of portfolio companies included or excluded and the absolute emissions of its portfolio such that the data are comparable from year to year. We also encourage Kinnevik to also disclose the actual emissions intensities for each portfolio company in addition to the percentage reduction each year.



Verification	✓ Aligned with the Sustainability-Linked Bond Principles and Sustainability-Linked Loan Principles as Kinnevik will seek external verification of SPT performance.
--------------	--













3 Terms and methodology

This note provides CICERO Shades of Green’s (CICERO Green) second opinion of the client’s framework dated November 2021. This second opinion remains relevant to all sustainability linked 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.

This assessment is based on a review of documentation of the client’s policies and processes, as well as information provided to us by the client during meetings, teleconferences and email correspondence. In our review we have relied on the correctness and completeness of the information made available to us by the company.

The structure of Sustainability Linked Bonds (SLBs) linking financial returns with environmental performance can provide security around environmental impacts. However, SLBs can vary widely in terms of robustness depending on what KPIs are selected and how they are measured. We provide transparency on 1) the relevance, materiality and reliability of selected KPIs, 2) the rationale and level of ambition of the proposed Sustainability Performance Targets, 3) the relevance of selected benchmarks and baselines, as well as transparency on how well the strategy outlined to achieve them fits with a low carbon and climate resilient future. By considering these factors, we provide context to consider the ambition level of the SLB. Please note that CICERO Green does not evaluate any financial aspects of transaction, including to what degree the variation in the financial characteristics of an SLB is commensurate and meaningful.

Incorporated into the sustainability-linked bond assessment is our company climate risk assessment approach. We allocate a shade of green, yellow or red (see figure below) to revenues or portfolio value which reflect alignment of the underlying activities to a low carbon and climate resilient future and taking into account governance issues. Although we make note of social considerations in our shadings, the shading is based only on climate and environmental considerations and does not systematically factor in social risks and impacts. The shadings are summarized in the table below.

SHADES OF GREEN	EXAMPLES
 <p>Dark green is allocated to projects and solutions that correspond to the long-term vision of a low carbon and climate resilient future.</p>	 <p>Solar energy projects</p>
 <p>Medium green is allocated to projects and solutions that represent steps towards the long-term vision but are not quite there yet.</p>	 <p>Green buildings with a high level of certification and energy efficiency</p>
 <p>Light green is allocated to transition activities. These projects and solutions could have lower emissions, but do not by themselves represent or contribute to the long-term vision.</p>	 <p>Substantially more efficient manufacturing of fossil fuel intensive materials</p>
 <p>Yellow is allocated to projects and activities that do not actively contribute to the transition. These activities could have some emissions and be exposed to climate risks. This category also includes those with too little information to assess.</p>	 <p>Manufacturing of consumer goods with some emissions</p>
 <p>Red is allocated to projects and activities that have no role to play in a low-carbon and climate resilient future. These are heaviest emitting assets, with the most potential for lock-in of investments and risk of stranded assets.</p>	 <p>New infrastructure for fossil fuels</p>



In addition to shading from dark green to red, CICERO Shades of Green also includes a governance score to show the robustness of the company's sustainability governance structure. When assessing the governance of the company, CICERO Green looks at five elements: 1) strategy, policies and governance structure; 2) lifecycle considerations including supply chain policies and environmental considerations towards customers; 3) the integration of climate considerations into their business and the handling of resilience issues; 4) the awareness of social risks and the management of these; and 5) reporting. Based on these aspects, an overall grading is given on governance strength falling into one of three classes: 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.



Appendix 1: Summary of Kinnevik's sustainability management

Kinnevik's Sustainability Management

Kinnevik regards sustainability as a key factor for successful long-term investing and has built a sustainability strategy around the 2030 Sustainable Development Goals (SDGs). Within its strategy, Kinnevik has set targets and identified KPIs for topics they have identified as material across Economy, Environment, and Society via stakeholder dialogue, board and management team discussion, peer benchmarking, and industry best practices. As an investment firm, Kinnevik's environmental and social impacts from its portfolio are much larger than for its own operations. It also acknowledges the importance of active ownership for driving the long term sustainable growth of its investee companies. Accordingly, the company recognizes this and distinguishes between approaches for its own operations and portfolio.

Sustainable Investment Policy and Portfolio Company Expectations

Kinnevik has a publicly available sustainability policy that outlines its approach to active ownership and expectations for portfolio companies, including for companies to endeavor to uphold international standards such as the UN Guiding Principles on Business and Human Rights, ILO Core Conventions and OECD Guidelines for Multinational Enterprises. Among a range of other issues, the policy expects companies to establish a climate strategy and improve their environmental impacts, have a focus on diversity and inclusion, and meet national and international corporate governance standards. The company has also developed the Kinnevik Standards, which comprise 84 indicators across environmental, social, and governance issues. Kinnevik uses these to measure portfolio companies' sustainability performance, set objectives, and identify best practices.

