

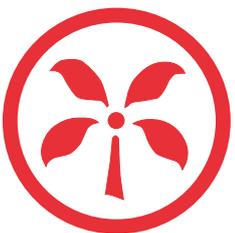


K I N N E V I K

**SUSTAINABILITY  
LINKED  
FINANCING  
FRAMEWORK  
2021**



**WE INVEST  
FOR A  
REIMAGINED  
EVERYDAY**



# CONTENTS

---

<b>SUSTAINABILITY - AN INTEGRAL PART OF OUR VALUE CREATION PROCESS</b> . . . . .	4
Our Investment Process . . . . .	5
Active Ownership - Building Long-Term Sustainable Businesses. . . . .	6
Material Topics and Targets For Kinnevik and Our Portfolio. . . . .	7
Governance Structures - Imperative For Our Active Ownership . . . . .	9
<b>SUSTAINABILITY LINKED FINANCING FRAMEWORK</b> . . . . .	10
Selection of Key Performance Indicators (KPIs) . . . . .	11
Calibration of Sustainability Performance Targets (SPTs) . . . . .	12
Financial Characteristics . . . . .	15
Reporting . . . . .	15
External Review . . . . .	16
<b>APPENDIX</b>	
Target Calculation and Methodology . . . . .	17

# SUSTAINABILITY - AN INTEGRAL PART OF OUR VALUE CREATION PROCESS

Kinnevik’s ambition is to be Europe’s leading listed growth investor. We back passionate founders who are building transformative digital companies that make people’s lives better. We work actively with our companies through every stage of their journey, growing them into long-term successful and sustainable businesses delivering significant returns.

With an expert understanding of complex and fast-changing consumer behaviours, Kinnevik has a strong track record of building the next generation of winning businesses over the last 80+ years.

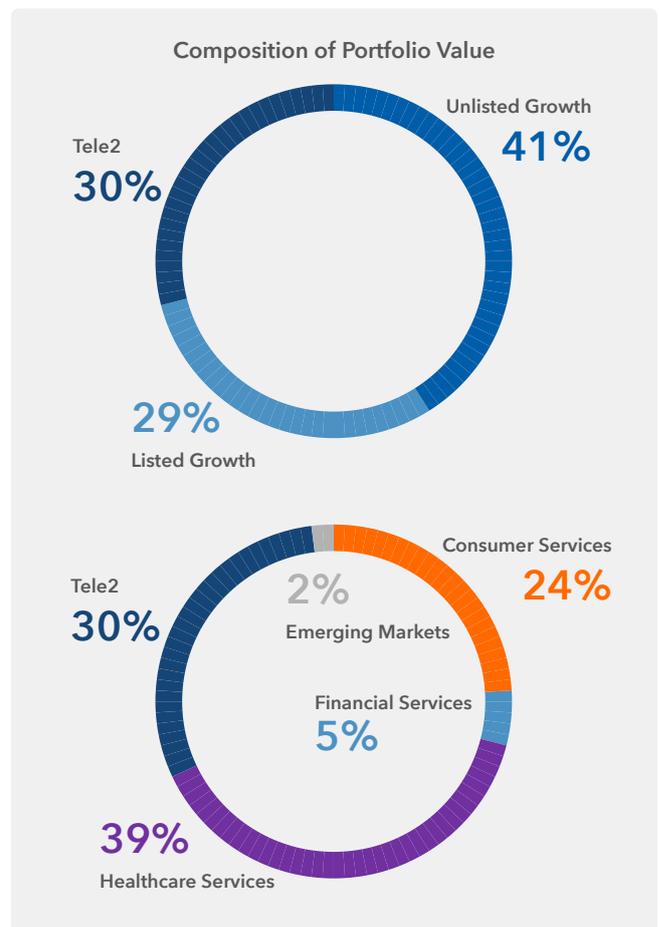
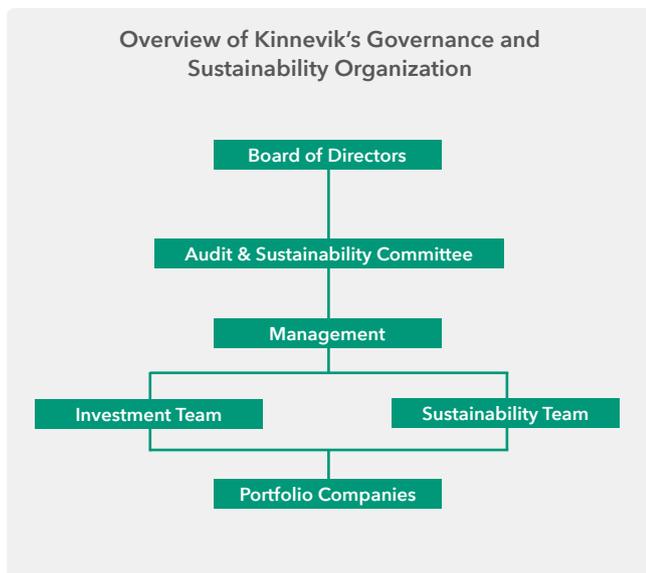
We are a stage-agnostic and long-term investor that partners with talented entrepreneurs within Healthcare Services, Consumer Services, Food and Financial Services - large sectors in the process of significant technological disruption. We invest in Europe, with a focus on the Nordics, and in the US, and are not afraid to take bold bets, leveraging our experience and expertise to support our companies.

While Kinnevik’s organisation is relatively small, our portfolio brings together holdings in companies active in over 60 countries, with a combined turnover of nearly SEK 85bn and 40 000 employees. Per 30 June 2021, Kinnevik’s portfolio amounted to c. SEK 76bn with holdings in more than 25 portfolio companies. In the period since the start of 2018, we have added nearly 20 growth companies with total investments of more than SEK 11bn.

