

Sound governance and business practices

As a responsible and active owner, Kinnevik aims to be a role model for our investee companies. Important sustainability aspects for us as an investment company includes having a clear organisation, strong policies and structured processes in place, as well as robust governance, risk management and compliance arrangements.

GOVERNANCE

The basis for corporate governance in Kinnevik is Swedish legislation, Nasdaq Stockholm's Rule Book for Issuers, and regulations and recommendations issued by relevant self-regulatory bodies. Kinnevik follows the Swedish Corporate Governance Code (Swe. Svensk kod för bolagsstyrning).

The responsibility for sustainability is split between Kinnevik's Board, GRC Committee, Risk Committee, CEO and General Counsel. The Board is responsible for Kinnevik's overall strategy, including sustainability, and is well familiar with Kinnevik's sustainability policies and procedures.

The GRC Committee constitutes a subset of the Board of Directors and is appointed by the Board to assist in monitoring the governance structures of Kinnevik's investee companies, Kinnevik's risk management process and compliance with laws, regulations and codes of conduct. More information about Kinnevik's governance bodies and their work is available on page 23-26 in the Annual Report 2018.

Kinnevik's key sustainability policies are our Code of Conduct, Whistleblower Policy and Corporate Responsibility Policy. The policies have been communicated to all employees and members of the Board.

All employees and representatives of Kinnevik are expected to fully comply with the Code of Conduct. Kinnevik has an onboarding process for new employees that introduces them to the Code of Conduct, which includes provisions on anti-bribery and business ethics, and other key policies and procedures. As outlined in the Whistleblower Policy, Kinnevik expects all employees, as well as relevant third parties who deal with the company, to come forward and voice all serious concerns about any aspect of Kinnevik's work.

A part of the investment team's compensation is linked to the development of team members' respective investee companies' GRC performance and scores.

RISK MANAGEMENT

Kinnevik's Board is responsible for internal control in accordance with the Swedish Companies Act (Swe. Aktiebolagslagen) and the Swedish Corporate Governance Code. Kinnevik's risk framework is outlined in the Risk Management Policy. Kinnevik's management has established a Risk Committee that meets at least once every quarter to review key risks, developments since the previous meeting and the efficiency of any mitigating actions. The work of the Risk Committee is presented to the GRC Committee and the Audit Committee on a periodic basis.

COMPLIANCE

Kinnevik's compliance framework is mainly focused on compliance with the laws and regulations that govern listed companies in Sweden, such as Nasdaq Stockholm's Rule Book for Issuers, the European Union Market Abuse Regulation (No 596/2014), the Swedish Companies Act, and other laws and regulations relating to Kinnevik's operations and investment activities. The GRC Committee and the Audit Committee receive periodic updates on compliance status. A compliance review in relation to the laws and regulations that govern Swedish listed companies is performed annually to ensure full compliance and identify potential areas for improvement.

Kinnevik conducts mandatory annual compliance training for all employees, as well as periodic deep-dives on specific matters such as anti-corruption and supply chain.

SUSTAINABILITY DUE DILIGENCE FOR NEW INVESTMENTS

Sustainability and GRC is a separate due diligence work stream for all of Kinnevik's new investments in private companies. All potential new investments are evaluated in terms of their sustainability performance and structures, and the key risks are identified. We use the GRC Standards as a basis for such sustainability due diligence, which is conducted through discussions and interviews with the company's management team. The sustainability due diligence includes, among other aspects, human rights screening and a corruption risk assessment. 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. The sustainability due diligence is performed by the GRC function with support from relevant members of the investment team and, where necessary, external advisers.

During 2018, Kinnevik invested in 10 new companies, all of which were subject to sustainability due diligence. To address material issues identified, sustainability roadmaps are being agreed with all new investee companies.