

## CORPORATE GOVERNANCE REPORT

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Corporate Governance in the Kinnevik Group is based on Swedish legislation and generally accepted sound practice on the securities market. Kinnevik applies the Swedish Corporate Governance Code (the "Code")\*.

During 2016, Kinnevik, in line with previous years, deviated from the Code rule stipulating that a member of the Board of Directors may not chair the Nomination Committee. This deviation from the Code is explained in more detail in the section Nomination Committee below.

### ANNUAL GENERAL MEETING

The Swedish Companies Act (2005:551) (the "Swedish Companies Act") and the Articles of Association determine how the notice to the Annual General Meeting and extraordinary general meetings shall occur, and who has the right to participate in and vote at the meeting. There are no restrictions on the number of votes each shareholder may cast at the general meeting. Class A shares entitle to ten votes, whereas other shares entitle to one vote. Distance participation and voting at the general meeting is not possible.

Information on major shareholders in the Company, and on authorizations approved by the Annual General Meeting for the Board to resolve on repurchase of own shares, is provided in Note 10 for the Parent Company, Shareholders' Equity.

### NOMINATION COMMITTEE

At the 2016 Annual General Meeting, it was decided that a Nomination Committee consisting of at least three members appointed by the Company's largest shareholders would be established during September 2016 following consultation with the largest shareholders in the Company as at 31 August 2016. The Annual General Meeting further resolved that Cristina Stenbeck should be a member of the Nomination Committee and be responsible for convening the Nomination Committee.

In accordance with the resolution of the 2016 Annual General Meeting, Cristina Stenbeck convened a Nomination Committee consisting of members representing the largest shareholders in Kinnevik. The Nomination Committee is comprised of Cristina Stenbeck as representative of Verdere S.à r.l., Wilhelm Klingspor appointed by the Klingspor family, Edvard von Horn appointed by the von Horn family, James Anderson appointed by Baillie Gifford, and Ramsay Brufer appointed by Alecta. The Nomination Committee's task is to submit proposals for the Board of Directors and auditors, in the event auditors shall be elected, and fees to the Board of Directors and auditors, a proposal for the Chairman of the Annual General Meeting as well as the procedure for the Nomination Committee ahead of the 2018 Annual General Meeting. Cristina Stenbeck, member of the Board of Directors, was appointed Chairman of the Nomination Committee, an appointment that deviates from what the Code prescribes. The other members of the Nomination Committee declared their decision as being in the Company's and its shareholders' best interest and a natural consequence of Cristina Stenbeck leading the Nomination Committee's work in recent years, as well as her connection to the Company's largest shareholders.

### AUDITORS

According to the Articles of Association, the Company shall have not more than three auditors, with not more than three deputies,

or a registered audit firm. At the 2013 Annual General Meeting, the registered audit firm Deloitte AB, with Authorized Public Accountant Jan Berntsson as Auditor in Charge, was elected Company auditor for a period of four years until the 2017 Annual General Meeting. Jan Berntsson, born 1964, also has audit engagements in the listed companies Atlas Copco AB and Boliden AB. The auditor's independence is ensured by legislation and professional ethics and the audit firm's internal guidelines, as well as by adhering to the Audit Committee's guidelines governing the type of assignments that the audit firm may conduct in addition to the audit. During 2016, Deloitte AB has provided certain services in issues regarding Corporate Responsibility and IFRS. Information regarding audit fees is provided in the Annual Report's Note 12 for the Group and Note 5 for the Parent Company, Auditors' Fees.

### BOARD OF DIRECTORS AND SENIOR EXECUTIVES

Board members are elected at the Annual General Meeting for a period ending at the close of the next Annual General Meeting. The Articles of Association contains no restrictions pertaining to the eligibility of Board members. According to the Articles of Association, the number of Board members can be no fewer than three and no more than nine members elected by shareholders.