Per 30 June 2021, the share of unlisted growth investments amounts to c. 40% of the total portfolio value. To future-proof Kinnevik and our portfolio, we have set out to become a leader within sustainability. To be a long-term successful company, you need to be part of the solution - not the problem. We strongly believe that investing in long-term viable business models and diverse teams will bring the greatest returns for shareholders. We see huge risks in partnering with businesses that look at short-term gains without thinking about the environmental, social and economic impact they will have on future generations.

We address sustainability on two levels - on a company level, where we work with Kinnevik itself and its operations, and on a portfolio level, where we support our 25+ portfolio companies in their sustainability work. Through our active ownership, the majority of our potential impact within sustainability lies at the portfolio level. This is why sustainability is an integrated part of our business model and investment process, from sourcing and assessing new business opportunities to ongoing development of our companies and re-allocation of capital into new investments.

Kinnevik’s Board of Directors is responsible for the company’s overall strategy, including how sustainability is integrated into our value creation process. The Audit & Sustainability Committee, which is appointed by the Board of Directors, assists in monitoring the implementation and execution of our sustainability agenda. A dedicated Sustainability Team drives the integration on a day-to-day basis, both at a Kinnevik level and, in collaboration with the Investment Team, on a portfolio company level. To ensure full alignment throughout our organisation, all employees have progress on our sustainability agenda tied to their variable remuneration.



# OUR INVESTMENT PROCESS

Kinnevik has a structured process to source and assess potential new investments involving Kinnevik’s Board of Directors, Management Team, the Executive Investment Committee (the “EIC”), the Investment Team and the Sustainability Team. The EIC is chaired by Kinnevik’s CEO and comprises the Management Team, the Sustainability Director and the Investment Directors. When evaluating potential investments, we apply a rigorous process and use a holistic approach, where companies are evaluated in several steps based on financial, commercial and ESG factors.

Investment and divestment decisions are made by the EIC, with support from the Board depending on the size and strategic fit of the opportunity.

The EIC process usually consists of three steps. In Pipeline Meetings, the EIC together with the full Investment Team provide initial feedback on investment opportunities and assess strategic fit. The most promising opportunities are brought to Stage 1 of the EIC and are evaluated against Kinnevik’s key investment criteria, product-market fit and scalability. Kinnevik’s Sustainability Team is represented at each step of the EIC process and only companies that fit our investment ethos, including subscribing to our sustainability ambitions, are brought to Stage 1 of the EIC. Ahead of Stage 1 of the EIC, the Investment Team prepares

a memo which includes an initial assessment of the company’s sustainability risks and opportunities.

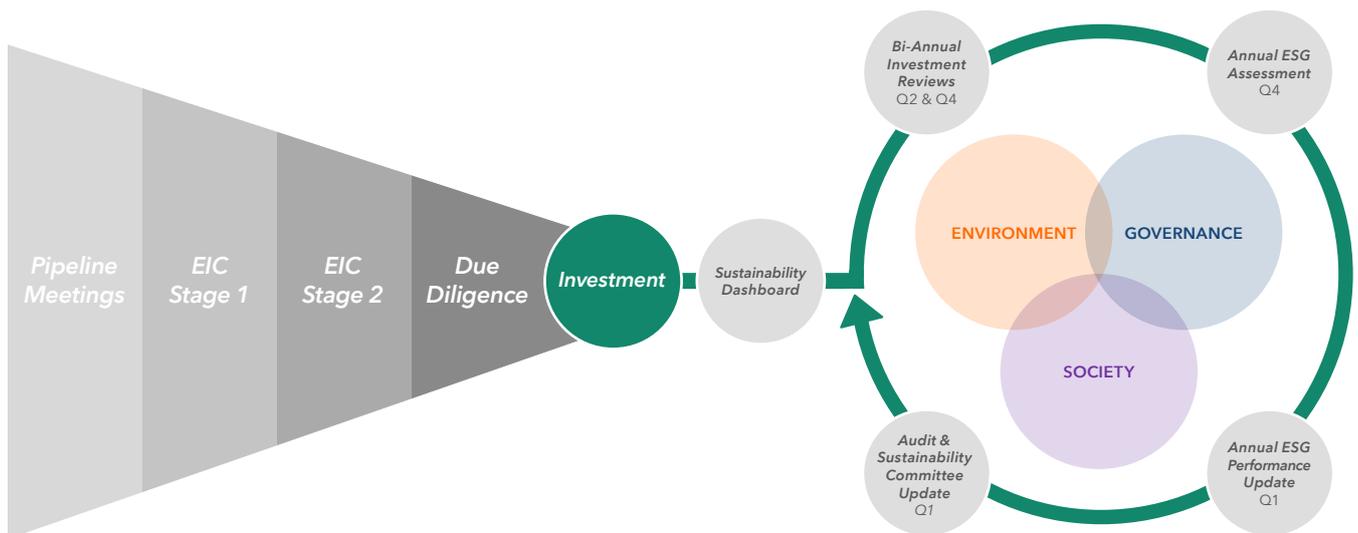
The EIC decides whether to pursue the investment opportunity further, moving to Stage 2 of the EIC process. At this stage, companies are evaluated based on a refined understanding of the market, potential of the business and potential investment returns. The Sustainability Team together with the Investment Team perform an ESG desktop review as part of this assessment. Key evaluation criteria are the “tone at the top” and the passion, drive and values of the founders and their management team in relation to sustainability.

Companies that move on from Stage 2 of the EIC are subject to a thorough Due Diligence process covering, among other areas, finance, tax, legal, commercial as well as sustainability.

The Sustainability Due Diligence is performed by the Sustainability Team together with members of the Investment Team and covers all three ESG dimensions.

After an investment is made, a Sustainability Dashboard is established outlining the key ESG risks and opportunities identified in the Due Diligence process, as well as annual objectives, KPIs and targets. The Dashboard is then used to track progress over time and align on ambitions.

## Overview of Kinnevik’s Investment Process and Annual Sustainability Cycle



# ACTIVE OWNERSHIP - BUILDING LONG-TERM SUSTAINABLE BUSINESSES

While investing in the best companies is critical, how we contribute to the development of our companies after an initial investment is completed is essential in creating value. We provide hands-on operational support as well as a high-level strategic perspective.

