

Active ownership - Kinnevik's role as an active owner

Driving an ambitious sustainability agenda in our investee companies is central in Kinnevik's role as an active owner. We believe operating in a responsible manner is the key to achieving long-term profitable growth.

THE GRC STANDARDS

For Kinnevik, sustainability is about creating long-term shareholder and social value by building well governing companies that contribute positively to society. Kinnevik's general expectations in relation to our investee companies' sustainability performance are outlined in our Corporate Responsibility Policy. In 2014, Kinnevik initiated the development of a structured framework to define GRC and sustainability best practices for our companies, to measure performance and to set priorities and roadmaps. Kinnevik's GRC Standards were developed based on stakeholder dialogues, peer benchmarking and industry best practice.

The GRC Standards comprise 64 standards divided into six sections and are weighted according to their importance to our stakeholders, as well as their relevance to our investee companies' performance. An overview of the GRC Standards is provided in the table below.

The scoring process

Kinnevik performs a yearly assessment of all our larger investee companies, public and private, based on the GRC Standards. Larger companies are defined as those stated separately in our NAV reporting, or with a fair value exceeding SEK 100m per 31 December the previous calendar year. Following the completion of the assessment, Kinnevik scores the investee companies on their fulfilment of each standard. The companies are given an aggregate total GRC score which can be tracked over time. The assessments are performed through interviews with the investee companies

and our board representatives and by the GRC function's periodic visits to the companies.

The GRC Standards generally stretch well beyond the legal requirements in the markets where our companies operate. As such, achieving a score of 100 percent across all sections is not feasible, as our investee companies and the conditions under which they operate constantly change.

Assessment of public companies

Our public investee companies perform a yearly self-assessment to evaluate their fulfilment of the GRC Standards. The self-assessment is compared to Kinnevik's assessment and any material gaps are addressed. The management team, together with Kinnevik's representative on the board and the GRC function, identify key risks and set priorities for the coming year. Following approval by the company's board or audit committee, the agreed sustainability agenda is implemented and followed-up by management.

Assessment of private companies

Private investee companies at an earlier stage of development generally benefit from active support on a management level to implement the GRC standards. Their sustainability performance is assessed yearly by Kinnevik's GRC function together with the company's management. A sustainability "roadmap" is defined and adopted by the company's board, where Kinnevik is represented.

SECTION	EXAMPLE STANDARDS	WEIGHTING
<i>Overview of the GRC Standards</i>		
Organisation and structure	<ul style="list-style-type: none"> • Structure of responsibilities • Agenda of the Board • Management incentives 	11%
Governance	<ul style="list-style-type: none"> • Membership and committees of the Board • Code of Conduct • Whistleblowing system 	32%
Risk management	<ul style="list-style-type: none"> • Policy and framework • Organisation 	8%
Compliance	<ul style="list-style-type: none"> • Business ethics and anti-corruption • Privacy and data protection • Anti-trust/competition policy 	20%
Corporate responsibility	<ul style="list-style-type: none"> • Supply chain compliance • Employee development, health safety and wellbeing • Human rights • Environment 	23%
Information security	<ul style="list-style-type: none"> • Business continuity 	6%

THE 2018 GRC ASSESSMENT

Outcome of the 2018 GRC assessment

The assessment for 2018 included 24 (18) companies, 6 (5) public and 18 (13) private, corresponding to ca 99% (98%) of Kinnevik's portfolio value. A key reflection from this year's assessment is that most companies have improved their GRC scores. For example, Betterment has implemented a robust risk management framework to monitor all high risks and efficiency of any mitigating actions. Global Fashion Group has mapped their private label supply chain and audited their material suppliers to ensure compliance with the applicable supplier code of conduct.

The main challenge for our investee companies is setting the right tone at the top on GRC and sustainability by active participation by the board and management team. Early stage companies are also generally struggling with balancing GRC development and growth. Further, although information security has been an focus area for 2018 many companies are still in early stages of development and therefore tend to have lower scores. Other topics that are high on our agenda for 2019 are agreeing on sustainability "roadmaps" for our new investee companies and improving business continuity processes across our portfolio.

An overview of the outcome of the 2018 GRC assessment is provided in the table below. The assessed companies have been scored on all standards. To conclude on the total overall scores, the section specific scores have then been weighed in relation to their importance as per below and in relation to the assessed investee companies' NAV contribution. Over the year Kinnevik has invested in 10 new companies. All of the new investments were in early stage companies, which to some extent has affected the overall scores for 2018.

Target for 2019

The targets for the reporting year 2019 are to improve the scores across all sections of the GRC Standards for our existing investee companies and to establish strong foundations for GRC and sustainability performance for any new companies that Kinnevik may choose to invest in during 2019.

Outcome of the 2018 GRC assessment

SECTION	MAXIMUM SCORE	TOTAL SCORE 2017 (weighed by NAV)	TOTAL SCORE 2018 (weighed by NAV)
Organisation and structure	11	10	10
Governance	32	28	28
Risk management	8	6	7
Compliance	20	17	17
Corporate responsibility	23	18	18
Information security	6	4	3
TOTAL	100	81	83