At the 2016 Annual General Meeting, following a motion by the former Nomination Committee, Tom Boardman, Anders Borg, Dame Amelia Fawcett, Wilhelm Klingspor, Erik Mitteregger, John Shakeshaft and Cristina Stenbeck were re-elected members of the Board and Lothar Lanz and Mario Queiroz were elected as new members of the Board. The Annual General Meeting further elected Tom Boardman as Chairman of the Board.

The independence of Board members in relation to the Company and its management, and to the major shareholders of the Company, is specified on pages 39-40. None of the Board members are employed within the Group. Senior Executives in Kinnevik include acting Chief Executive Officer and Chief Financial Officer Joakim Andersson, Director of Corporate Communications Torun Litzén, Senior Investment Director Chris Bischoff, Investment Director Christoph Barchewitz, and General Counsel Mattias Andersson. For information about Senior Executives, please see page 30 in the Annual Report, and Note 16 for the Group.

### BOARD WORK

Kinnevik's Board of Directors is responsible for the overall strategy of the Group and for organizing its administration in accordance with the Swedish Companies Act. The Board's work and delegation procedures, instructions for the Chief Executive Officer, and reporting instructions are updated and approved at least annually following the Annual General Meeting.

Significant issues addressed by Kinnevik's Board during 2016 include the succession of the company's Chief Executive Officer, the impact of the global economy on Kinnevik and the sectors in which Kinnevik has invested, new investment decisions, capital structure management in Kinnevik as well as its larger portfolio companies, and the overall strategy and financial performance of Kinnevik and its larger portfolio companies. As the basis for discussions concerning the listed portfolio companies, Kinnevik's management presented independent analyses of each company's strategy, operations and future opportunities within the markets

\* The Code is available at: [www.corporategovernanceboard.se](http://www.corporategovernanceboard.se)

in which they are active. Furthermore, Chief Executive Officers of certain listed portfolio companies held customary investor presentations directly to the Kinnevik Board.

Compliance with laws and regulations, responsibility and market confidence in Kinnevik are some of the key issues which the Board actively focuses on. Kinnevik's Code of Conduct and Corporate Responsibility Policy adopted by the Board describes Kinnevik's policy on issues pertaining to social responsibility, environmental considerations and ethics.

As in previous years, a Remuneration Committee and an Audit Committee have been established within the Board. Furthermore, a Governance, Risk and Compliance ("GRC") Committee was established within the Board at the constituent Board meeting after the 2016 Annual General Meeting. These committees are preparatory bodies of the Board and do not reduce the Board's overall responsibility for the governance of the Company and decisions taken. The Investment Committee was disbanded at the constituent Board meeting, in favour of involving the entire Board in the Company's capital allocation decisions.

The Board re-appointed Tobias Hultén as the Company Secretary in May 2016. After Tobias resigned from his role he was replaced by Mattias Andersson in October 2016. The Company Secretary is responsible for ensuring that rules of procedure are complied with, and all Board members can turn to the Secretary for advice and assistance in their Board work.

During 2016, Kinnevik's Board of Directors held eleven meetings (excluding the constituent meeting), of which six were extra meetings held via telephone. Dame Amelia Fawcett was absent from four meetings, and John Shakeshaft was absent from one meeting. The other Board members were present at all Board meetings.

#### **EVALUATION OF THE WORK OF THE BOARD OF DIRECTORS**

The Board complies with an annual performance review process to assess how well the Board, its committees and processes are functioning and how they might be improved. Every three years a more extensive Board evaluation is undertaken either by an independent Board member or an external consultant.

The evaluation of the Board's work during 2016 was conducted internally by the Chairman of the Board by way of a formal questionnaire covering areas such as the Board's performance against its key duties, the Board's composition and processes, as well as the performance of individual Board members. The results of the evaluation were presented to the Nomination Committee by the Chairman of the Board, and were also reported in full to the Nomination Committee in writing.

#### **REMUNERATION COMMITTEE**

The Remuneration Committee's assignments are stipulated in Chapter 9.1 of the Code, and comprise issues concerning salaries, pension terms and conditions, incentive programs and other conditions of employment for the senior executives. The guidelines applied in 2016 are presented in Note 16 for the Group, Personnel.