Once in our portfolio, we help and support our companies in their sustainability work through the Annual Sustainability Cycle, which is a set of collaborative workstreams between the Sustainability and Investment Teams together with the portfolio companies.

Investment Reviews are a core element of the annual cycle and are performed twice a year for all key portfolio companies. At these sessions the EIC and Investment Team discuss the companies' development across several parameters, including ESG aspects, using the company-specific Sustainability Dashboards as basis for evaluation.

In between the Investment Reviews, Kinnevik's Sustainability Team conducts an Annual ESG Assessment of all portfolio companies at the end of each year. The Assessment is divided into two workstreams; a quantitative assessment based on the Kinnevik Standards, ("The Kinnevik Standards", please refer to the box on the right hand side), and a more qualitative assessment of the companies' tone at the top, competences, and progress according to their annual objectives. These assessments are based on interactions with the portfolio company representatives throughout the year. The results of these assessments are fed into the Sustainability Dashboards and then aggregated on a portfolio level.

The results of the Annual ESG Assessment are presented to, and discussed with, the Investment Team at an Annual ESG Performance Update at the beginning of each year. Based on this assessment, new annual ESG targets are set for each company. The results of the Annual ESG Assessment are then presented to the Audit & Sustainability Committee, which concludes the Annual Sustainability Cycle. Further, the Audit & Sustainability Committee regularly reviews the aggregate ESG performance throughout the year.

## The Kinnevik Standards

To measure performance, set annual objectives and define best practices for our companies, Kinnevik has developed a structured framework called the Kinnevik Standards. These have been developed based on stakeholder dialogues, peer benchmarking and industry best practice and comprise 84 metrics across environmental, social and governance aspects. These are further set up in two versions, one for smaller companies and one more challenging for larger companies. The larger companies are expected to adhere to both the small and large company Standards.

Kinnevik's Sustainability Team is responsible for developing the Standards and for conducting an annual assessment of our portfolio companies in accordance with the Standards. Based on the outcome, the Investment Team and Sustainability Team together agree on priorities and annual objectives for each portfolio company. After these have been set, each Investment Manager is responsible for driving progress and reaching the objectives in their respective companies.

# MATERIAL TOPICS AND TARGETS FOR KINNEVIK AND OUR PORTFOLIO

Kinnevik's sustainability strategy is based on a framework set up to focus our resources on the most relevant environmental, social and governance issues, drive performance, and engage internal and external stakeholders. The framework consists of Kinnevik's material topics, targets, objectives and key performance indicators and is based on a thorough materiality analysis of the 17 Sustainable Development Goals and the 169 associated targets. Given Kinnevik's business model, the majority of the material sustainability issues lie at the portfolio level. Objectives and key performance indicators are therefore set on both Kinnevik level, as well as on portfolio level.

To further reinforce our commitment to our sustainability strategy, we have introduced and communicated ambitious and concrete targets related to Climate and Diversity & Inclusion for Kinnevik and our portfolio. For the purpose of this Framework, key performance indicators have been set at the portfolio level, as this is where the most substantial impact lies. However, we believe that we need to lead by example and put at least the same requirements on our own organisation as we put on our portfolio companies both in terms of Climate and Diversity & Inclusion.

The effects of climate change are already causing acute harm to societies and economies globally, and expectations on businesses from the investor community and consumers are rapidly increasing. Kinnevik has been climate neutral in our operations since 2020 and we will continue to ensure zero or positive climate impact from our own operations. Greenhouse gas emissions from Kinnevik's own operations and business travel decreased by 82 percent in 2020 to 91 (511) tonnes CO<sub>2</sub>e in total, as a result from significantly reduced air travel due to the Coronavirus. This corresponds to 2.3 (16.6) tonnes of CO<sub>2</sub>e per full time equivalent employee. Business travel, which consists almost entirely of air travel, accounted for 76 percent of Kinnevik's total 2020 emissions excluding emissions from the portfolio.

Kinnevik's greatest asset is and has always been our people. As such, attracting and retaining top talent is a key priority. Kinnevik regards diversity and inclusion as core levers for value creation. Research shows that gender diversity enhances performance, promotes innovation and results in better decision making. For example, McKinsey has found that companies in the top quartile for gender diversity are 25% more likely to financially outperform their peers.<sup>1</sup>

We have therefore set a target of 40/60 gender composition in all Kinnevik teams by 2022. Per end of Q2 2021, we have already achieved our 40/60 target on board and management team level and are also close to doing so for our Investment Team, which currently consists of 38% female employees. There is still some way to go to achieve the target in our corporate team as men are currently underrepresented at 27%.

During 2021, we aim to identify and define additional diversity aspects to be further incorporated into our D&I Framework and efforts going forward. Having started out by focusing our externally communicated targets on gender diversity, the natural next step is to incorporate additional aspects of diversity and inclusion in our work to drive value creation through increased diversity of thought across our portfolio. Ethnicity is one diversity

aspect we would like to work more actively with. We not only believe it is morally right, but also recognize that companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability, according to a McKinsey report.<sup>2</sup> Other diversity aspects beyond gender include sexual orientation, age/generation, and international experience.

In the next section we expand on how we work with governance internally in Kinnevik as well as with our portfolio. Additional information on Kinnevik's sustainability strategy and performance can be found in our dedicated Sustainability section of our website and in our latest Sustainability Report.

Kinnevik is a signatory of the UN Global Compact, the world's largest corporate sustainability initiative. We also recognise the special importance of international standards on responsible business conduct, such as the OECD Guidelines for Multinational Enterprises and the UN Guiding Principles on Business and Human Rights.

In 2020, we disclosed our environmental impact through CDP for the first time and received a B- score. We believe that environmental transparency and accountability are vital in tracking progress, increasing our credibility and driving the effort to align our portfolio with a low-carbon future. We have also implemented the recommendations of the Task Force on Climate-related Financial Disclosures ("TCFD") and published our second TCFD report in April 2021.

