

## INVESTMENT AB KINNEVIK - COMMUNICATION ON PROGRESS 2015

Stockholm 2016-03-07

### 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

Kinnevik's objective is to deliver long-term shareholder value, through net asset value growth as well as annual dividends and the purchase of our own shares. As an active owner and lead investor, Kinnevik bears responsibility to stakeholders for the conduct of its investee companies.

In 2011, Kinnevik formally adopted the UN Global Compact ten principles in the areas of human rights, labour, the environment and anticorruption. This fifth 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.

For Kinnevik, Corporate Responsibility (CR), including social and environmental responsibility and business ethics, is closely inter-linked with the governance, risk management and compliance (GRC) structures in place within the Kinnevik investee companies. Kinnevik believes that companies with robust GRC structures, also have the capability to ensure that the business is conducted in a responsible and ethical manner, and outperform their peers in the long term. GRC performance is dependent on the tone at the top and commitment from Shareholders, Board of Directors and Management. Through sound investments and active ownership Kinnevik can have a positive impact on society, and on Kinnevik's net asset value growth. Showing consideration for stakeholders

by working actively with GRC and CR related issues is essential for Kinnevik and a prerequisite for high and sustained profitability. Therefore, Kinnevik's vision for investee companies, is to integrate GRC within the companies' strategies and strive to achieve best in class operating standards to create long term value in a sustainable manner.

To support the integration of the GRC agenda, Kinnevik established a dedicated GRC function in 2014. The purpose of the function to oversee the development of the GRC environment within Kinnevik investment portfolio. The Kinnevik GRC-team works with five focus areas within each investee company which are described below.

### 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 principal 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.

## EMPLOYEES

In order for both Kinnevik and its investee companies to be able to attract top performing executives, entrepreneurs and talented employees we believe that it is important to act as a good corporate citizen and be known for applying the highest ethical and business standards. In annual development, staff meetings and planning dialogues with management and employees GRC and CR related issues are discussed. As an example of this Kinnevik has initiated a structured program to train and upskill its investment team on GRC and related matters. Kinnevik has also introduced GRC objectives and targets as a part of its Short Term Incentive Program for most of the investment team.

## INVESTEES COMPANIES

Kinnevik is for most of the investee companies the largest or among the largest shareholders. Kinnevik is an active owner that through its representation at the boards 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. Kinnevik heads the CR group among investee companies comprising of the heads of CR within the major investee companies. As an example of this, Kinnevik has created sub-committees of the board in two of its larger private companies (Global Fashion Group and Lazada) to focus on and drive CR initiatives within these Companies. Kinnevik is also in the process of introducing GRC and CR as standing items in the agenda of board/sub-committee meetings of its 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 in building appropriate compliance structures within their operations.

## ROLE OF GRC IN NEW INVESTMENTS

GRC has been introduced as a separate due diligence work stream for all new investments made by Kinnevik. All potential new investments are evaluated in terms of its CR environment and GRC performance. 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 are generally small start-up companies which may not yet have formal corporate responsibility practices and procedures in place. In such instances the Kinnevik GRC-team support the development of appropriate GRC and corporate responsibility structures as part of the development of the investment.

The GRC Director participates in the Investment Committee meetings and all material findings from the GRC due diligence process is reported to the Investment Committee.

## FOCUS AREAS OF THE GRC TEAM

Governance	Risk Management	Compliance	Corporate Responsibility	Cyber Security
<ul style="list-style-type: none"> <li>• Role of the Board</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Policy and Framework</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance with Laws, Regulations and Standards</li> </ul>	<ul style="list-style-type: none"> <li>• CR Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Information security strategy</li> </ul>
<ul style="list-style-type: none"> <li>• Policies and Procedures</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Awareness</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Structures</li> </ul>	<ul style="list-style-type: none"> <li>• Business Ethics, Anti-Bribery and Anti-Corruption</li> </ul>	<ul style="list-style-type: none"> <li>• Business Continuity Plans</li> </ul>
<ul style="list-style-type: none"> <li>• Internal Control and Internal Audit</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Based Decision Making</li> </ul>	<ul style="list-style-type: none"> <li>• Compliance Reporting</li> </ul>	<ul style="list-style-type: none"> <li>• ESG compliance</li> </ul>	<ul style="list-style-type: none"> <li>• Cyber risk and monitoring</li> </ul>
<ul style="list-style-type: none"> <li>• Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Reporting</li> </ul>			<ul style="list-style-type: none"> <li>• Reporting</li> </ul>
<ul style="list-style-type: none"> <li>• Whistler-Blower Hotline</li> </ul>				