For the time until the constituent Board meeting after the 2016 Annual General Meeting, Dame Amelia Fawcett, Wilhelm Klingspor, Erik Mitteregger and Cristina Stenbeck were members of the Remuneration Committee, with Dame Amelia Fawcett as Chairman. At the constituent Board meeting, Tom Boardman, Dame Amelia Fawcett, Erik Mitteregger and Cristina Stenbeck were elected members of the Remuneration Committee, and Dame Amelia Fawcett was re-elected as Chairman.

The Remuneration Committee shall strive to meet not less than twice a year, and more frequently as required. Minutes are kept at

the Remuneration Committee's meetings and are reported to the Board at its next meeting. The Remuneration Committee held five meetings during 2016, all of which were held via telephone, and the Committee further adopted decisions by written procedure throughout the year. All members were present at all Committee meetings.

#### **AUDIT COMMITTEE**

The Audit Committee's assignments are stipulated in Chapter 8, Section 49b of the Swedish Companies Act. These tasks include monitoring the Company's financial reporting and the efficiency of the Company's internal controls and internal audits, as well as maintaining frequent contacts with the external and internal auditors. The Audit Committee's work primarily focuses on the quality and accuracy of the Group's financial accounting and the accompanying reporting, as well as the internal financial controls within the Company. Furthermore, the Audit Committee evaluates the auditors' work, qualifications and independence. The Audit Committee monitors the development of relevant accounting policies and requirements, discusses other significant issues connected with the Company's financial reporting and reports its observations to the Board.

For the time until the constituent Board meeting after the 2016 Annual General Meeting, Tom Boardman, Erik Mitteregger and John Shakeshaft were members of the Audit Committee, with John Shakeshaft as Chairman. At the constituent Board meeting, Tom Boardman, Lothar Lanz, Erik Mitteregger and John Shakeshaft were elected members of the Audit Committee, and John Shakeshaft was re-elected as Chairman.

The Audit Committee shall meet not less than four times annually. Minutes are kept at the Audit Committee's meetings and are reported to the Board at its next meeting. The Audit Committee held eleven meetings during 2016, of which eight were held via telephone. Lothar Lanz was absent from one meeting. The other members were present at all Committee meetings. The external auditors participated in most of the meetings and issued their reports on the results of their examinations to the Audit Committee and the Board of Directors both orally and in writing.

#### **GRC COMMITTEE**

The GRC Committee is appointed by the Board of Directors to assist the Board in monitoring the governance structures of Kinnevik's investee companies, Kinnevik's risk management process and compliance with laws, regulations and codes of conduct.

Tom Boardman, Dame Amelia Fawcett and John Shakeshaft were members of the GRC Committee during 2016, with Dame Amelia Fawcett as Chairman.

The GRC Committee shall meet not less than four times annually. Minutes are kept at the GRC Committee's meeting and are reported to the Board at its next meeting. The GRC Committee held two meetings during 2016. John Shakeshaft was absent from one meeting. The other members were present at both Committee meetings.

#### **INVESTMENT COMMITTEE**

For the time until the constituent Board meeting after the 2016 Annual General Meeting, an Investment Committee was appointed by the Board to evaluate potential investments and divestments, as well as to review larger investments before they are presented to the Board for approval.

Tom Boardman, Dame Amelia Fawcett, Erik Mitteregger, Lorenzo Grabau and Joakim Andersson were members of the Investment Committee during 2016. The Chairman of the Committee was Lorenzo Grabau.

The Investment Committee held one meeting during 2016 via tel-

ephone, and adopted decisions by written procedure throughout the period up until the constituent Board meeting. It was resolved to disband the Investment Committee at the constituent Board meeting, in favour of involving the entire Board in the Company's capital allocation decisions.