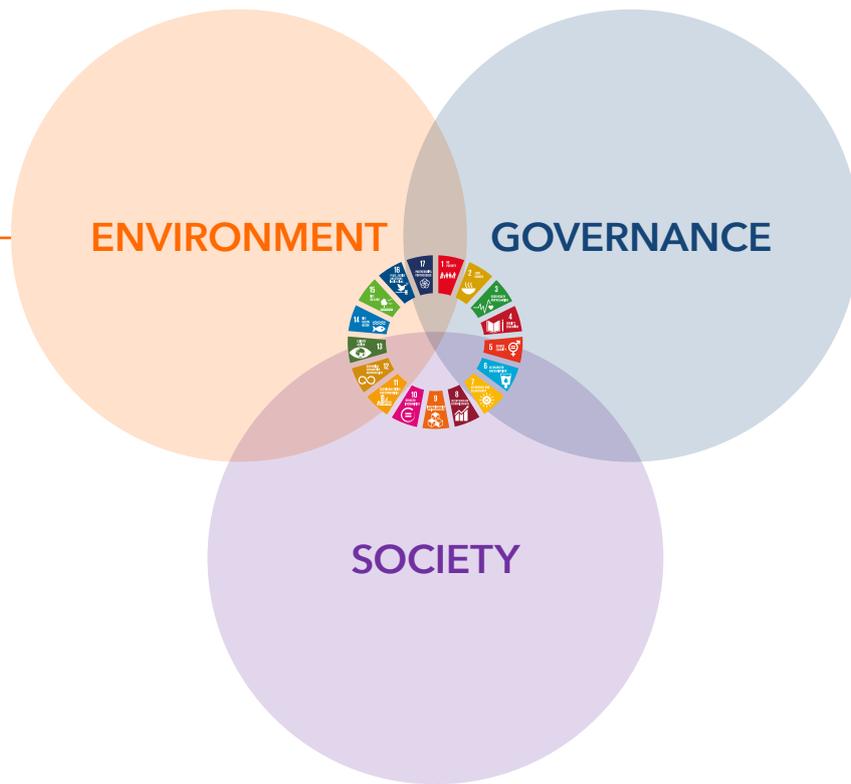
## Our Climate Targets

- **Net zero greenhouse gas emissions from Kinnevik's own operations and business travel** from 2020 and onward (Scope 1, 2 and from business travel in Scope 3)
- **50% reduction in greenhouse gas emission intensity in Kinnevik's portfolio** by 2030 compared to 2020 (from Investments in Scope 3)

## Our Diversity & Inclusion Targets

- **40/60 Composition** - by end of 2022 Kinnevik shall have a 40/60 composition (at least 40% of the under-represented gender) in the Management team as well as in the Investment and Corporate teams
- **10% Female Capital on an annual basis** - from 2019, at least 10% of the capital we invest in new companies should be invested in female founded or led companies. If we do not invest 10% in a given year, the amount will roll over to the next year
- **No Follow-Ons** - Kinnevik will only consider making follow-on investments in companies that it believes have made progress in relation to diversity and inclusion
- **Leadership** - all Kinnevik managers are to be measured on diversity and inclusion, and the results will be linked to their remuneration

Three Dimensions of Sustainability



Material Topics

**Environmental Responsibility and Reduced Climate Impact**

- .. Greenhouse Gas Emissions
- .. Use of Resources

Sustainability Targets

- .. Net zero greenhouse gas emissions from Kinnevik's own operations and business travel from 2020 and onward
- .. 50% reduction in greenhouse gas emission intensity in Kinnevik's portfolio by 2030 compared to 2020

**Social Equality and Good Corporate Citizenship**

- .. Human Rights
- .. Business Ethics
- .. Well-being & Personal Development
- .. Health & Safety
- .. Diversity & Inclusion
- .. Community Outreach

- .. 40/60 gender composition in all Kinnevik teams by 2022
- .. Measure all managers on inclusive leadership
- .. 10% capital allocation to female founded or led companies
- .. Follow-on investments conditional upon clear D&I progress

**Sound Governance Structures and Economic Growth**

- .. Corporate Governance
- .. Risk Management
- .. Compliance
- .. Economic Growth

- .. Deliver an annual total shareholder return of 12-15% over the business cycle

# GOVERNANCE STRUCTURES - IMPERATIVE FOR OUR ACTIVE OWNERSHIP

## KINNEVIK LEVEL

As a responsible and active owner, Kinnevik aims to be a sustainability leader and a role model for our portfolio companies across all three dimensions of sustainability - Environment, Society and Governance.

Our ability to deliver strong financial returns is imperative in Kinnevik's role as an active owner. Being a financially strong company enables us to drive our sustainability strategy in an efficient way and support our portfolio companies in becoming long-term successful and sustainable businesses. Sound governance, risk management and compliance, including clear structures, policies and processes across functions, help us sustain our track record of strong financial returns.

Kinnevik's key governance related policies are our Code of Conduct, Sustainability Policy, Lobbying Policy and Whistle-blower Policy. These policies have been communicated to all employees and members of the Board and are available on our website. Kinnevik's policies, processes and rules relating to Diversity & Inclusion are outlined in Kinnevik's corporate policies, including the Employee Handbook, Talent Management Policy and Work Environment Handbook and are summarized on our website.

To identify, assess and manage risks for Kinnevik on an ongoing basis, the Board of Directors has adopted a Risk Management Policy, the implementation of which is overseen by Kinnevik's internal Risk Committee and run by the Risk Team. As a diversified investment company, a material level of Kinnevik's risk exposure sits within our portfolio, which is why the risk assessment process is performed at both the Kinnevik and portfolio levels. Kinnevik's risk exposure is not static and consequently the risk assessment process is performed and updated at least two times a year. The risk assessment on Kinnevik and portfolio level are performed by the Risk Team in collaboration with relevant internal teams and are documented in the two separate Risk Registers, one for the portfolio and one for Kinnevik itself. Based on a qualitative analysis, all risks are awarded a risk score based on likelihood and impact, which in turn classifies the risk as either a "high", "medium" or "low" risk. Based on this score, all risks are assigned a relevant risk response and/or mitigation actions.

