

# CORPORATE SOCIAL RESPONSIBILITY REPORT

Dear Reader

KMD has provided digital support for Denmark's public sector for more than 40 years. We are therefore an integral part of the Danish welfare state, and this forms the starting point for our work on corporate social responsibility (CSR).

Our CSR strategy covers four main areas: digital welfare, employees, climate & environment and supply chain. In 2013, we focused on building partnerships and developing projects in these four areas that support KMD's vision of "Digital Shortcuts" and its CSR strategy. For us, CSR is about making an active contribution, rather than presenting a barrier, to social, economic and environmental sustainability. This is set out in our CSR policy introduced in 2011 and our CSR strategy launched in 2012.

The starting point is KMD's position as an IT company with the vision of creating digital shortcuts for customers and society. As regards CSR, this means that KMD will create digital shortcuts that contribute to a richer, safer and more sustainable society.

Our work in these four main areas is described in more detail below.

KMD first made a commitment to apply the UN Global Compact's 10 principles in 2011. We are proud to uphold this commitment and supported the Global Compact with a donation of USD 10,000 in 2013.

The Global Compact provides KMD with a general framework for its CSR work. This work is coordinated by the Company's CSR Board, chaired by the CEO and otherwise comprising the Senior Vice Presidents for Citizen Centered Software Solutions, Sales, HR & Facility Management and Communication & Marketing. The CSR Board issues guidelines for the Company's CSR efforts, and monitors and ensures progress on the targets set for the various focus areas. KMD's works council also serves as a reference group for the development of CSR work.

KMD considers its overall CSR efforts to be satisfactory.

Best wishes

Lars Monrad-Gylling  
CEO, KMD A/S

## STATUTORY REPORT

This report constitutes the statutory report on corporate social responsibility for KMD A/S pursuant to section 99a of the Danish Financial Statements Act. The report provides an overview of KMD's work as a socially responsible business. Further information about KMD's CSR efforts can be found on its website at [www.kmd.dk/csr](http://www.kmd.dk/csr). However, that additional information does not form part of the Company's reporting pursuant to section 99a.

FN'S GLOBAL COMPACT PRINCIPLES	STRATEGIC CSR FOCUS AREAS FOR KMD			
	DIGITAL WELFARE	EMPLOYEES	CLIMATE & ENVIRONMENT	SUPPLY CHAIN
<p><b>PRINCIPLE 1</b> Businesses should support and respect the protection of internationally proclaimed human rights.</p>	<p><b>Article 12</b> _Secure data processing, p 16</p> <p><b>Article 19</b> _KMD's work with the Danish Lung Association, p 29 _KMD's analytical unit provides fertile soil for debate, p 29</p>			<p><b>Article 23, 24, 25</b> _In 2013 KMD received enquiries from SKI, the public sector procurement organization, when the NGO DanWatch raised questions about working conditions in a number of Chinese factories supplying four of our hardware suppliers, p 35</p>
<p><b>PRINCIPLE 2</b> Business should make sure that they are not complicit in human rights abuses.</p>	<p><b>Article 21</b> _KMD provided IT support for regional and local elections, p 10 _KMD's work with DaneAge on computer literacy among senior citizens, p 27</p> <p><b>Article 26</b> _Homework help online, p 28 _Partnership with Løkkefonden on the Khan Academy, p 28 _KMD supports DigiGuides, p 28</p>			
<p><b>PRINCIPLE 3</b> Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.</p>		<p><b>Article 2</b> _New diversity policy on the way at KMD, p 31</p> <p><b>Article 20, 23, 24, 25</b> _KMD complies with all the statutory requirements concerning working environment, salary and freedom of association, pp 20-21 _KMD cooperates with Samdata\HK through our works council and, among other things, implemented a process to minimize the number of layoffs in connection with realignment of the business, p 31 _Whistleblower program for employees, p 35</p>		
<p><b>PRINCIPLE 4</b> Businesses should uphold the elimination of all forms of forced and compulsory labour.</p>				
<p><b>PRINCIPLE 5</b> Businesses should uphold the effective abolition of child labour.</p>				
<p><b>PRINCIPLE 6</b> Businesses should uphold the elimination of discrimination in respect of employment and occupation.</p>				
<p><b>PRINCIPLE 7</b> Businesses should support a precautionary approach to environmental challenges.</p>			<p>_In 2013 KMD was certified under the environmental management standard ISO 14001, p 33 _Collaboration with our waste management supplier for KMD's locations in the east of Denmark on the carbon footprint in connection with waste collection, p 33</p>	
<p><b>PRINCIPLE 8</b> Businesses should undertake initiatives to promote greater environmental responsibility.</p>				
<p><b>PRINCIPLE 9</b> Businesses should encourage the development and diffusion of environmentally friendly technologies.</p>				
<p><b>PRINCIPLE 10</b> Businesses should work against corruption in all its forms, including extortion and bribery.</p>				

