

# Communication on Progress

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## Statement by the CEO

I am pleased to present Investment AB Kinnevik's Communication on Progress for 2012. Kinnevik is committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company, and to engaging in collaborative projects which advance the broader development goals of the United Nations, particularly the Millennium Development Goals. In our Communication on Progress report Kinnevik documents the progress within Kinnevik as well as our major holdings. I think that the Kinnevik group are making progress in implementing the Global Compact principles as this report will demonstrate.



Mia Brunell Livfors

President and Chief Executive Officer  
Investment AB Kinnevik

## Background

Investment AB Kinnevik was founded in 1936 and thus embodies seventy-five years of entrepreneurship under the same group of principal owners. Kinnevik's objective is to increase shareholder value, primarily through net asset value growth. The company's holdings of growth companies are focused around seven comprehensive business sectors; Telecom & Services, Online, Media, Micro financing, Paper & Packaging, Agriculture and Renewable energy. Kinnevik has a long history of investing in emerging markets which has resulted in a considerable exposure to consumer sectors in these markets. Kinnevik plays an active role on the Boards of its holdings.

For Kinnevik, Corporate Responsibility ("CR") involves issues that relate to social responsibility, environmental responsibility and ethics. In formulating policies in these areas, Kinnevik has used as its starting point the UN's Global Compact and its ten principles, as well as the OECD's guidelines for multinational enterprises.

During 2011, Kinnevik formally adopted the UN Global Compact ten principles in the areas of human rights, labour, the environment and anti-corruption.

## Strategy and purpose

The primary purpose of Kinnevik's operations is to increase shareholder value, primarily through net asset value growth. As owner and investor, Kinnevik also bears great responsibility to stakeholders for its holdings (subsidiaries and associated companies). For Kinnevik, showing consideration for stakeholders by working actively with CR-related issues is a prerequisite for high and sustained profitability.

## Guidelines and policies

Kinnevik has established clear guidelines for the expectations of the Group's holdings how to drive CR issues regarding social responsibility, environmental impact and ethical behavior.

Furthermore, Kinnevik's senior management, in cooperation with its Board of Directors, has formulated policies in which all matters relating to sustainability and responsibility matters are handled. These matters are expressed in the Code of Ethical Business Conduct (Code of Conduct) and the Whistleblower policy. Every employee and other representatives of the Company are expected to read and comply with these policies.

## Implementation and follow-up

For a company like Kinnevik with limited operations, the majority of the CR issues are found within each holdings' operations. A thorough risk assessment including CR related matters is periodically carried out in every company. The risks vary depending on company, industry and country and consist amongst others of geographical risks, environmental impact, political climate, brand risks as well as supplier risks. Since several of Kinnevik's holdings are operating in emerging markets where human rights and risk for corruption could be present, it is very important that Kinnevik has firm guidelines on how to handle these types of risks.

Kinnevik works actively, through Board representation, to assist associate companies and subsidiaries in formulating a separate CR policy. The CR policy shall be observed through analysis and continuous operational improvements, taking into account social responsibility, ethics and the environment. The companies are also encouraged to publicly communicate the impact of their CR efforts. In the larger listed holdings, the Board of each company shall elect one person who is responsible for the company's CR issues and to whom an employee with responsibility for CR shall report. In 2012, Kinnevik included a GRI report in its Annual Report, available on the Kinnevik website [www.kinnevik.se](http://www.kinnevik.se).

## Communication of progress

### Human rights

Principle 1 Businesses should support and respect the protection of internationally proclaimed human rights

Principle 2 Businesses should make sure they are not complicit in human rights abuses

Kinnevik's policies on corporate responsibility are based on the UN Global compact's ten principles as well as the OECD's guidelines on multinational enterprises. The Kinnevik portfolio companies support and respect internationally proclaimed human rights and this is expressed in their respective Code of Conduct.

### Actions taken in 2012 – examples from Kinnevik portfolio companies

For Kinnevik's mobile companies, questions relating to freedom of expression and privacy are important to address. Millicom and Tele2 are founding members of the Telecommunications Industry Dialogue on Freedom of Expression and Privacy (ID) initiated in mid-2011 to help implement the UN Ruggie framework as it relates to freedom of expression and privacy in the telecom sector. In 2012 the ID members jointly developed and made available for comment broadly accepted principles for the sector. In late 2012, the Industry Dialogue opened discussions with the Global Network Initiative (GNI) to serve as a host organization for the initiative.