#### THE BOARD'S DESCRIPTION OF INTERNAL CONTROL PERTAINING TO THE FINANCIAL REPORTING FOR THE 2016 FINANCIAL YEAR

The Board is responsible for internal control in accordance with the Swedish Companies Act and the Code. This description has been prepared in accordance with the Code's Rule 7.3 and 7.4, and Chapter 6, Section 6 and Chapter 7, Section 31 of the Annual Accounts Act (1995:1554), and is thus restricted to the internal control pertaining to the financial reporting.

#### CONTROL ENVIRONMENT

The purpose of the Board of Directors' rules of procedure and instructions for the Chief Executive Officer and Board Committees is to ensure a distinct division of roles and responsibility that promotes the efficient management of operational and financial risks. The Board has also adopted a number of fundamental guidelines of significance to activities involving internal controls, which are described in Kinnevik's Policy and Procedure Manual and include instructions governing the financial reporting of results, authorization procedures, purchasing policies, investment policies, accounting principles, financial risk management and internal audits. The Company's management reports regularly to the Board in accordance with established procedures. In addition, the Audit Committee and the GRC Committee report on

#### BOARD OF DIRECTORS

##### Tom Boardman

CHAIRMAN

*Born:* 1949

*Nationality:* South African citizen

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* 10,000 class B shares.

*Committee work:* Member of the Audit Committee, member of the Remuneration Committee, member of the GRC Committee.

Tom was elected Director of the Board of Kinnevik AB in 2011 and Chairman of the Board in 2016. He is also Chairman of the Board of Millicom and Non-Executive Director of Nedbank Group, Woolworths Holdings, Royal Bafokeng Holdings and African Rainbow Minerals, and was a Non-Executive Director of Vodacom Group 2009-2011. Tom held various managerial positions within the South African mining and retailing industries during 1973-1986. Between 1986 and 2002 he held managerial positions within the BoE Bank and 2003-2010 he was Chief Executive of Nedbank Group. Tom holds a B Com and CTA from University of Witwatersrand, South Africa.

##### Anders Borg

DEPUTY CHAIRMAN

*Born:* 1968

*Nationality:* Swedish citizen

*Independence:* Not independent of the Company and management, not independent of major shareholders.

*Direct or related person ownership:* 12,900 class B shares.

*Committee work:* -

Anders has been a Director and Deputy Chairman of the Board of Kinnevik AB since 2015. He is also a non-executive Director of Stena International and Milvik/BIMA and serves on the advisory board of Asian Infrastructure Investment Bank (AIIB). He is an advisor of Citigroup and member of its Nordic Advisory Board as well as Chairman of the World Economic Forum's Global Financial System Initiative. Anders served as Sweden's Minister of Finance 2006-2014. In 2011, he was named European Finance Minister of the year by the Financial Times recognizing his outstanding political ability, economic performance and market credibility. He was Chief Economist and Head of Parliamentary Office for Sweden's Moderate Party 2003-2006. Prior to his political career, Anders held various positions in Sweden's financial sector, at Transferator Alfred Berg, ABN Amro Bank and SEB. Anders studied philosophy, economic history and political science at Uppsala University and did postgraduate studies in economics at Stockholm University.

##### Dame Amelia Fawcett

DEPUTY CHAIRMAN

*Born:* 1956

*Nationality:* US and UK citizen.

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* 10,000 class B shares.

*Committee work:* Chairman of the Remuneration Committee, Chairman of the GRC Committee.

Dame Amelia has been a Director of the Board of Kinnevik AB since 2011, and was appointed Deputy Chairman in 2013. She is also Chairman of the Hedge Fund Standards Board, a Board Director of State Street Corporation in Boston, USA and Chairman of its Risk Committee and a member of the Board of the UK Treasury. Dame Amelia is a Governor of the London Business School, Chairman of the Prince of Wales's Charitable Foundation, a Commissioner of the US-UK Fulbright Commission and a Trustee of Project Hope UK. She held managerial positions within Morgan Stanley 1987-2006 and was Vice Chairman and Chief Operating Officer of its European operations 2002-2006. She was a Board Director of the Guardian Media Group 2007-2013, and Chairman 2009-2013. Dame Amelia has a Law Degree from University of Virginia, USA, and a BA Magna Cum Laude in History from the Wellesley College in Massachusetts, USA.