## PORTFOLIO LEVEL

As a minority shareholder in the majority of our portfolio companies, our influence and control is naturally limited. However, we still have significant influence through capital allocation, board representation and the operational support we provide. We believe that driving an ambitious sustainability agenda in our companies across environmental, social and governance aspects will build better businesses that generate stronger returns and contribute to a more sustainable future.

Kinnevik's general expectations of the portfolio companies' ESG performance are outlined in our Sustainability Policy. To measure performance, set annual objectives and define best practices for our companies, Kinnevik uses the Kinnevik Standards (see page 6), which encompass all three aspects of sustainability - Environment, Society and Governance. The work is carried out through a well-established Annual Sustainability Cycle that follows a yearly schedule, as described on pages 5 - 6 in this Framework.

In 2020 we launched a new 3.0 version of the Kinnevik Standards to raise the bar and better reflect our increased focus on environmental and social aspects (primarily Diversity & Inclusion). The new version of the Kinnevik Standards has been subject to review by external parties such as auditors, subject matter experts and independent ESG specialists and has been approved by Kinnevik's Board of Directors.

We work actively with our portfolio companies to promote ESG progress across all dimensions of the Kinnevik Standards. For example, we have -

- expanded the scope of the Kinnevik Platform, a network of events and people aimed at sharing knowledge and best practices to support the development of our companies,
- collaborated with our portfolio companies and supported them in their climate efforts, mainly focusing on implementing tools and processes for measuring emissions,
- improved governance structures across the portfolio, especially focusing on new companies, and
- developed a Diversity & Inclusion Toolkit to provide our companies with inspiration and a practical guide on how to create more diverse and inclusive workplaces.

# SUSTAINABILITY LINKED FINANCING FRAMEWORK

## Why A Sustainability Linked Financing Framework?

Sustainability is an integrated part of our business model and a core element in building companies that deliver superior returns. As evidenced in previous sections, we are committed to continuously improving our own and our portfolio companies' sustainability performance.

Establishing a Sustainability Linked Financing Framework is therefore a natural next step for us whereby we integrate our commitment and ambition to be a sustainability leader into our financing solutions.

## Framework Alignment

This Framework is aligned with the Sustainability-Linked Bond Principles published by the International Capital Market Association (ICMA) in June 2020, and the Sustainability Linked Loan Principles, as published by the Loan Market Association (LMA), the Asia Pacific Loan Market Association (APLMA) and the Loan Syndications and Trading Association (LSTA) published in July 2021.

Kinnevik may under this Framework issue Sustainability Linked Securities, including but not limited to bonds and loans. Instruments issued under this Framework should in their transaction specific documentation refer to this Framework.

## Summary of Sustainability Linked Financing Framework

Material Topics	Environmental responsibility and reduced climate impact	Social equality and good corporate citizenship	Sound governance structures and economic growth
Portfolio KPIs/SPTs	7% reduction in greenhouse gas emission intensity from Kinnevik's portfolio from year to year, i.e. in total 50% reduction by 2030 compared to 2020 (majority of scope 3)	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	5 pp improvement in annual ESG score average from year to year across portfolio
Clarifications	<ul style="list-style-type: none"> <li>“ Includes portfolio companies that are measuring and reporting on their greenhouse gas emissions and have done so for at least two years</li> <li>“ Emerging market portfolio excluded</li> <li>“ Yearly intensity target to allow for a dynamic portfolio of companies</li> </ul>	<p>The metric refers to new capital allocation annually</p> <p>A company qualifies as female founded if, at the time of investment -</p> <ol style="list-style-type: none"> <li>i. at least 50% of the founding team active in the company are women; or</li> <li>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</li> <li>iii. if a woman co-founder also serves as CEO or Chairman of the Board</li> </ol> <p>“Active in the company” is defined as still working operationally for the company or serving on the board</p> <p>A company qualifies as female led if, at the time of investment -</p> <ol style="list-style-type: none"> <li>i. at least 50% of the senior management team are women; or</li> <li>ii. a woman serves as CEO and at least 30% of the senior management team are women</li> </ol>	<ul style="list-style-type: none"> <li>“ 84 metrics across Environment, Social and Governance dimensions</li> <li>“ Emerging market portfolio excluded</li> <li>“ Yearly improvement target to allow for dynamic portfolio of companies</li> </ul>
Financial characteristics	Yearly target date and eventual variations of coupon/redemption price/margin.		
Reporting	Reporting on performance of the target may be in a separate Climate Progress Report. Transparency on included and excluded companies	Reporting on performance of the target in Sustainability Report	Reporting on performance of the target in Sustainability Report. Transparency on included and excluded companies

# SELECTION OF KEY PERFORMANCE INDICATORS (KPIs)

Our ambition is to be Europe’s leading listed growth investor. We have therefore integrated sustainability into our business model and our ways of working. Our portfolio brings together holdings in companies active in over 60 countries with a combined turnover of over SEK 85bn and 40,000 employees. Through our active ownership, the majority of our potential sustainability impact therefore lies at portfolio level, which is reflected in the targets selected for this Sustainability Linked Financing Framework. The requirement of materiality of selected KPIs is one of the core elements of the Sustainability Linked format.

## ENVIRONMENTAL RESPONSIBILITY AND REDUCED CLIMATE IMPACT

### KPI #1: Reduction in greenhouse gas emission intensity from Kinnevik’s portfolio year on year (majority of Kinnevik’s scope 3)

**Why it matters:** It is Kinnevik’s responsibility as an active owner to develop our companies into long-term sustainable businesses and to future-proof them for a new, low-carbon economy. Therefore, we actively work to help our portfolio companies to measure and reduce their greenhouse gas emissions.

The greenhouse gas emissions generated by our portfolio companies are a key component of our climate impact, as the lion’s share of our emissions lies in scope 3 and relates to the portfolio companies’ operations (close to 100% in 2020). By reducing the greenhouse gas emissions intensity in our portfolio, our overall carbon footprint will decrease substantially while our companies continue to grow at a high pace and are better placed for a future low-carbon economy.