### Labour

Principle 3 Businesses should uphold the freedom of association and the effective right to collective bargaining

Principle 4 Businesses should uphold the elimination of all forms of forced and compulsory labour

Principle 5 Businesses should uphold the effective abolition of child labour

Principle 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation

Kinnevik and the Group companies shall ensure compliance with labour and employment laws, including wages and working hours. Furthermore, the right to collective bargaining is recognized throughout the Group – in Kinnevik's case through the Kinnevik's Code of Conduct. In the code, it is also stated that no colleagues should be discriminated against because of age, race, gender, religion, sexual orientation, marital or maternity status, political opinion or ethnic background. Violations connected to discrimination must be reported to the Chairman of the Board, HR, closest manager or by our whistle blowing system.

### Actions taken in 2012 – examples from Kinnevik and portfolio companies

Kinnevik continued to uphold these principles in 2012. In Group companies, Millicom for example, has signed a collective bargaining agreement in Chad with all employees and in Paraguay with the employees who joined the company in the Cablevision acquisition, representing 5% of total employees in Paraguay.

To better understand the risks regarding child labor, Kinnevik worked with UNICEF in 2012 in a project to assess how the Child Right's and Business principles can be implemented in the Kinnevik Group of companies. Millicom commissioned a detailed risk report and country assessment from TwoTomorrows. The scope for the assessment became the "Children's Rights and Business Principles" jointly developed by UNICEF, UN Global Compact and Save the Children. Millicom piloted the Children's Rights Checklist, a tool developed by UNICEF and provided feedback on the tool back to UNICEF. Millicom will continue to collaborate towards developing a telecommunications sector self-assessment tool on children's rights.

### Environment

Principle 7 Businesses are asked to support a pre-cautionary approach to environmental changes

Principle 8 Undertake initiatives to promote greater environmental responsibility

Principle 9 Encourage the development and diffusion of environmentally friendly technologies

### Actions taken in 2012 – examples from Kinnevik and portfolio companies

In the mobile companies, effective end-of-life management for both telecom devices and network equipment is critical because those contain precious and potentially toxic materials. Recovery and reuse of these materials prevent them from entering and polluting the environment, thus reducing the amount of raw material extraction needed in the first place.

Tele2 continually strives to increase the percentage of recovered and reused material from network equipment. Tele2 continuously strive to primarily reuse components; if that is not possible they try to recycle the materials; and as a last option, the energy is extracted in order to minimize the amount of waste going to landfills. Any environmentally hazardous waste is always taken care of in the proper manner, in accordance with laws and regulations.

Kinnevik has invested in renewable energy production given strong European growth expectations in combination with Kinnevik's experience from and activities in agriculture and forestry. Renewable energy production is expected to see substantial growth in coming years, especially in Europe driven by EU commitments to 20% renewable production by 2020. Kinnevik's main investment in this space is Vireo Energy, with operations aimed at building, owning and operating facilities that produce energy from renewable sources.

Initially, the company is focusing primarily on projects to recover energy from landfill gas, and other forms of waste based biogas. Geographic focus is Poland and adjacent. Contracts have been signed for the recovery of biogas with a number of landfills in Poland and Belarus. Vireo are now investing in these facilities and commencing the sale of energy.

### Anti-corruption

Principle 10 Businesses should work against corruption in all its forms including extortion and bribery

It is of highest importance that all Kinnevik companies adhere to and comply with all given legislations and regulations as well as setting their own bar for how to act and behave in society – always with highest possible ethics. For Kinnevik, the ethical standards as well as reporting lines to the Code of Conduct as well as the Whistleblower policy are publicly available.

### Actions taken in 2012 – examples from Kinnevik and portfolio companies

Kinnevik and the Group companies continued to work against corruption in all its forms in all of our businesses. Transparency International Sweden has reviewed Sweden's 20 largest companies and looked into the reporting and transparency of their anti-corruption work. The survey included three aspects: internal programs, transparency in organizational structure and country by country reporting. Tele2 was rated second best, and Tele2's results held up well in the international comparison, according to Transparency International