



Investment AB Kinnevik – Communication on Progress 2014

Stockholm 2015-03-15

Statement by the CEO

I am pleased to present Investment AB Kinnevik's Communication on Progress for 2015. 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 investee companies. We are making progress in implementing the Global Compact principles as this report will demonstrate.

Lorenzo Grabau


President and Chief Executive Officer
Investment AB Kinnevik

Strategy and purpose

The primary purpose of Kinnevik's operations is to increase shareholder value, primarily through net asset value growth and distribution of dividends. As an active owner and lead investor, Kinnevik also bears great responsibility to stakeholders for the conduct of its investee companies (subsidiaries and associated companies).

For Kinnevik, showing consideration for stakeholders by working actively with Governance, Risk and Compliance (GRC) and Corporate Responsibility (CR) -related issues is a prerequisite for high and sustained profitability. Through sound investments and active ownership Kinnevik can have a positive impact on society and on Kinnevik's net asset value growth. For Kinnevik, GRC and CR involve issues that relate to governance structure, risk management processes, compliance procedures, 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 fourth 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.

In 2014, Kinnevik established the GRC function as a part of its investment management team. The GRC team's objective is to assist investee companies to establish a robust GRC environment and CR policies and procedures. The GRC team conducts reviews of the GRC and CR policies and procedures of Kinnevik investee companies and compares them against Kinnevik's expectations. Where gaps or weaknesses are identified, Kinnevik's GRC team agrees on action points with

the management of its investee companies to bridge these gaps and mitigate weaknesses. The GRC team conducts follow-up reviews to ensure that investee companies have met standards that have been agreed with them.

Stakeholders

Expectations on Kinnevik vary between different stakeholder groups. For Kinnevik it is important to understand stakeholders' different expectations and Kinnevik strives to have an open and direct 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 on-going 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 investee companies 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 GRC and CR related issues are discussed. The investment management team puts emphasis on GRC and CR issues and works actively with



our investee companies to help build a robust environment relevant for the size of the Company and nature of their business. These issues are also discussed regularly in staff meetings.

Investee companies

Kinnevik is for most of the investee companies the largest or among the largest shareholders. Kinnevik is an active owner that through board members influences strategic decisions and priorities in the investee companies. As an active owner, Kinnevik influences to a large extent “the tone from the top” which is important for attracting both employees and customers. Kinnevik has a comprehensive dialogue with the investee companies related to relevant GRC and CR topics. In addition, Kinnevik heads the CR group among investee companies comprising of heads of CR of the major investee companies.

Authorities

For Kinnevik’s and the investee companies’ long term successful development it is important to comply with applicable laws, rules and standards in different countries. Kinnevik has an on-going dialogue with relevant authorities to monitor regulatory development in important fields. Kinnevik’s GRC team also works closely with investee companies to assist them to build compliance structures within their operations.

Risks and focus areas

For a company like Kinnevik with limited operations, the majority of the potential GRC and CR issues and challenges are derived from the operations of the respective investments. The risks identified by the investee companies 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, and its’ prerequisites for materiality to ensure that the Company addresses relevant CR issues and risks. Based on the current portfolio Kinnevik has during 2014 identified some GRC and CR topics that will be subject to special monitoring efforts going forward including developments and trends within key industries, existence of operations in emerging markets, emerging supply chain risks and rapid growth. The GRC and 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 bribery and corruption
- Maintaining ethical supply chains, including consideration of human rights and labour standards
- Prevention of anti-competitive behaviour
- Country risks associated with operating in emerging markets
- Compliance with laws and regulations

There are also other aspects such as limiting the environmental footprint of Kinnevik and its investee companies that obviously are important but not as pervasive as the above 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 GRC and CR, primarily through the Code of Ethical Business Conduct (Code of Conduct), the Whistle-blower 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’s 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 investment, and several of Kinnevik’s investee companies are operating in emerging markets with elevated risks related to e.g. bribery and corruption and human rights violations. In light of this, it is very important that Kinnevik has firm guidelines and clear expectation on the investee companies related to how such risks should be mitigated.

Through the CR policy Kinnevik sets out requirements for the investee companies with respect to the key GRC and CR topics identified. According to the CR policy each investee company must develop clear guidance on how matters concerning business ethics, including corruption, are to be managed. Investee 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 investee 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. During 2014, Kinnevik has added additional resources that work with investee companies on these matters. As an example, Kinnevik is actively involved in assisting the Global Fashion Group to define their CR policy which addresses these matters.