The articles cited in the table refer to the UN Universal Declaration of Human Rights.

# DIGITAL WELFARE

## RESULTS IN 2013

KMD's CSR work relating to digital welfare focused on citizen-centered services in the public sector in the areas of education, health and elderly care. KMD sees real potential for digital solutions to the demographic and economic challenges facing the Danish welfare model and aims to support this process in a responsible manner. We are therefore concentrating on sharing solutions and knowledge, while remaining aware of the challenges increased digitization may present for some groups in society.

### EDUCATION

The digitization of schools and training for young people is a focus area for KMD, and we supported the following three initiatives in 2013:

#### HOMEWORK HELP ONLINE

KMD partnered with the State and University Library in 2012 to establish three online homework cafés at our sites in Ballerup, Odense and Aalborg, where up to 60 KMD employees offered help online with homework assignments. We were able to provide help on more than 1,200 occasions in 2013<sup>1</sup>.

The main target group is children and young people from disadvantaged areas, who are typically unable to get help with their homework from their parents. Boys in particular tend not to use the physical homework cafés in their local communities<sup>2</sup>.

Besides providing help with homework, KMD also worked with the library on further developing the digital platform for the project. We also enlarged the target group with trials at four high schools and signed an agreement with the local government in Frederiksberg, which will be the first in the country to offer online homework help to all students in its area.

KMD and the National State and University Library were shortlisted for the best partnership in the Danish CSR Awards 2013.

#### LØKKEFONDEN AND KHAN ACADEMY

KMD has been working with LøkkeFonden – a charity founded by former prime minister Lars Løkke Rasmussen “to bring boys back from the edge to become useful members of society” – since 2012

on creating a Danish version of the world's most widely used online educational resource, the much-praised Khan Academy.

Khan Academy is a platform that enables students to improve their skills, particularly in the natural sciences. At the heart of the platform are a number of exercises, tests and instructional videos, which have previously been available only in English. KMD and LøkkeFonden are in the process of translating the whole platform so that Danish students and teachers can access the entire Khan Academy.

As of the end of 2013, a total of 427 mathematics videos had been recorded and uploaded to Khan Academy Denmark's YouTube channel, and a beta version of the entire platform had been launched ([da-dk.khanacademy.org/](http://da-dk.khanacademy.org/)).

#### DIGIGUIDES

KMD joined forces with the teacher training programs at University College Copenhagen (UCC) in 2013 to set up a corps of DigiGuides – teaching students with a special interest in IT and digital learning tools who can help teachers and students with digital solutions. KMD supplied 30 tablets and various other hardware to DigiGuides, and launched the KMD Education Award for the best digital practical assignment by a teaching student, which will be awarded for the first time in March 2014.

KMD will support the DigiGuides project with annual donations of DKK 150,000 in both 2014 and 2015.

#### HEALTH AND ELDERLY CARE

KMD views health and elderly care as an important area of the welfare state where digital solutions have great potential to reduce costs and improve quality of life for both patients and the wider public.

#### COMPUTER LITERACY AMONG THE ELDERLY

In 2013, KMD continued its work with DaneAge – Denmark's largest organisation for the elderly – on an e-learning program for those with limited computer literacy as part of the organization's drive to raise the general level of IT skills among senior citizens. The aim is to tackle the social challenge presented by the fact that almost 400,000 senior citizens in Denmark have never been online – yet 80% of communication between the general public and the public sector will be digital by the end of 2015.