##### Wilhelm Klingspor

BOARD DIRECTOR

*Born:* 1962

*Nationality:* Swedish citizen.

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* 1,315,474 class A shares and 780,071 class B shares.

*Committee work:* -

Wilhelm has been a Director of the Board of Kinnevik AB since 2004 and was Director of Industriförvaltnings AB Kinnevik 1999-2004. He also served as Director of the Board of BillerudKorsnäs 2012-2014 (Director of Korsnäs 2003-2012). Wilhelm is CEO of Hellekis Säteri. He graduated as a Forest Engineer from the Swedish University of Agricultural Sciences in Skinnkatteberg.

##### Lothar Lanz

BOARD DIRECTOR

*Born:* 1948

*Nationality:* German citizen

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* -

*Committee work:* Member of the Audit Committee.

Lothar was elected Director of the Board of Kinnevik AB in 2016. He was also elected Chairman of the Supervisory Board of Zalando in 2016, where he has been a Supervisory Board Member and Chairman of the Audit Committee since 2014. He is also a Supervisory Board Member of Axel Springer, TAG Immobilien and Home24. Lothar was Chief Financial and Operating Officer at Axel Springer 2009-2014, after having spent 12 years at ProSiebenSat.1 Media as Chief Financial Officer. Lothar graduated with a Master of Commerce after studies in Business Administration in Stuttgart and Berlin.

its respective work. The Company's management is responsible for the system of internal controls required for managing risks associated with ongoing operations. This includes guidelines for the employees to ensure that they understand the importance of their particular roles in efforts to maintain efficient internal control. The Company's operational and financial risks are reported each quarter to the Board, including an analysis of their consequences and financial impact in the event of them materializing, and how and who exercises ongoing control over each risk and how these can be mitigated in part or in full.

### RISK ASSESSMENT AND CONTROL ACTIVITIES

Kinnevik has implemented a model for assessing the risk of errors in accounting and the financial reporting based on COSO's framework for internal control. The most significant items and processes in which the risk of significant errors can typically arise encompass financial assets and instruments in the income statement and balance sheet, and the investment process. Kinnevik has established documented work routines and continuously evaluates how well the controls function in relation to these items and processes.

### INTERNAL AUDITS

The Board of Directors evaluate the need for a separate internal audit function on a yearly basis. Kinnevik does not currently have a separate internal audit function, taking into account the size of the company's business. Instead Kinnevik, on instructions from

the Audit Committee, engages independent internal auditors to follow up and evaluate work relating to inter alia risk management and internal control. The internal auditors continuously report the results of their examination in the form of written reports to the Audit Committee.

### INFORMATION AND COMMUNICATION

Kinnevik's Policy and Procedure Manual and other guidelines of importance to financial reporting are updated at least once annually. Both formal and informal information channels to the Company's management and Board of Directors are available for internal communication. For external communication, guidelines have been compiled in an Information Policy ensuring the Company complies with the meticulous demands for timely and accurate information to market participants and other various constituencies, such as shareholders, Board members, employees and customers.

### FOLLOW-UP

The Board of Directors continuously evaluates the information provided by management, the Audit Committee and the GRC Committee. The work to monitor the efficiency of management's efforts in this area is of particular importance to the follow-up of internal controls. This work includes ensuring that action is taken concerning those shortcomings and proposed measures that result from external and internal audits.

## BOARD OF DIRECTORS AND CHIEF EXECUTIVE OFFICER

### Erik Mitteregger

BOARD DIRECTOR

*Born:* 1960

*Nationality:* Swedish citizen

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* 35,000 class A shares and 165,000 class B shares.

*Committee work:* Member of the Audit Committee, member of the Remuneration Committee.

Erik has been a Director of the Board of Kinnevik AB since 2004. He is also Chairman of the Board of Firefly, Fasadglas Bäcklin, MatHem and Wise Group, as well as member of the board of Exeger and Resscapital. Erik was Founding Partner and Fund Manager at Brummer & Partners Kapitalförvaltning 1995-2002. In 1989-1995 he was Head of Equity Research and member of the Management Board at Alfred Berg Fondkommission. Erik holds a B.Sc. in Economics and Business Administration from Stockholm School of Economics.