#### SDGs in focus:



## SOCIAL EQUALITY AND GOOD CORPORATE CITIZENSHIP

### KPI #2: New capital allocation to female founded or led companies

**Why it matters:** In 2020, only 2.3% of venture capital funding went to female led start-ups according to Crunchbase data, despite research indicating that these businesses perform on par or better than the average man-led start-up.<sup>3</sup> The statistics for Sweden during the same period are even lower, with less than 1% of invested capital going to female-founded companies according to DI Digital.<sup>4</sup> In our ambition to be Europe’s leading

growth investor, we recognize our shared responsibility to close the funding gap and ensure we capitalize the best companies, irrespective of the founder’s gender.

#### SDGs in focus:



## SOUND GOVERNANCE STRUCTURES AND ECONOMIC GROWTH

### KPI #3: Annual average ESG Score across portfolio

**Why it matters:** McKinsey research shows that apart from contributing to a more sustainable future, companies with a positive record for ESG issues can earn a 10 percent median premium over a company with a negative record.<sup>5</sup> Kinnevik works actively with our portfolio to develop our portfolio companies’ sustainability work through capital allocation, board representation as well as operational support. The Kinnevik Standards, which incorporates 84 metrics across environmental, social and governance aspects, and the Annual Sustainability Cycle (both described on pages 5 -6) are cornerstones of this work.

#### SDGs in focus:



3. Crunchbase, December 21 2020, "Global VC Funding To Female Founders Dropped Dramatically This Year"  
 4. DI Digital, July 24 2021, "Miljarderna fortsätter rulla in till män - dödläge för kvinnors bolag"  
 5. McKinsey & Company, February 12 2020, "The ESG premium: New perspectives on values and performance"

# CALIBRATION OF SUSTAINABILITY PERFORMANCE TARGETS (SPTs)

## ENVIRONMENTAL RESPONSIBILITY AND REDUCED CLIMATE IMPACT

**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)**

The SPT reflects Kinnevik’s externally communicated climate targets announced in May 2020 which, together with our target of net-zero emissions on Kinnevik level, make up 100% of Kinnevik’s carbon footprint. The targets have been developed together with an external party with relevant knowledge in this field. The target entails that all portfolio companies measure their GHG emissions and set relevant climate targets across their operations and value chains to align with actions needed to limit global temperature rise to 1.5°C above pre-industrial levels and the Paris Agreement.

The SPT refers to portfolio companies that are measuring and reporting on their greenhouse gas emissions and have done so for at least two years in a row. Due to the high growth nature of many of our companies, emissions will be measured in relation to the development of relevant economic and physical metrics selected for the respective portfolio company.

In order to maintain the investment flexibility required for our business, the reduction target has been set on a year-to-year basis, meaning that the metric incorporates the yearly change in emission intensities for the companies included. This allows us to include and exclude companies as our portfolio of companies develops, and also means that we cannot gain from a higher reduction rate a certain year. The climate target and the SPT do not apply to our emerging market portfolio companies.

**What we are doing to achieve the SPT:** We are rolling out a three-step climate strategy across our portfolio companies. The first step consists of measuring the portfolio companies’ emissions in accordance with the GHG Protocol. To support them, we -

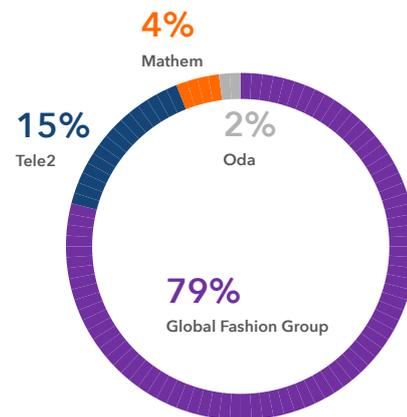
- “ have engaged the sustainability reporting software tool Position Green which we are offering free of charge to all companies for the first year,
- “ are assisting all companies in conducting a materiality analysis to identify their key categories of emissions across scope 1, 2 and 3, and
- “ are providing ongoing support during the data collection and tool setup phase and quality assurance on reported emissions prior to finalising greenhouse gas disclosure reports.

In the second step, the portfolio companies should set relevant reduction targets in line with science and the 1.5°C ambition and

in the third step, they should define a roadmap to target fulfilment.

By measuring reduction of greenhouse gas emission intensity annually and against a target of 7% reduction from year to year we are able to closely monitor the progress and take adequate action if companies are deviating from a trajectory in line with our overarching goal of a cumulative 50% reduction of Kinnevik’s scope 3 greenhouse gas emission intensity by 2030.

**Current status of the SPT:** During 2020, four portfolio companies measured and reported on their greenhouse gas emissions, together representing 53% of total portfolio value (excluding Zalando). As they are yet to report on their 2021 emissions, we will not be able to report on performance against Portfolio SPT 1 until 2022. Currently, we are working with all remaining portfolio companies to start measuring and reporting on their greenhouse gas emissions.



Company	Tonnes CO <sub>2</sub> e*	Percentage
Global Fashion Group	463 169	79%
Tele2	87 039	15%
Mathem	23 205	4%
Oda	8 970	2%
<b>Total</b>	<b>582 383</b>	<b>100%</b>

\* Due to delays in information publication, emissions data for 2019 was used as a proxy.

**Potential risks:** As Kinnevik is generally a minority shareholder in our portfolio companies, we can only encourage and influence our portfolio companies to engage in greenhouse gas emission measurements and reductions. However, it is our firm ambition to work closely with all of our portfolio companies to measure, report and reduce their greenhouse gas emissions during the coming years.

## SOCIAL EQUALITY AND GOOD CORPORATE CITIZENSHIP

### 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

As an investment company, one of the key levers we have to promote greater gender equality is through the allocation of our capital. By earmarking 10% of our capital to be invested into female founded or led companies we will see a more balanced set of boards and management teams which in turn will result in better performance and a more diversified portfolio. In reaching our target, we contribute to closing the funding gap for female founded or led companies.