<sup>1</sup> KMD's employees are able to swap their normal working hours for shifts as online helpers. All of the helpers are given introductory training and are then offered further training in homework help on an ongoing basis.

<sup>2</sup> State and University Library, Study of pupils' opportunities for help with homework, 2010.

The program has been developed jointly by KMD and volunteer IT teachers from DaneAge and complements the thousands of IT courses the organization already runs each year. By the end of 2013, the program had attracted more than 32,000 unique users<sup>3</sup>, and 44% of DaneAge's IT workshops were using it in the classroom or for homework assignments<sup>4</sup>.

You can find more information on the cooperation at [www.aeldresagen.dk/dus-med-pc](http://www.aeldresagen.dk/dus-med-pc) (in Danish).

### DANISH LUNG ASSOCIATION

KMD began working with the Danish Lung Association in 2013 to draw attention to the digital support available to lung patients and lung health in general. More specifically, the partners worked on a new online patient network which enables lung patients to draw inspiration and strength from one another. KMD donated DKK 250,000 during the year and held workshops for lung patients and employees of the association. In addition, teams of Danish celebrities, lung patients and lung specialists helped raise the profile of lung health by taking part in the KMD IRONMAN triathlon in Copenhagen and the KMD 4:18:4 sprint triathlons in Odense, Aalborg, and Copenhagen<sup>5</sup>.

### KNOWLEDGE-SHARING

KMD's analytical unit published three reports on digitization in 2013. These looked at the digitization of meetings in the public sector, the potential for IT solutions in kindergartens and the digitization of treatment for COPD patients<sup>6</sup>.

KMD continued to focus on creating and sharing knowledge of the solutions that will be required to realize political ambitions for digitization of the public sector, and to promote an active debate on how we want to use IT in both the public and private sectors.

As a member of the Digital Council, our CEO Lars Monrad-Gyllum was behind two reports on the digitization of the public sector. One followed up a self-evaluation tool launched by the Digital Council in 2012 to help school principals assess their schools' digital maturity. The other drew attention to the problem that there are numerous small-scale trials of digital welfare solutions in Denmark but relatively few examples of

them being rolled out on a large scale, which is where the real benefits associated with digitization lie<sup>7</sup>.

KMD once again co-hosted Welfare Innovation Day together with independent think tank Mandag Morgen in 2013.

We also continued to engage users of the social media Facebook, LinkedIn and Tumblr in debate and knowledge-sharing on digitization of the health and education sectors in two communities set up in 2012, and we created a third community to involve parents more in their children's learning. These three communities now have 2,623, 6,243 and 3,268 followers respectively on Facebook<sup>8</sup>.

KMD again held a work experience week, giving 32 high-school students from around the country an opportunity to grapple with the development of IT for schools and help make it an exciting subject with a wealth of applications. By opening our doors like this, we hope to help stimulate interest not only in IT as a discipline but also in KMD as a future employer.

In the same vein, KMD again hosted the FIRST LEGO League, a research and technology competition for ages 10-16. The aim of the project is to increase young people's interest in technology and science and encourage more of them to consider a career in engineering.

### DONATING COMPUTERS

KMD continued to work with NordVirk, an organization that creates jobs for young people with autism spectrum disorders. We donated more than 4 tons of used IT hardware, which was then equipped with new software and sold on via NordVirk's website.

KMD considers its CSR work relating to digital welfare to be very satisfactory.

<sup>3</sup> As of 7 January 2014.

<sup>4</sup> DaneAge, Survey of IT volunteers, November 2013.

<sup>5</sup> The KMD IRONMAN consists of a 2.4 mile swim, a 112 mile cycle ride and a 26 mile run. The KMD 4:18:4 is a 10th of the full KMD IRONMAN.

<sup>6</sup> DaneAge, Survey of IT volunteers, November 2013.

<sup>7</sup> The reports can be found at [raadet.cedi.dk](http://raadet.cedi.dk).

<sup>8</sup> As of 7 January 2014.



## GOALS FOR 2014

### EDUCATION

Homework help: KMD will continue to offer help with homework online. The goal is for KMD's employees to provide help on at least 1,200 occasions in 2014.