Integration of Sustainability into Investment and Monitoring Processes

The investment process at Kinnevik is overseen by the Executive Investment Committee (EIC). The EIC is chaired by the CEO and includes the Sustainability Director. The Sustainability Team is represented at all stages of the investment process, feeding into a first round initial assessment of sustainability risks and opportunities, a second round ESG desktop review, and finally sustainability due diligence. The latter is based on the Kinnevik Standards. According to Kinnevik, they do not proceed with investing if the company fails to meet expectations or is unlikely to be able to make the necessary improvements. Following investment, Kinnevik works with the portfolio companies to develop a roadmap for addressing issues identified during due diligence and tracking progress. Portfolio companies seeking follow-on funding are evaluated again via the EIC and need to demonstrate progress on sustainability objectives as a key condition.

Kinnevik follows a structured process for monitoring the sustainability performance and progress of portfolio companies. The Sustainability Team conducts an annual ESG review for all portfolio companies, comprising quantitative benchmarking against the Kinnevik Standards and a qualitative review of companies' tone at the top, competences and progress against objectives. The results are presented to the Investment Team each year and used to set new ESG targets for each portfolio company. The annual ESG review findings are also presented to Kinnevik's Audit and Sustainability Committee.

Sustainability Integration Oversight

Kinnevik's sustainability strategy is overseen by its Board, which has appointed an Audit & Sustainability Committee. The Audit & Sustainability Committee oversees the implementation of the sustainability strategy, including monitoring progress against targets. A dedicated Sustainability Team is responsible for implementing



Kinnevik's sustainability strategy, both for its own operations and for its portfolio. Remuneration of Kinnevik's Investment Team is linked to the results of its annual ESG review.

Environmental Strategies and Targets

Kinnevik has focused its environmental sustainability strategy on Environmental Responsibility and Reduced Climate Impact and identified the most relevant SDG indicators. For its own operations, this entails focusing on SDG indicator 13.2 - integrating climate change measures in policies and planning. The company has set a target of net zero greenhouse gas missions from own operations and business travel by 2020, which will be met with a combination of emissions reductions and offsets.

For its portfolio, Kinnevik has singled out three SDG indicators: 13.2 – integrating climate change measures into policies and planning, 12.5 – substantially reduce waste production, and 12.6 – encourage companies to adopt sustainable practices and sustainability reporting. The company's target for its portfolio is to achieve a 50% reduction in carbon intensity by 2030 compared to 2020. To achieve this, it has set objectives of ensuring all portfolio companies 1) measure their emissions in Scope 1, 2 and relevant parts of Scope 3 according to the GHG Protocol, 2) set relevant climate targets across their operations and value chains to align with the 1.5 degree C pathway, and 3) define a roadmap to target fulfilment. Kinnevik works with portfolio companies to set science-aligned emissions reduction targets, i.e. to halve emissions every decade from 2020 to 2050.

Kinnevik reports on progress annually at the portfolio level by publishing the percentages of portfolio value and companies meeting various KPIs. Kinnevik currently reports on five KPIs relevant to its environmental sustainability strategy; the percentage of compliant portfolio companies, by number, as of 2020 is indicated in parentheses: 1) measurement of scope 1 and 2 emissions (23%), 2) measurement of scope 3 emissions (19%), 3) has set emissions reduction targets aligned with 1.5 degrees/Paris Agreement (8%), 4) integrates climate change into board and/or board sub-committee strategy discussions (4%), and 5) has a process of measurement and management of hazardous waste (23%).

Kinnevik's emissions

Kinnevik's 2020 sustainability report includes scope 1, 2, and 3 emissions for its own operations (91 tonnes CO₂ eq.) and scope 3 emissions from its portfolio (1 386 693 tonnes CO₂ eq.), measured using the GHG Protocol. Emissions from its operations primarily originated from business travel and company-operated vehicles, together accounting for 92% of its carbon footprint. A further 7% comes from purchased electricity for both its Stockholm and London offices, which is from renewable sources, and district heating. Emissions data for Kinnevik's own operations are reported for the past five years; 2020 emissions represented an 86% decline from 2019 as a result of coronavirus-related reductions in business travel.

Kinnevik's portfolio emissions include scope 1, 2 and 3 emissions from four portfolio companies representing 53% of portfolio value; other portfolio companies have not yet begun measuring emissions. In its TCFD report, Kinnevik has committed to measuring emissions across its portfolio and reporting on its absolute emissions and carbon intensity.