Our externally communicated target of 10% of capital invested into new companies being invested in female led or founded companies, includes a rollover mechanisms meaning that if we do not invest 10% in a given year, the amount will roll over to the next year. This rollover mechanism reflects our commitment to close the funding gap, whilst taking our investment process and pace into consideration, and ensures that a miss one year has to be made up for in the future.

In the Framework, the rollover mechanism is incorporated by requiring that at least 10% of the capital invested into new companies should be invested in female founded or led companies on a two-year rolling basis.

A company qualifies as a female founded company if, at the time of investment -

- “ at least 50% of the founding team active in the company are women, or
- “ 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
- “ a woman co-founder also serves as CEO or Chairman of the Board.

“Active in the company” is defined as still working operationally for the company or serving on the board.

A company qualifies as a female led company if, at the time of investment -

- “ at least 50% of the senior management team are women, or
- “ a woman serves as CEO and at least 30% of the senior management team are women.

**What we are doing to achieve the SPT:** We have during the last two years incorporated D&I aspects into all stages of the investment process, from the sourcing and assessment of new business opportunities to the ongoing development of our companies. Further, we continuously work to diversify and broaden our pipeline of investment opportunities and work actively across functions to educate our teams on relevant D&I related topics.

**Current status of the SPT:** Since the launch of our D&I framework in May 2019, 13% of capital invested into new businesses has funded female founded or led companies per the release of our Q2 report in mid-July.

**Potential risks:** Growth investing is a competitive industry and as such, we might be outbid by other investors in some processes, and the companies into which we are looking to invest might choose to go with an investor of a different profile.

## SOUND GOVERNANCE STRUCTURES AND ECONOMIC GROWTH

### SPT #3: 5% improvement in annual ESG score average from year to year across portfolio

The Kinnevik Standards is a structured framework used to define best practices within sustainability for our portfolio companies, measure their performance and help set priorities and roadmaps for their sustainability work.

Kinnevik performs a yearly assessment of all our portfolio companies, both public and private, based on the Kinnevik Standards. Following the completion of the assessment, the portfolio companies are awarded a ESG Score based on their fulfilment of each standard. The ESG Score is a clear indication of how the portfolio companies are performing and developing over time in terms of all three dimensions of ESG, and also allows the Investment Team to identify needs for improvements and focus their efforts and support to the portfolio companies. Given our business model and dynamic portfolio of companies, the target refers to a yearly improvement rate rather than a minimum ESG score. We believe that we can add the most value in encouraging all our portfolio companies to improve their ESG related work, regardless of the starting point for each company that have passed our rigorous investment process. For further information, see page 6. The target and the SPT do not apply to our emerging market portfolio companies, as these are no longer core to our strategy and represent less than 2% of our portfolio value.

**What we are doing to achieve the SPT:** Kinnevik's investment team, supported by the Sustainability Team, is responsible for implementing the Kinnevik Standards in our portfolio companies. At its core, the Sustainability Team is a business development function with the purpose of supporting our portfolio companies

to put the necessary structures, processes and culture in place to be successful and sustainable over the long term.

A cornerstone of our sustainability efforts is an active engagement with our companies. To drive improvement in the annual ESG score during 2020, we have -

- continued to improve governance structures across the portfolio, with a particular focus on the new companies. This involves working with Boards and management teams to improve governance and controls. We also continued to work with all our companies to improve their internal control environment, risk management and compliance frameworks,
- helped many of our companies to implement or initiate the process of creating company-wide and management-led D&I strategies focusing on the integration of D&I into all parts of their businesses, and
- actively supported our companies in increasingly taking action to reduce their environmental impact through the roll-out of our climate strategy as described on page 12

**Current status of SPT:** In 2020, the average ESG score across the portfolio, based on the new 3.0 version of the Kinnevik Standards, was 52%. between 2019 and 2020, we saw an 8 pp improvement based on the former 2.0 version of the Kinnevik Standards.

**Potential risks:** Due to the high-growth nature of our portfolio companies and the fact that many of them are young, and relatively immature, businesses, resources and priorities to drive ESG related workstreams are often limited.

## Financial Characteristics

Characteristics outlined in this Framework are applicable to all Sustainability Linked Finance Instruments issued under it. The proceeds of Sustainability Linked Finance Instruments will be used for general corporate purposes.

The selection of KPIs and related SPTs to be applied to a specific Sustainability Linked Finance Instrument will be detailed in the security specific documentation.

The annual Target Observation Date, and the related result from an observation of the applicable SPT(s), will be connected to a financial effect (variation of financial characteristics) that will be selected and outlined in the security specific documentation. This may include yearly coupon, redemption price or margin adjustments. Regardless of financial effect selected, the scale of the impact aims at being meaningful and commensurate.

Should Kinnevik fail to provide reporting and verification, in line with this Framework, the financial characteristics of the Sustainability Linked Finance Instrument will change as outlined in the specific documentation of each financial instrument.

The KPIs and SPTs set out in this Framework will remain applicable throughout the tenor of any security issued under the Framework, regardless of any changes to Kinnevik's sustainability strategy or business. This includes any changes relating to the company's general sustainability targets and ambitions or changes in applicable benchmarks or industry standards as well as any type of restructuring activities. However, Kinnevik is allowed to make changes to the calculation methodology for a KPI that shall apply to the Framework and any security issued under the Framework. Such changes will result in a change in baseline(s). Any new or updated Sustainability Linked Financing Framework, in relation with any subsequent securities issuance, will not have any implications on the securities issued under this Framework.

## Reporting

To ensure investors and other stakeholders have updated and adequate information about Kinnevik's sustainability strategy and the progress of the KPIs in relation to the respective SPTs, Kinnevik will report the progress of each SPT on our website and in our annual Sustainability Report and/or in a separate Climate Progress report (together the "Sustainability Linked Finance Reporting"). The Sustainability Linked Finance Reporting will be published on Kinnevik's website for as long as there are Sustainability Linked Finance Instruments outstanding. The annual Target Observation Date(s) and the Reporting End Date will be defined in respective financial instrument documentation.