## HOW KINNEVIK WORKS WITH INVESTEE COMPANIES

Kinnevik strives to influence the investee companies through both clear requirements and guidelines, and by actively supporting and monitoring the investee companies in their efforts to put appropriate business structures in place. Being active owners within investee companies, Kinnevik uses a two tiered approach to develop GRC within portfolio companies through board representation and through the Kinnevik GRC and investment teams. The key elements in Kinnevik's approach to develop and maintain appropriate structures for GRC and CR within the portfolio include; to understand significant CR-risks, define and communicate investee requirements, support development of GRC structures, and monitor progress. The approach is illustrated below.

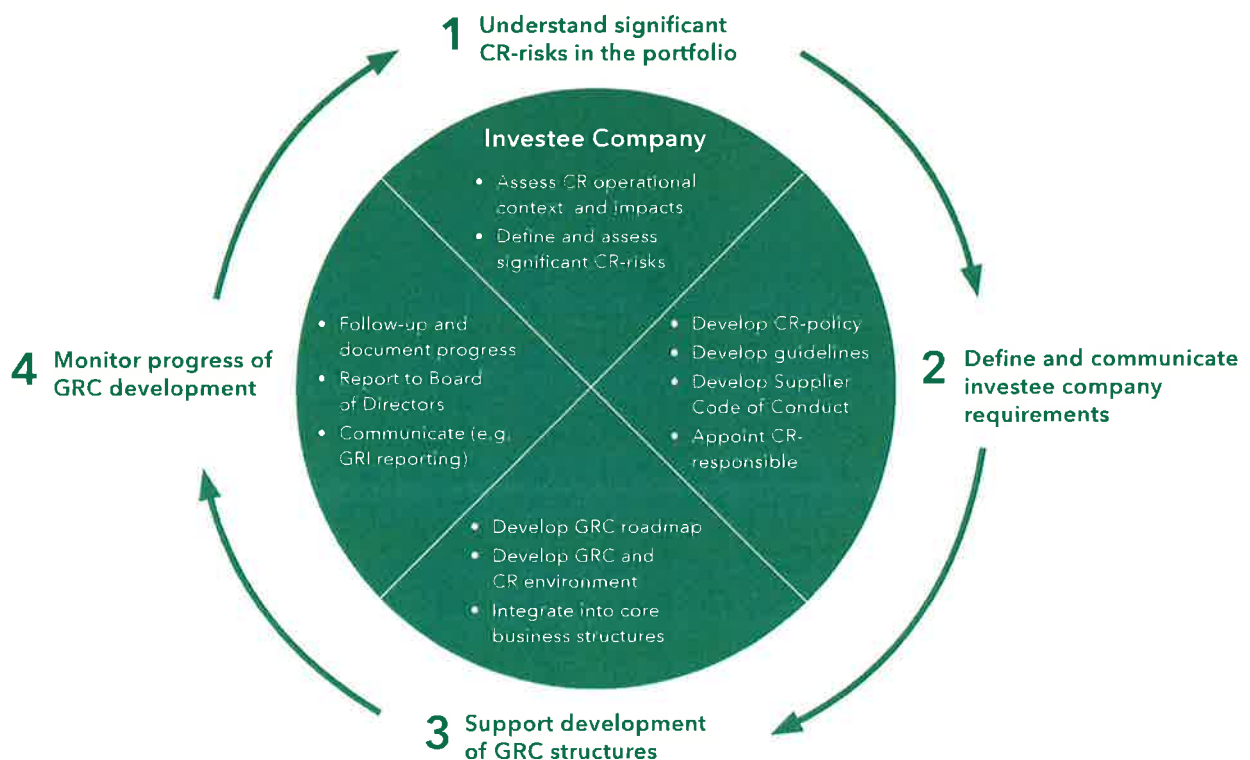
### 1. UNDERSTANDING OF SIGNIFICANT CR-RISKS IN THE PORTFOLIO

As Kinnevik has limited operations, the majority of the potential corporate responsibility 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. Corporate responsibility 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 chain, including consideration of human rights and labour standards
- Prevention of anti-corruptive behaviour
- Country risks associated with operating in emerging markets
- Compliance with laws and regulations

Important aspects to consider when assessing relevant risks, include developments and trends within key industries, existence of operations in emerging markets, emerging supply chain risks and rapid growth. Other aspects such as limiting the environmental footprint of Kinnevik and its investee companies are also important aspects to our business but not as pervasive as the above given the existing portfolio. 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.



## 2. DEFINE AND COMMUNICATE INVESTEE COMPANY REQUIREMENTS

A key element to influence the investee companies is explicit expectations, requirements and guidelines within relevant areas. 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. However, Kinnevik also recognizes the importance that the investee companies define the most significant risks given their operations. Through the CR-Policy Kinnevik sets out requirements for the investee companies with respect to key CR and GRC topics.

According to the CR Policy the investee company must develop clear guidance on how matters concerning business ethics, including corruption, are to be managed. 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 guidelines.

### CR FOCUS 2015 IN KINNEVIK'S LARGE LISTED COMPANIES

#### MILLICOM

##### *Human rights*

Millicom jointly developed a Child Rights Impact Assessment tool with UNICEF, which was launched in March 2016 for all operators around the world to use. Millicom piloted two assessments using this tool in Tanzania and Rwanda in 2015, and conducted another in Colombia in early 2016.