Summary of Kinnevik's TCFD reporting

Key aspects Kinnevik's TCFD reporting across governance, strategy, risk management, and metrics and targets are presented below.

Oversight of sustainability including climate change at Kinnevik belongs to the Board of Directors, supported by the Audit & Sustainability Committee. Within the Sustainability Team, a dedicated Climate Team exists to deliver on Kinnevik's climate strategy. Both teams report regularly to the Management Team and Audit & Sustainability Committee on its execution across Kinnevik's operations and portfolio. Kinnevik's overall risk management



process is overseen by the CEO, who has delegated this responsibility to the CFO. The CFO is supported by a Risk Committee, which oversees the risk management framework. Further, a Risk Team that reports to the Risk Committee is responsible for the ongoing risk assessment process.

The risk assessment process covers both Kinnevik's own operations and its portfolio, and is performed and updated at least thrice a year. In the process, the Risk Team meets with relevant internal teams to identify and categorize risks into the following categories: existing portfolio, new investments, liquidity, compliance, talent, reputation, financial, and reporting. Kinnevik expects climate risks to be categorized under existing portfolio and reputation. The likelihood and impact of identified risks are assessed, resulting in a high, medium or low classification for each. A risk response and/or mitigating actions is then assigned accordingly. The results of the risk assessment are recorded in separate risk registers for Kinnevik and its portfolio; these are presented to the Risk Committee and then the Audit & Sustainability Committee. Kinnevik also convened a workshop in May 2020 for its Management Team and Climate Teams to identify its most material climate-related risks and opportunities.

Kinnevik has also conducted a qualitative scenario analysis. Kinnevik selected two Representative Concentration Pathways (RCPs) – the Stringent Mitigation Scenario (RCP 2.6), where emissions are halved by 2050 in line with the Paris Agreement, and the Very High Emissions Scenario (RCP 8.5), where emissions continue to rise at current rates. In addition, the descriptions of Shared Socioeconomic Pathway⁴⁵ (SSP) 1 and SSP 5 were used for the Stringent Mitigation and Very High Emissions scenarios, respectively. A materiality analysis based on likely impact from climate change and portfolio value was used to determine sectors and sub-sectors to focus on. Focal sectors included consumer services (focusing on food, travel and last mile logistics), healthcare services and financial services.

Kinnevik concluded from its scenario analysis that its strategy is relatively resilient to physical climate risks in the Very High Emissions scenario, owing to the digital nature of Kinnevik's portfolio companies and overall low dependency on physical assets and complex supply chains. However, it also noted that in this scenario, low environmental awareness limited the upside of businesses aiming to capture climate and sustainability-related opportunities. In the Stringent Mitigation scenario, Kinnevik identified exposure to a range of transition risks primarily centred on shifts in consumer behaviour linked with increased climate consciousness. Based on the analysis, Kinnevik also noted that this scenario offers substantial climate-related opportunities owing to its strategy of investing in digital companies that disrupt legacy industries with innovation and new technology.

Social Strategies and Targets

Kinnevik has focused its social sustainability strategy on Social Equality and Good Corporate Citizenship and identified the most relevant SDG indicators for these topics. For its own operations, this entails focusing on SDG indicators 5.5: ensure women's full participation in leadership and decision-making, 8.8: protect labour rights and promote safe working environments, 17.16: enhance the global partnership for sustainable development. The company has set a target of 40/60 gender composition in all its teams by 2022. This target covers the board, management, investment team and the corporate team. Each of these teams have to achieve this target and they cannot compensate for each other. In addition, Kinnevik's managers are assessed on "inclusive leadership". The outcome of this evaluation influence their remuneration.

⁴⁵ The Shared Socioeconomic Pathways describe five different futures based on varying assumptions regarding societal, technical, cultural and economic developments over the 21st century. Society and economy's ability to mitigate and adapt to climate change varies depending on the SSP. SSP 1: Sustainability poses low challenges to mitigation and adaptation owing to growing emphasis on human well-being, widespread uptake of environmentally friendly technologies and renewable energy, and strong and flexible institutions across scales. SSP 5: Fossil-fueled development poses high challenges to mitigation and low challenges to adaptation as a result of emphasis on economic growth and technological progress, global adoption of resource and energy-intensive lifestyles, and a lack of environmental awareness.



While Kinnevik has focused so far only on gender diversity, it has ambitions to address wider diversity aspects, such as ethnicity, as part of its “Diversity and Inclusion Framework”. The company’s policies and processes on diversity and inclusion are included in the Employee Handbook, Talent Management Policy and Work Environment Handbook.

