

Investment AB Kinnevik: Communication on Progress

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Statement by the CEO

I am pleased to present Investment AB Kinnevik's Communication on Progress for 2013. 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

Corporate Responsibility and Communication on Progress for Investment AB Kinnevik

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. Through sound investments and active ownership Kinnevik will have a positive impact on society and on Kinnevik's net asset value growth.

For Kinnevik, Corporate Responsibility ("CR") involves issues that relate to social responsibility, environmental responsibility and ethics. During 2011, Kinnevik formally adopted the UN Global Compact ten principles in the areas of human rights, labour, the environment and anti-corruption. This third annual communication on progress describes the actions taken to integrate the Global Compact and its principles into the business strategy, culture and daily operations of Kinnevik.

Stakeholders

Expectations on Kinnevik varies between different stakeholder groups. For Kinnevik it is important to understand stakeholders' different expectations and Kinnevik strives to have an open and straight dialogue with these groups. The

most important stakeholder groups identified by Kinnevik are the following.

Shareholders

Investors today increasingly integrate sustainability issues into their investment decisions. Kinnevik has an ongoing dialogue with owners and potential investors on sustainable development. As an example of this, Kinnevik participated in the Sustainable Value Creation project in 2012 in which 14 of Sweden's largest institutional investors have joined forces to highlight the importance of working in a structured manner with sustainability issues.

Employees

In order for both Kinnevik and its holdings to be able to attract top performing executives, entrepreneurs and talented employees it is important to act as a good corporate citizen and be known for applying the highest ethical and business standards. In annual development and planning dialogues with management and employees CR-related issues are discussed. These issues are also discussed regularly in staff meetings.

Portfolio companies

Kinnevik is for most of the portfolio companies the largest or among the largest shareholders. Kinnevik is an active owner that through board members influence strategic decisions and priorities in the portfolio companies. As an active owner Kinnevik influences to a large extent "the tone from the top" which is important for attraction of both employees and customers. Kinnevik has a comprehensive dialogue with

the portfolio companies related to relevant CR-topics. In addition, Kinnevik heads the CR group among the holdings comprising heads of CR of the major portfolio companies.

Authorities

For Kinnevik's and the portfolio companies' long term successful development it is important to comply with applicable laws, rules and standards in different countries. Kinnevik has an ongoing dialogue with relevant authorities to monitor regulatory development in important fields.

Risks and focus areas

For a company like Kinnevik with limited operations, the majority of the potential CR issues and challenges are derived from the operations of the respective holdings. The risks identified by the holdings comprise a wide range of risk areas which may all, to some extent, affect Kinnevik and the company's stakeholders. Kinnevik takes inspiration from the Global Reporting Initiative (GRI), the world's most widely used sustainability reporting framework, criteria for materiality to ensure that the Company addresses CR issues and risks that impact, or are influenced by, the company and its holdings. Based on the current portfolio Kinnevik has during 2013 identified some CR topics to be pervasive and in scope of enhanced monitoring efforts going forward. Drivers of such aspects include developments and trends within key industries, existence of operations in emerging markets, emerging supply chain risks and rapid growth. The CR topics that are assessed to be most important and have the greatest relevance both to Kinnevik and the company's stakeholders are the following:

- Prevention of corruption
- Maintaining ethical supply chains, including consideration of human rights and labour standard
- Prevention of anticompetitive behaviour
- Compliance with laws and regulations

There are also other aspects such as limiting environmental footprint of the company's and its holdings that obviously are important but not as pervasive as these four given the existing portfolio.

Guidelines and policies

Kinnevik's senior management, in cooperation with the Board of Directors, have formulated and established policies to address relevant matters related to CR, primarily through the Code of Ethical Business Conduct (Code of Conduct), the Whistleblower policy and the Corporate Responsibility Policy (CR Policy). In formulating these policies, Kinnevik has used the ten principles of the UN Global Compact and the OECD's guidelines for multinational enterprises as its starting point. All employees are expected to read and comply with the company policies.

In addition to the established policies Kinnevik actively promotes compliance with all laws, rules and regulations in each jurisdiction in which the company conducts business, and every employee, and other representative, of the company is expected to comply with the laws of the country in which they operate.