The Sustainability Linked Finance Reporting will contain the relevant information for assessing whether the applicable SPT has been met for the relevant Target Observation Date(s). The Sustainability Linked Finance Reporting will include the following reporting points -

- The performance of the KPIs versus the SPTs, as per the relevant reporting period, including the calculation methodology and baselines when relevant
- To the extent feasible, the reporting will outline the share of portfolio companies included and excluded related to the Portfolio level KPIs and SPTs
- Information about potential recalculations of baselines
- Information on any relevant updates to Kinnevik's sustainability strategy and/or governance with an impact on the KPIs and SPTs

Where feasible and possible the reporting will also include -

- Qualitative and/or quantitative explanations of the contribution of the main factors, including restructuring activities, behind the evolution of the performance of the SPTs on an annual basis
- Illustration of the positive sustainability impacts of the performance improvement
- Any re-assessments of KPIs and/or restatement of the SPT and/or proforma adjustments of baselines or KPI scope
- Updates on new or proposed regulations from regulatory bodies relevant to the KPIs and the SPTs

Failure to provide the Sustainability Linked Finance Reporting by the dates defined in the transaction specific documentation will result in an automatic adjustment in the financial characteristics, as outlined in the said documentation.

Kinnevik may choose to provide a Sustainability Linked Financing Progress Report in relation to other financial instruments than bonds, directly and non-publicly, to the lenders or counterparties.

---

## External Review

To ensure alignment with the ICMA Sustainability-Linked Bond Principles and the LMA/APLMA/LSTA Sustainability Linked Loan Principles as well as best market practice, Kinnevik will obtain the external reviews listed below. This Framework and the below reports will be published on our website.

### **Verification**

Kinnevik will seek independent and external verification of our actual KPI performance relative to the SPT(s), on an annual basis and in relation to the Target Observation Date(s). The verification will be conducted by a reviewer with relevant expertise with limited assurance by the reviewer. The verification will be made public on our website by the dates outlined in the transaction specific documentation.

Failure to provide the annual verification by the dates defined in the transaction specific documentation, will result in an automatic adjustment in the financial characteristics as outlined in the security specific documentation.

### **External Verification of The Sustainability Linked Financing Framework**

Kinnevik has obtained a Second Party Opinion from CICERO Shades of Green and International Institute for Sustainable Development (IISD). Amongst other things, it confirms the alignment of this Framework with the Sustainability-Linked Bond Principles June 2020 set out by ICMA and the Sustainability Linked Loan Principles July 2021 by the LMA, APLMA and LSTA. The Second Party Opinion concludes that the SPTs are meaningful and relevant in the context of Kinnevik's broader sustainability and business strategy and that the SPTs are to be considered ambitious.

# APPENDIX

## Target Calculation and Methodology

### KPI/SPT 1 Environmental responsibility and reduced climate impact

To measure performance against our climate target of a 50% reduction in greenhouse gas emission intensity from our portfolio by 2030 compared to 2020, we have in line with the Carbon Law translated our target into a target of 7% reduction in intensity compared to the previous year. Performance against this year-on-year target is based on change in intensity per company from previous year which requires that a portfolio company has reported their emissions for at least two years in a row to be included. This means that the KPI and SPT in relation to this target will not include all portfolio companies but only the portfolio companies that are in fact measuring their carbon footprint and have done so for at least two years. Companies that are included and the share of our total portfolio they represent will be disclosed. The climate target and the SPT do not apply to our emerging market portfolio companies.

Portfolio companies' emission intensity will be based on individual intensity units relevant for the respective company meaning that individual intensities cannot be compared against each other or be aggregated. Instead we look at the change in intensity between years and aggregate such. The yearly changes will then be accumulated to show performance from the base year (2020).

### KPI/SPT 2 Social equality and good corporate citizenship

The target measures the share of capital allocated to female led or founded new companies, divided by total new capital invested, on a two year rolling basis.

A company qualifies as a female founded company if, at the time of investment -

- .. at least 50% of the founding team active in the company are women, or
- .. 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
- .. a woman co-founder also serves as CEO or Chairman of the Board.

"Active in the company" is defined as still working operationally for the company or serving on the board.

A company qualifies as a female led company if, at the time of investment -

- .. at least 50% of the senior management team are women, or
- .. a woman serves as CEO and at least 30% of the senior management team are women at the time of investment.

### KPI/SPT 3 Sound governance structures and economic growth

Kinnevik performs a yearly assessment of all our portfolio companies based on the Kinnevik Standards. Following such assessment, Kinnevik scores the companies on their fulfilment of the standards in line with an indicated weighting of each standard based on Kinnevik's view of importance of the same. The assessments are performed by the Kinnevik Sustainability Team through interviews with the companies and our board representatives. To ensure consistency, the Kinnevik Standards also include guidance notes that provide further information on how the assessment of each standard is performed and what aspects are to be considered.

The Standards include 84 metrics which in turn are split into two levels, one for small companies (equity value of < USD750m) and one for large companies (equity value of >USD750m), with the latter being more comprehensive and advanced. For example, our large company standard on diversity & inclusion training requires that the company provides training to all employees annually while the small company level for the same standard only requires that training is held for management. This is to ensure that the assessment is relevant for the companies' stage and size. While small companies are only scored against the small company standards, large companies are scored on both small and large company standards. This means that a large company needs to adhere both to the small company standard and the corresponding large company standard to receive a full score on a standard.

Should a standard not be deemed applicable to a certain company's business model and/or sector/market, it is up to the Sustainability Team to decide whether such company should be scored against that standard or not.

Performance against this year-on-year target is based on change in the average ESG score of the portfolio from the previous year, meaning that only companies that was in Kinnevik's portfolio the previous year and the current year will be included in the calculation. The KPI and the SPT do not apply to our emerging market portfolio companies.