Khan Academy: Together with LøkkeFonden, KMD will launch a full Danish version of Khan Academy. We will also work with LøkkeFonden to facilitate a major education conference in Denmark.

DigiGuides: KMD will continue to support the project and explore the possibility of expanding the KMD Education Award to include other university colleges in Denmark.

### HEALTH AND ELDERLY CARE

DaneAge: KMD and DaneAge will launch a new version of their e-learning program. Another goal is for at least 60% of DaneAge's IT volunteers to use the program, and for it to have at least 25,000 users in 2014.

Danish Lung Association: We will launch a new online patient network for lung patients and raise awareness of lung issues by having at least 25 people from the association take part in a KMD 4:18:4 or KMD IRONMAN triathlon.

### KNOWLEDGE-SHARING

KMD's analytical unit will publish a minimum of three analyses, and we will continue to work with the Digital Council and encourage debate in our online social media communities.

# EMPLOYEES

## RESULTS IN 2013

KMD wants to be an attractive workplace where employees are proud of the contribution we make to society – by virtue of both our products and our behavior and knowledge.

We believe that we will remain strong as a company if we create clear structures for our employees and give them scope for personal and professional development and flexibility in their working lives. As a company, we must make room for differences and have big ambitions, giving employees the personal freedom to achieve common goals regardless of gender, age, religion, disability or sexual orientation.

Unfortunately, the tough market conditions faced by KMD impacted directly on the workforce in 2013. We had to carry out two rounds of layoffs, resulting in 93 and 244 employees leaving the Company. Working closely with the main union, we managed to halve the number of compulsory layoffs from 337 to 164 through various schemes for voluntary layoffs and moving staff around. It was important to KMD that we looked after the employees who left, and all 164 were offered advice and guidance on job seeking and any need for coaching.

### PRIDE

KMD launched a special intranet site in 2013 to provide information on KMD's contributions to the community – both through our product offering and through specific CSR projects such as our provision of homework help online and our partnership with DaneAge<sup>9</sup>. Despite this, the proportion of employees who felt proud to work for KMD fell from 77% in 2012 to 64%<sup>10</sup>.

The general level of employee satisfaction also decreased, from 84% to 77%. This was due to the big changes during the year, with layoffs and restructuring. KMD expects employee satisfaction to bounce back in 2014 following the implementation of processes to make employees' working day more structured.

### DIVERSITY

KMD launched a policy in 2013 for the representation of women on the Board of Directors, including a target of 17% by the end of 2016.

In 2014, KMD will present a diversity policy addressing issues such as the representation of women in management. This diversity policy stems from an analysis of KMD's performance on classic diversity parameters. Our goal is for the most promising prospective employees in the Danish labor market to choose KMD regardless of gender, ethnicity, age, religion or sexual orientation.

### HEALTHY EMPLOYEES

2013 brought work to make our health & safety organisation leaner and more operational. We also took action to help employees with particular ergonomic challenges by providing on-site physiotherapists who can be booked for advice and guidance on working postures. No fewer than 144 employees made use of this resource in 2013.

As an extension of this, KMD also has a health program that gives employees access to physiotherapy, chiropractic, reflexology and massage for occupational injuries. A total of 146 employees made use of this program in 2013.

Average sickness absence was 6.4 days in 2013, which is 4.4 % lower than the national average for private companies. However, this is slightly higher than in 2012 (6.01 days), and KMD aims to return to that level in 2014.

More than 400 employees took part in the KMD 4:18:4 and KMD IRONMAN triathlons in 2013, and training was organized at KMD's sites. In addition, more than 800 employees took part in the DHL 5x5 km relay race.

KMD considers the overall results of its CSR work in relation to employees to be satisfactory.

<sup>9</sup> See section on digital welfare.

<sup>10</sup> Employee satisfaction survey 2013.



## GOALS FOR 2014

### DIVERSITY

KMD will introduce a diversity policy and related initiatives.

### HEALTHY EMPLOYEES

KMD will maintain focus on a healthy workplace based on its already successful sports clubs. Special training programs for employees wanting to take part in the KMD 4:18:4 and KMD IRONMAN triathlons will continue across the business. KMD expects more than 500 employees to take part in one or more of these events.