The majority of the CR matters and challenges are derived from the operations of the respective holding, and several of Kinnevik's holdings are operating in emerging markets with elevated risks related to e.g. corruption and human rights violations. In light of this, it is very important that Kinnevik has firm guidelines and clear expectation on the holdings, related to how such risks should be mitigated.

Through the CR policy Kinnevik sets out requirements for the portfolio companies with respect to the key CR topics identified. According to the CR policy each portfolio company must develop clear guidance on how matters concerning business ethics, including corruption, are to be managed. Portfolio companies must continuously document and evaluate compliance with relevant laws, regulations and international conventions, including respect for human rights, safe and healthy working conditions, freedom of assembly, promotion of diversity, and rejection of any form of forced labour or child labour. In addition the portfolio companies must develop a Supplier Code of Conduct in which the company's suppliers pledge to act in accordance with the recommendations of the UN Global Compact, with special attention given to companies in growth countries.

Implementation and follow-up

In the listed holdings, Kinnevik may through board representation oversee that the companies' operations are conducted in a responsible and ethical manner. Kinnevik works actively, through board representation, to assist portfolio companies in formulating their own CR policies. The CR policies should address the relevant CR topics taking into account areas such as social responsibility, ethics and the environment. The Kinnevik Board of Directors regularly reviews progress within CR in Kinnevik and its holdings

Which CR topics and risks that are most important varies between different holdings, industries and countries. Kinnevik recognizes the importance that all portfolio companies defines the most significant risks given their particular operations. The management of each portfolio company must ensure that appropriate processes are in place to identify and manage significant CR risks, and report such risks, including actions taken, to the respective company's Board of Directors.

In the larger listed holdings, the Board of Directors have elected one board member with specific responsibility for overseeing CR activities. In addition, the holdings are required to appoint an employee who is responsible for the

company's ongoing CR efforts, including integration of CR activities into the daily operations. The appointed employee regularly reports progress and effects of the work undertaken to the responsible board member. Furthermore, CR activities is to be an agenda item at every board meeting, and each portfolio company is required to follow-up its CR policy annually.

Any potential new investment, is evaluated in terms of compliance to local laws and regulations, and assessed in terms of risks related to human rights, corruption and environmental aspects. In instances when potential investments do not adhere to relevant standards, or are not considered to be susceptible to the required improvements, Kinnevik refrains from the investment. New investments generally concerns small, start-up, companies which may not yet have formal CR policies and procedures in place. Kinnevik considers the development of CR policies, and related procedures, to be part of the development of the investment. Over time Kinnevik requires, all portfolio companies to establish a Code of Conduct that contains clear guidelines for how employees should act to ensure respect for human rights, legal compliance and ethical business practices.

In 2013, Kinnevik performed an evaluation to identify how existing processes and efforts for monitoring CR performance within the company's portfolio may be further enhanced. Based on the evaluation, activities to further develop and formalize existing processes have been initiated, including processes to identify key CR topics from a Kinnevik perspective and procedures to monitor that significant matters are given adequate attention by the respective portfolio companies. The aim is to have a more formalized structure in place during 2014.

The holdings are encouraged to publicly communicate the impact of their CR efforts. In order to find a common tool in terms of reporting the progress in the CR field, many of Kinnevik's companies have chosen to report according to GRI. GRI's core goals include the aligning of disclosure on environmental, social and governance performance. Millicom, Tele2 and MTG produce GRI reports that can be found on the respective company's websites.

Communication on progress

As described above, Kinnevik has formally adopted the UN Global Compact ten principles in the areas of human rights, labour, the environment and anti-corruption. Below is a description of progress in these specific areas.

Human rights

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 Kin-

nevik portfolio companies support and respect internationally proclaimed human rights and this is expressed in their respective Code of Conduct. The objective of Kinnevik is for all portfolio companies to have such policies in place. Kinnevik is actively promoting the establishment and implementation of CR policies and Codes of Conducts within the holdings that have not yet such guidelines in place, primarily through board representation.