### Mario Queiroz

BOARD DIRECTOR

*Born:* 1966

*Nationality:* Brazilian and US citizen

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* -

*Committee work:* -

Mario Queiroz has been a Director of the Board of Kinnevik AB since 2016. He is Vice President of Product Management at Google for consumer hardware, including smartphones, Chromecast, Google Home, VR, and others. Previously at Google, Mario led Android product management, product internationalization, and the build out of Google R&D centres outside of the United States. Prior to joining Google in 2005, Mario held a number of positions at Hewlett-Packard, including Vice President of Operations and Senior Director of Global eCommerce. Mario also served as non-executive director of Metro International 2008-2013. Mario holds BSc and MSc degrees in Electrical Engineering from Stanford University.

### John Shakeshaft

BOARD DIRECTOR

*Born:* 1954

*Nationality:* UK citizen

*Independence:* Independent of the Company and management and independent of major shareholders.

*Direct or related person ownership:* 2,880 class B shares.

*Committee work:* Chairman of the Audit Committee, member of the GRC Committee.

John has been a Director of the Board of Kinnevik AB since 2014. He is also Deputy Chairman of the Council of Cambridge University, Chairman of Ludgate Environmental and Valiance Funds, Investment Director of Cornerstone Investment Managers and a trustee of the Institute of Historical Research, the London Symphony Orchestra and Trinity College, Cambridge. John served as Director of the Board of Tele2 2003-2014. He has 28 years of global financial services expertise and held leadership positions at ABN Amro (2004-2006), Lazard LLP (2000-2002) and Barings (1994-2000). John previously served in HM Diplomatic Service and holds a master's degree from Cambridge University.

### Cristina Stenbeck

BOARD DIRECTOR

*Born:* 1977

*Nationality:* Swedish citizen

*Independence:* Independent of the Company and management, not independent of major shareholders.

*Direct or related person ownership:* 2,200 class B shares. Cristina Stenbeck owns 23.33% of the shares of Verdere S.à r.l. directly, with CMS Sapere Aude Trust reg., a trust of which Cristina Stenbeck is beneficiary, owning an additional 40% of the share capital. Verdere S.à r.l. owns 28.3 million Class A shares and 1.3 million class B shares, corresponding to 44.0% of the votes and 10.7% of the capital in Kinnevik.

*Committee work:* Member of the Remuneration Committee.

Cristina was elected Vice Chairman of Kinnevik AB in 2003 and was Chairman of the Board 2007-2016. Cristina graduated with a B.Sc. from Georgetown University in Washington DC, USA.

### Joakim Andersson

ACTING CEO,  
CHIEF FINANCIAL OFFICER

*Born:* 1974

*Nationality:* Swedish citizen

*Direct or related person ownership:* 19,432 class B shares.

*Committee work:* -

Joakim is acting Chief Executive Officer for Kinnevik AB since 2016 and is also Chief Financial Officer for Kinnevik AB and member of the board of MTG. He was previously Group Treasurer of Kinnevik 2007-2014 and Treasury and Corporate Finance manager of Banque Invik 2001-2007. Joakim holds a MSc in Business Administration from Växjö University.

# AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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TO THE ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF KINNEVIK AB (PUBL), CORPORATE IDENTITY NUMBER 556047-9742

## **Engagement and responsibility**

It is the Board of Directors who is responsible for the corporate governance statement for the year 2016 included in the printed version of this document on pages 37-40 ensuring that it has been prepared in accordance with the Annual Accounts Act.

## **The scope of the audit**

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

## **Opinion**

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

Stockholm 30 March 2017

Deloitte AB

Jan Berntsson

Authorized Public Accountant

*This is a translation of the Swedish language original. In the event of any differences between this translation and the Swedish language original, the latter shall prevail.*