KMD will also seek to maintain low levels of sickness absence and ensure that fewer than 1% of employees are on long-term sickness absence due to stress.

# CLIMATE & ENVIRONMENT

## RESULTS IN 2013

As one of Denmark's largest IT companies, KMD impacts on the environment by consuming large amounts of energy and hardware, and by having more than 3,000 employees and the country's largest printing center. We are very aware of this, and in 2013 we were certified under the international environmental management standard ISO 14001. Our structured approach to environmental work developed over many years had a positive effect on a wide range of parameters during the year. KMD's environmental policy focuses on energy consumption, transport and waste management, and progress was made in all three areas.

### ENERGY CONSUMPTION

KMD's electricity consumption totaled 29,362,963 million kWh, down 8.5% on 2012. This was due partly to a smaller increase in the server park than expected, and partly to the results of constant energy-saving measures. We managed to find energy savings of 1,676,515 kWh in 2013, and since 2008 we have made savings of 8,608,213 kWh, equivalent to the annual consumption of more than 1,600 detached houses<sup>11</sup> or 28.1% of our total energy consumption in 2008.

The focus was on electricity consumption not only in production (data and printing centers) but also in our offices, with the emphasis on employees' day-to-day electricity consumption. Employees reduced their electricity consumption by 1.7% on average in 2013. In addition, our total consumption of heating fell by 802 MWh.

Thanks to the decrease in energy consumption, KMD's carbon emissions fell once again in 2013, continuing the trend from previous years. Emissions of CO<sub>2</sub> from direct energy consumption in 2013 totaled 10,864 tons, down 16.7% on 2012. Part of the decrease was due to a greener overall energy mix in Denmark, but the majority was due to KMD's energy savings. There was, however, a slight increase in carbon emissions from heating consumption due to an increase in the CO<sub>2</sub>-equivalent for district heating of more than 75%. Since 2008, KMD has cut its carbon emissions by 38.9% from 17,796 to 10,864 tons.

As part of KMD's climate partnership with DONG Energy, our energy savings have been supplemented with purchases of power from offshore wind farms corresponding to KMD's total direct energy consumption, and with renewable energy certificates corresponding

to KMD's total carbon emissions from heating. DONG Energy also identifies and verifies energy-saving projects at KMD.

### TRANSPORT

KMD worked hard to reduce carbon emissions from transport between its sites in 2013. After only minimal reductions in previous years, we managed to cut emissions from transport between our sites by XX%. This was due largely to a sharper focus on employee habits, with better internal processes – including the introduction of improved technologies such as Microsoft Lync – reducing the need for physical meetings. However, the use of electric cars did not have the expected effect, as the supplier of these cars and the associated infrastructure filed for bankruptcy in June 2013, after which the cars could no longer be used.

All in all, KMD's carbon emissions from transportation fell by 18.4% from 2,922 tons in 2012 to 2,384 tons in 2013.

### WASTE

Another focus area during the year was increasing the recycling rate and gaining a picture of the carbon emissions associated with the management of our waste as a first step in mapping our carbon footprint from cradle to grave.

KMD increased the proportion of waste recycled from 68.2% in 2012 to 72.2% in 2013 and is therefore very close to its target of a 5% increase in the recycling rate by 2015. This was due partly to a stronger focus on sorting at source in our office buildings, resulting in reduced wastage of recyclable materials<sup>12</sup>.

Together with our waste management supplier, we have launched a project to build a picture of the total environmental impact from the collection and disposal of the waste we generate.

KMD considers the overall results of its environmental efforts to be satisfactory.

<sup>11</sup> An average detached home with four inhabitants consumes 5,181 kWh per year. Source: DONG Energy.

<sup>12</sup> The recycling rate excludes waste from the sites in Aalborg and Odense, which is measured by collection and not by weight. The bulk of KMD's waste is generated at the site in Ballerup, Copenhagen, which is home to KMD's printing center and the bulk of its employees.



## GOALS FOR 2014

### CARBON EMISSIONS

KMD will continue to focus on energy savings in both data centers and offices, but still anticipates a slight increase in energy consumption due to an ever larger customer base.