For its investment portfolio, Kinnevik has focused on five SDG indicators: 5.5: Ensure women’s full participation in leadership and decision-making, 8.8: protect labour rights and promote safe working environments, 16.5: substantially reduce corruption and bribery, 16.6: develop effective, accountable and transparent institutions, 17.16: enhance the global partnership for sustainable development. The company’s target for its portfolio is to invest at least 10% of the capital invested in new businesses on an annual basis into female founded or led companies. In addition, any potential follow-on investments are conditional upon clear diversity and inclusion progress. To achieve this, Kinnevik has set company specific objectives for Diversity and Inclusion on inter alia hiring and employee retention.

Kinnevik supports its portfolio companies on diversity and inclusion by conducting diversity workshops and trainings with the management teams and boards. Kinnevik also works with its portfolio companies’ boards and HR teams regarding talent mapping and recruitment. In order to do this, Kinnevik has developed a practical guide on how to create more diverse and inclusive workplaces, called the Diversity & Inclusion Toolkit. It is used as an inspiration and how-to-guide by both the portfolio companies and Kinnevik’s investment team. The Toolkit is structured around 8 sections covering key topics to address when designing a D&I strategy. Each section includes examples, relevant research, suggested actions, tools, case studies and useful templates. The Kinnevik Standard 3.0 was launched in 2020 to reflect the company’s increased focus on diversity and inclusion. The Diversity & Inclusion section of the Standard is building on the Toolkit.

Kinnevik has created an internal Diversity & Inclusion Taskforce, whose purpose is to provide input on the Diversity & Inclusion Framework, set goals and action plans as well as to track progress. It has a group of 6 employees across different genders, locations, functions and seniority, rotating every year.



Appendix 2: Additional comments on KPI methodology

Definition (SLBPs/SLLPs)	KPI 1	KPI 2	KPI 3
	Greenhouse gas emissions intensity from Kinnevik’s portfolio companies (majority of Scope 3)	New capital allocation to female founded or led companies	Annual average ESG Score across portfolio
A clear definition of the KPI(s) should be provided.	✓ All three KPIs are clearly defined.		
The KPI should be measurable or quantifiable on a consistent methodological basis.	✓ All three KPIs are measurable or quantifiable on a consistent methodological basis.		
The KPI should be externally verifiable.	✓ All three KPIs are externally verifiable.		
The KPI should be able to be benchmarked, i.e. as much as possible using an external reference or definitions to facilitate the assessment of the SPT’s level of ambition.	✓ Two of the three KPIs can be benchmarked using external references or definitions. ✓ KPI 3 is the exception as it is based on a methodology unique to Kinnevik and cannot be externally benchmarked.		
The SPT should be determined on a predefined timeline, set before (or concurrently with) the issuance of the bond.	✓ Each of the three SPTs associated with the KPIs have been determined on a predefined timeline.		



Appendix 3: Referenced Documents List

Document Number	Document Name	Description
1	Kinnevik Sustainability Linked Financing Framework	Sustainability linked framework
2	Kinnevik Sustainability Report 2020	Sustainability report prepared in accordance with the GRI Standards
3	Kinnevik Annual Report 2020	Annual report
4	Kinnevik TCFD Report 2020	Details Kinnevik's implementation of the Recommendations of the Task Force on Climate-related Financial Disclosures
5	Kinnevik Sustainability Policy Dec 2020	Outlines Kinnevik's ESG expectations for portfolio companies
6	The Kinnevik Standards 3.0	List of 84 indicators and weights used to calculate ESG scores for Kinnevik's portfolio companies
7	Kinnevik Diversity & Inclusion Framework 2019	Diversity and Inclusion Framework
8	Kinnevik Code of Conduct Dec 2020	Policies and procedures of code of conduct



Appendix 4: 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 and the International Institute for Sustainable Development (IISD).





Appendix 5: About IISD

The International Institute for Sustainable Development (IISD) is an independent policy research organization working to deliver the knowledge to act. From offices in Winnipeg, Geneva, Ottawa, Toronto and New York, IISD's work impacts lives in nearly 100 countries.

IISD provides practical solutions to the growing challenges and opportunities of integrating environmental and social priorities with economic development. IISD reports on international negotiations and shares knowledge gained through collaborative projects, resulting in more rigorous research, stronger global networks, and better engagement among researchers, citizens, businesses and policy-makers.

The Public Procurement and Infrastructure Finance Sub-Program at IISD provides advisory services to public and private sector clients for the design and implementation of policies, programs and tools to prepare, finance and de-risk sustainable and low-carbon infrastructure.

IISD is registered as a charitable organization in Canada and has 501(c)(3) status in the United States. IISD receives core operating support from the Government of Canada, provided through the International Development Research Centre (IDRC) and from the Province of Manitoba. IISD receives project funding from numerous governments inside and outside Canada, United Nations agencies, foundations, the private sector and individuals.

www.iisd.org