##### *Labour rights*

Millicom carried out a review of its family-related policies and surveyed women across the organisation as part of its gender diversity programme. The number of women in senior management in Millicom is growing across the Group but particularly in Africa where at the end of 2015, women made 26% of senior managers as opposed to 7% in 2013.

##### *Environment*

Millicom has significantly improved power usage effectiveness of data centres by either building world-class sites or modernising existing facilities. Millicom conducted a review of its e-waste management practices in Africa and some of the Latin America operations. Millicom also updated its vendor due diligence framework to support its operations in identifying local and global responsible recycling solutions.

##### *Anti-corruption*

Millicom developed a consistent company-wide framework for managing compliance, including an updated global anti-bribery and anti-corruption (ABAC) policy and Code of Conduct, and newly launched anti-money laundering and fraud policies.

#### TELE2

##### *Human rights*

Privacy & Integrity, as human rights, have been integrated into Tele2's Corporate Strategy.

##### *Labour rights*

Tele2 has done a gap-analysis against the new approved EU Directive on non-financial disclosures and reporting covering labor rights, human rights, anti-corruption, environment and diversity.

##### *Environment*

Tele2, in cooperation with the Global e-Sustainability Initiative (GeSI), is exploring ICT's CO2 emission saving potential. During 2015 GeSI launched the SMARTer2030 Report, demonstrating the opportunities and emission saving potential of ICTs. Using the full potential of ICTs, through for example IoT, global CO2 emissions could be reduced with up to 20% in 2030, the report concludes.

##### *Anti-corruption*

Tele2 was ranked first in corporate transparency reporting in a study conducted by Transparency International Sweden. The study also concludes that Tele2 ranks number one in the aggregated index, both in the Swedish as well as in an international context. The study analyzes corporate reporting against three main metrics: anti-corruption, organizational transparency and the disclosure of key financial information on a country-by-country basis.

#### ZALANDO

##### *Labour rights*

Zalando has improved the working conditions of the fulfillment centers. Wages have been steadily raised, based on the respective collective agreements for the logistics industry. Uniform, binding social standards and six-monthly audits at the own fulfillment centers and the logistics centers of service providers set a high standard for the working conditions. The findings in 2015 were all graded either good or excellent.