KMD will continue to focus on reducing employees' transport between sites. We expect to be able to reduce our carbon footprint from transport by 10% by the end of the year. Further action will be needed to achieve this, including the launch of a new intranet site promoting car pooling.

KMD will also continue to offer employees rail cards to reduce the cost of public transport.

### WASTE

There will be continued focus on KMD's print consumption in office buildings. The breakthrough of follow-me printing will be followed up with campaigns directly targeting employees' print consumption as well as sorting waste at source. KMD's target is still to increase the total proportion of waste recycled by 5% by the end of 2014.

### ENVIRONMENTAL MANAGEMENT

KMD will continue work to assure the quality of environmental data so that we can continue the general improvement in our environmental performance seen over the past five years, and reassure our customers and partners of KMD's unwavering commitment to climate and environment issues.

# SUPPLY CHAIN

## RESULTS IN 2013

Signing the UN Global Compact has committed KMD to 10 fundamental principles relating to protection of human and labor rights, climate and environmental issues, and anticorruption measures. This provides KMD with a concrete framework for the requirements the Company makes of itself and its suppliers. At the same time, KMD wants to keep tight control of its own processes to ensure that the Company complies with relevant legislation and its commitments under the Global Compact, and makes requirements of its own suppliers that support these commitments.

### PARTNERSHIPS

KMD implemented a new code of conduct for suppliers in 2013 based on the 10 principles of the UN Global Compact. The code will be presented to all KMD's suppliers and must be signed when concluding contracts with KMD. The code is intended to send out a clear signal that breaches of the Global Compact principles will not be tolerated. It is also a starting point for dialogue, which we will use to achieve our overall goal for supply chain management, namely that all key suppliers adhere to the principles of the Global Compact by the end of 2015.

The procedures in the code of conduct were triggered for the first time in 2013, when the Danish NGO DanWatch raised questions in November about working conditions in a number of Chinese factories supplying four of our hardware suppliers. We requested additional information with reference to the code of conduct and, together with our suppliers, we discovered minor breaches on the production lines at two of the four factories. Our suppliers have all assured KMD that these issues have been resolved or will be resolved during the first half of 2014. KMD has informed the suppliers that we will require further information on the response to these problems by the end of that period.

KMD has also started working with its waste management supplier on mapping the environmental impact of the collection and disposal of the waste we generate.

### CORPORATE COMPLIANCE

KMD stepped up its work on regulatory compliance in 2013, especially with UK and US anticorruption rules in light of KMD's new ownership. With assistance from KPMG, KMD produced a gap analysis and a risk analysis based on Transparency International's recommendations to optimize the prioritization of future compliance measures.

The vast majority of KMD's activities are in Denmark, which is a low-risk country, and in the IT segment, which is a low-risk sector. As KMD mainly does business with the public sector, however, which is a high-risk area, KPMG recommended that we strengthen the training of customer-facing employees in anticorruption. Besides a general introduction to compliance given to all new employees, KMD therefore developed and implemented an e-learning program on anticorruption for customer-facing staff in 2013. Completion of the program is compulsory, with a pass mark of 80%.

The introduction of a whistleblower program in 2012 has given all employees and members of both the Executive Board and the Board of Directors an alternative to the regular reporting pathways when reporting breaches of legislation and KMD's internal rules. The whistleblower program covers the seven key compliance areas at KMD: anticorruption, IT security, authorizations, competition law, intellectual property rights, contractual risk management and document management/storage. A total of five cases were reported and dealt through the program in 2013, compared with two in 2012.

KMD considers its work on CSR in the supply chain to be satisfactory.



## GOALS FOR 2014

### PARTNERSHIPS

KMD will conduct a review of its CSR policies, including the code of conduct for suppliers, based on the UN Global Compact's 10 principles.

KMD will also continue to work with suppliers to map our environmental footprint throughout the value chain.

### CORPORATE COMPLIANCE

KMD will continue to implement the code of conduct for suppliers, including policies and processes for the environment, human rights and anticorruption.

KMD will also continue to implement an extended whistleblower program that includes external stakeholders