Actions taken in 2013 – examples from Kinnevik portfolio companies:

- For Kinnevik's mobile companies, questions relating to freedom of expression and privacy are important to address.
- Millicom signed up to the Telecommunications Industry Dialogue on Freedom of Expression and Privacy guiding principles in March 2013 that aim to reduce the risk of complicity in human rights abuses relating to freedom of expression and privacy.
- Tele2 has formulated its position on Privacy and Integrity (P&I) and Freedom of Expression in a position paper available at www.Tele2.com.
- Furthermore, Tele2's Code of Conduct states that the company is particularly careful in protecting the safety of children and young adults in the regard of child sexual abuse images (CSAI) content. Tele2 is closely cooperating with Interpol and in some instances national police in order to prevent access to CSAI content. Interpol and local judicial authorities identify the material containing CSAI and provide Tele2 with blocking lists.

Labour

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 Code of Conduct. In the code, it is also stated that no colleagues should be discriminated against because of age, ethnicity, gender, religion, sexual orientation, marital or maternity status, political opinion or ethnic background.

Kinnevik's policies on corporate responsibility outlines requirements for the holdings related to labour practices, safe and healthy working conditions, freedom of assembly, promotion of diversity, and rejection of any form of forced labour or child labour. Any grievances, including instances of perceived discrimination, must be reported to the Chairman of the Board, HR, closest manager, or through the whistle blowing system.

Actions taken in 2013 – examples from Kinnevik portfolio companies:

- Millicom DRC signed a collective bargaining agreement covering all employees in June 2013. Such agreement is

already in place in Chad and under negotiation in Senegal. Millicom applies the conventions of ILO to ensure that labour rights are respected throughout the business, and apply an even higher minimum age for work in e.g. DRC (18 years old).

- Zalando has implemented Social standards including Working conditions, no discrimination and equal pay for temporary workers and training opportunities and health management. The standards are monitored through audit by an external auditor.

Environment

As a company without proprietary manufacturing and with limited operations conducted at the head office, Kinnevik has little direct impact on the environment.

Kinnevik's policies on corporate responsibility outlines requirements for the holdings concerning environment aspects. According to the policy, each portfolio company should establish an environment policy and continuously analyse the impact of their operations on the environment, and ensure actions are taken to continuously improve performance. Furthermore, the companies should assess the environmental impact of their suppliers and encourage them to achieve continuous improvements. Portfolio companies are encouraged to develop an environmental management system that is certifiable and to provide training to employees in issues relating to respect for the environment. Environmental initiatives are followed up continuously and reported to the board of directors.

Actions taken in 2013 – examples from Kinnevik portfolio companies:

- At the end of 2013, Millicom had over 100 sites running with solar power. Approximately 1,150 sites had hybrid power systems utilizing Deep Cycle battery technology, which has the potential of reducing diesel use up to 75%.
- MTG's pay-TV operations have been signatories of the Voluntary industry Agreement on complex set-top-box energy efficiency since 2010, where the company, together with their STB suppliers, work to ensure their Viasat STBs are energy efficient and that they are well positioned ahead of any future regulations on the matter.
- Zalando use 95% recycled paper in their packages and bags are made of recycled LDPE (Low Density Polypropylene) paper. The company had a holistic approach from production to recycling in the logistic center in Erfurt, Osram intelligent lighting management system saves around 60% of electricity costs compared to traditional system.

Anti-corruption

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.

Through the Code of Conduct, Kinnevik sets out the ethical standards, including standards on matters related to anti-corruption and fair competition. Through the Whistle-blower policy, which is publicly available, the company outlines how potential grievances may be reported and acted upon. Portfolio companies are required to develop clear guidelines for how issues relating to business ethics, including corruption, are to be handled. Such guidelines are particularly for companies active in countries where corruption is prevalent. The guidelines must be known to all employees, and employees must be continuously trained and informed of the consequences of the guidelines.

Actions taken in 2013 – examples from Kinnevik portfolio companies:

The Kinnevik Group companies increasingly have specific guidelines on conflict of interests, fair competition, third party due diligence, and gifts and entertainment as first steps to address high risk areas relating to compliance and corruption. Group companies provide anti-corruption training to our employees. Anti-corruption training is focused on high risk functions, such as procurement.

CR related issues with significant negative impact on Kinnevik

In 2013, no significant CR related issues that have had a negative impact on Kinnevik and its stakeholders have come to the attention of Kinnevik's management and Board of Directors.