Implementation and follow-up

In the listed companies, 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 investee 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 GRC and CR in Kinnevik and its investee companies.

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

In the larger listed companies, the Board of Directors has elected one board member with specific responsibility for overseeing GRC and CR activities. In addition, the companies are required to appoint an employee or a team that is responsible for the company's on-going GRC and CR efforts, including integration of GRC and CR activities into the daily operations. The appointed employee or team regularly reports progress and effects of the work undertaken to the responsible board member. Furthermore, GRC and 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 its GRC and CR environment. In instances where 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 concern small start-up companies which may not yet have formal GRC and CR policies and procedures in place. Kinnevik's GRC team works closely with these companies to develop their GRC and CR policies and 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.

The companies 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 alignment 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 Kinnevik 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 investee companies that have not yet such guidelines in place, primarily through board representation.

Actions taken in 2014 – 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. Millicom took over as Chair of the group in October 2014.
- Millicom committed in August 2014 as the first Latin American operator to implement UNICEF and ITU Guidelines on child online protection. In October, Millicom hosted the Latin American first workshop on child online protection featuring international experts in Paraguay.
- During 2014 Tele2 received the highest rating for Child Protection in a survey from the Global Child Forum conducted by the Boston Consulting Group. The study assessed how more than 1,032 publicly listed companies in 45 sectors (including ICT) addressed and reported on children's rights. The industry sectors were chosen based on their exposure to children's rights issues. Tele2 was one out of only 14 companies with top score in this evaluation.
- 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 safety of children and young adults in 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 orienta-



tion, marital or maternity status, political opinion or ethnic background.

Kinnevik's policies on corporate responsibility outlines requirements for the investments 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 2014 – examples from Kinnevik investee companies:

- Millicom published a Group-wide policy on Child Labour and Young Workers, specifying strict age limits for certain tasks, age verification processes and remedial actions. Millicom signed a MoU for a three-year partnership with UNICEF to jointly work on child rights impact assessment tools for the telecommunications sector and to implement UNICEF/ITU child online protection Guidelines.
- Millicom launched a diversity program in 2014, with first focus on gender diversity. The program will look at diversity in four different areas over the next five years: awareness, policies, recruitment & retention, and learning & development.
- Kinnevik's GRC team is working closely with the Global Fashion Group to establish a CR policy and a Supplier Code of Conduct. Once implemented, all suppliers working with the Global Fashion Group will be required to sign the Supplier Code of Conduct that requires all signatories to comply with local laws and regulations related to minimum wages, labour rights and child labour. The Global Fashion Group will conduct periodic audits to ensure compliance with the Supplier Code of Conduct.

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 investee companies concerning environmental aspects. According to the policy, each investee company should establish an environment policy and continuously analyse the impact of their operations on the environment, and ensure that actions are taken to continuously improve performance. Furthermore, the companies should assess the environmental impact of their suppliers and encourage them to achieve continual improvements. Investee 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 continually and reported to the board of directors.

Actions taken in 2014 – examples from Kinnevik investee companies:

- Millicom began implementation of new Group wide processes for managing electronic waste to ensure correct collection, sorting and end-of-life treatment by certified suppliers. By the end of year, El Salvador and Tanzania had completed e-waste sales following the new process.
- Millicom participated for the first time in the GSMA energy efficiency benchmark, which compares energy consumption between over 200 mobile networks worldwide. Results showed above average relative performance. The results will be used for longer term target setting and to further improve data quality

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. Investee companies are required to develop clear guidelines for how issues relating to business ethics, including corruption, are to be handled. Such guidelines are particularly important for companies active in countries where corruption is prevalent. The guidelines must be known to all employees, and employees must be continually trained and informed of the consequences of the guidelines.

Actions taken in 2014 – examples from Kinnevik investee companies:

Millicom upgraded its whistleblowing routines in 2014. The telephone line "Millicom Ethics Line" is available in several languages via internet or telephone. A campaign to raise awareness about the help line was launched in the end of 2014 throughout the company. Moreover, the company's code of conduct was revised in 2014.

ESG representatives from Tele2's investor Nordea joined for a site visit to Kazakhstan in April 2014. Topics for the visit were Human Rights and Anti-corruption.

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 2014, 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.