##### *Environment*

Zalando has continuously increased the share of recycled material and uses packaging cardboard that consists of 98% recycled material. Even the white top layer on the cardboard consists of recycled newspaper. All the printing inks used are water-based and therefore environmentally friendly.

##### *Anti-corruption*

Zalando expects all of its employees to obey the law and behave with integrity. The compliance guidelines and the Code of Ethics adopted at the end of 2015 provide guidance in this regard. The GRC team and Legal department offer seminars on both fundamentals of compliance and other relevant issues. Employees can report any infringements – anonymously if desired – using the "Tell" process via email or via an Intranet form.



Furthermore, 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. The investee companies must also 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.

In addition, each investee company that has any material impact on the environment is required to 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. The investee companies should also assess the environmental impact of their suppliers and encourage them to achieve continuous improvements. Kinnevik encourages investee companies to develop an environmental management systems that are certifiable, and to provide training to employees with respect to environmental issues.

### 3. SUPPORT THE DEVELOPMENT OF GRC STRUCTURES

Another key element in influencing the investee companies is through active ownership, both through board representation, and by actively supporting and monitoring the investee companies.

The Kinnevik GRC-team works closely with the investment management team, the Kinnevik board representatives, and investee company management teams to develop the investee companies' GRC environments. One example of activities the GRC-team and investment teams do to support the investees is onsite visits to facilitate the development of a GRC-roadmap outlining relevant development initiatives with the investee company. The GRC-team also assess that the CR topics and risks which are of most importance for the type of industry and business are identified and reported to the respective investees' Board of Directors, including actions taken.

The most important GRC and CR topics varies between different investee companies, industries and countries. The management of the investee company must ensure that appropriate processes are in place to identify and manage the CR risks most relevant given their operational context. In listed investee companies, Kinnevik may, through board representation, oversee that the companies' operations are conducted in a responsible and ethical manner, and actively assist investee companies in developing their own CR-policies in line with Kinnevik requirements concerning social responsibility, ethics and environment.

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 ap-

point 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 GRC environments of public companies are generally developed and monitored by sub-committees of the respective Board of Directors (Audit Committee, Corporate Responsibility Committee etc.). Furthermore, the Audit Committees of most public companies in the portfolio are chaired by independent Directors with significant experience in GRC and related matters. Therefore, the Kinnevik GRC- team primarily focusses on the development of private companies. In 2015, the GRC-team visited all material private investee companies to assess their GRC environments and support them in developing a GRC roadmap.

In Global Fashion Group ("GFG"), Kinnevik supported the establishment of the Sustainability Committee as a sub-committee of the board to drive supply chain compliance across the group. Kinnevik's GRC team acts as an advisor to the committee and works with the management team to develop supply chain compliance within the group.

### 4. MONITOR PROGRESS OF GRC DEVELOPMENT

To secure that the investee companies are developed in line with Kinnevik's expectations progress is followed up regularly by the Kinnevik's board representatives and by the investment management teams.

Progress of GRC development within the Kinnevik portfolio is also monitored by the GRC-team and regularly reported to the Kinnevik Board of Directors. Furthermore, GRC is a standing item on Kinnevik's agenda in most meetings where management is present, and progress towards the investee companies' GRC-roadmaps is assessed.

GRC and CR initiatives within investee companies, including how significant CR risks are managed and which action has been taken, are followed up regularly and reported to the respective Board of Directors. Furthermore, GRC and CR activities is a standing agenda item at every board meeting, and each portfolio company is required to follow up its CR-policy annually. In larger listed companies the employee, or team, assigned responsibility for CR regularly report progress and effects of the work to the responsible board member.

The investee companies are encouraged to publicly communicate the impact of their corporate responsibility efforts. In order to find a common tool in terms of reporting the progress in the corporate responsibility field, many of Kinnevik's companies have chosen to report according to GRI principles. GRI's core goals include the alignment of disclosure on environmental, social and governance performance.