CORPORATE SOCIAL RESPONSIBILITY REPORT

For more than 40 years now, KMD's DNA has been to create solutions that support the operation and maintenance of our society. Together with our customers, we have developed the Danish society of which we are now a fully integrated part, while our IT systems impact on thousands of Danes every single day. We are involved when a new citizen is officially welcomed into Danish society with a civil registration number (CPR). We facilitate the payment of child allowances and salaries to a million Danes. And we play a part in the holding of parliamentary, regional and local elections. Our systems safeguard sensitive personal data against hacking. And we help social care workers and schoolteachers to work more efficiently.

We therefore see it as our duty to act responsibly toward the society in which we have such a prominent place. We are an IT company that wants to help create digital shortcuts that benefit our customers and society. In terms of work on corporate social responsibility (CSR), this means KMD wants to create digital shortcuts that contribute to a richer, safer and more sustainable society.

FOCUSED STRATEGY

In 2016, KMD turned the focus of its CSR strategy onto the use of core competencies. Under the heading "Together we develop society," we are focusing on three main areas: health, education and security. These are a clear extension of some of the strategic focus areas within our business, with data security a particular focus in 2016. In addition, we have clear targets for our work with employees, climate & environment and supply chain.

These four themes have been selected based on our CSR policy, which clearly states that, for KMD, CSR is about making an active contribution – rather than presenting a barrier – to social, economic and environmental sustainability and having a clearly formulated respect for international human rights.

In 2016, we established new partnerships and ensured that we were compliant with all international and national guidelines and legislation. Our work on the four themes are described in more detail below.

SOLID STRUCTURES

Since 2011, KMD has been committed to observing and applying the UN Global Compact's 10 principles for corporate sustainability. We are proud and pleased to continue this commitment, which provides us with a general framework for our CSR work.

The CSR work is coordinated by the Company's CSR Board, which is chaired by the CEO. The CSR Board defines guidelines for the Company's CSR efforts, and monitors and ensures progress on the targets set for the various focus areas. In addition, KMD's works council serves as a reference group for the development of CSR work.

KMD considers its overall CSR efforts to be satisfactory.

Eva Berneke
CEO, KMD Holding ApS

DECLARATION CONCERNING THE UK MODERN SLAVERY ACT

KMD supports the UK Modern Slavery Act and its aim to eradicate all forms of slavery, forced labor and human trafficking. We do so through a range of policies and procedures, including our procurement policy, in which we clearly dissociate ourselves from slavery, forced labor and human trafficking as well as committing our suppliers to do likewise. A more detailed description of our commitments, including in relation to the UN Global Compact, can be found at http://www.kmd.dk/csr.

STATUTORY REPORT

This report constitutes the statutory report on corporate social responsibility for KMD Holding ApS for the year 2016 pursuant to section 99a of the Danish Financial Statements Act. It does not, however, cover the subsidiaries Edlund, UVdata and EMT Nordic, all acquired in the calendar year 2016. The report provides an overview of KMD's work as a socially responsible business. As a supplement, further information about KMD's CSR efforts can be found on our website at www.kmd.dk/csr. However, that additional information does not form part of the Company's reporting pursuant to section 99a.

UN'S GLOBAL COMPACT PRINCIPLES	STRATEGIC CSR FOCUS AREAS FOR KMD			
	TOGETHER WE DEVELOP SOCIETY	EMPLOYEES	CLIMATE & ENVIRONMENT	SUPPLY CHAIN
PRINCIPLE 1 Businesses should support and respect the protection of internationally proclaimed human rights.	**Article 12** _KMD focuses on privacy and the safeguarding of sensitive personal data – p. 15 **Article 21** _KMD supports Danish parliamentary, regional and local elections, and referendums – p. 29 **Article 22** _Partnership with DaneAge on IT skills for senior citizens – p. 31 _Partnership with, among others, the Danish IT Industry Association (ITB) on Coding Class, a program that teaches digital skills to schoolchildren in grades 6 to 9 – p. 31	**Articles 2, 7** _KMD has a diversity policy that protects employees and applicants from discrimination – p. 34		**Articles 2, 3, 4, 5, 7, 18, 19, 20, 23, 24, 25** _KMD has a Code of Conduct that requires all suppliers to comply with the UN Global Compact's 10 principles for corporate sustainability – p. 38
PRINCIPLE 2 Businesses should make sure that they are not complicit in human rights abuses.	**Article 23** _KMD employees act as business mentors for veterans of the Danish Armed Forces – p. 32 _KMD employees act as business mentors for refugees – p. 31 **Articles 25, 26** _KMD supports the Indian children's home Helpline Charity Trust – p. 32 **Article 26** _Partnership with Homework Online – p. 32 **Articles 26, 27** _Donation of PCs to a number of organizations in and outside Denmark – p. 32	**Articles 23, 24, 25** _With employees in Denmark, Norway, Sweden, Finland, Poland and India, KMD complies with all statutory requirements on working environment, pay and freedom to join a union. _Through its works council, KMD conducts constructive dialogue with the union HK/Samdata.		_In 2016, KMD screened a number of suppliers selected on the basis of industry, geography and sales to KMD. The screening includes 21 criteria covering human and labor rights, environmental and climate protection, and anticorruption – p. 38
PRINCIPLE 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.				_KMD trains all new and all customer-facing employees in anticorruption and corporate compliance – p. 38
PRINCIPLE 4 Businesses should uphold the elimination of all forms of forced and compulsory labour.				_KMD has a whistle-blower program for internal and external reporters – p. 38
PRINCIPLE 5 Businesses should uphold the effective abolition of child labour.				_All KMD A/S's Danish locations are certified in accordance with the environmental management system ISO 14001 – p. 38
PRINCIPLE 6 Businesses should uphold the elimination of discrimination in respect of employment and occupation.				
PRINCIPLE 7 Businesses should support a precautionary approach to environmental challenges.			_Since 2008, KMD has reduced its carbon emissions by 59.9% – p. 36 _In 2016, KMD increased its waste recycling rate to 68.3% – p. 36	
PRINCIPLE 8 Businesses should undertake initiatives to promote greater environmental responsibility.			_All KMD A/S's Danish locations are certified in accordance with the environmental management system ISO 14001 – p. 36	
PRINCIPLE 9 Businesses should encourage the development and diffusion of environmentally friendly technologies.			_KMD has a number of products that help customers to reduce their carbon emissions – p. 36	
PRINCIPLE 10 Businesses should work against corruption in all its forms, including extortion and bribery.		_KMD trains all new and all customer-facing employees in anticorruption and corporate compliance – p. 38		

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

TOGETHER WE DEVELOP SOCIETY

"Together we develop society" is KMD's message to our customers and partners. We therefore want to collaborate with those customers and partners to bring our knowledge to bear and build on our skilled employees and their competencies.

In 2016, we focused on developing digital solutions to relevant social challenges, both nationally and internationally. We have done this with our customers through our solutions in the market, but also in tandem with NGO partners, where we have also deployed our employees' personal skills through mentorships and hackathons. We collaborated on a number of activities in 2016, including with the Danish Red Cross on a Disaster Partnership.

REFUGEES IN DENMARK
In recent years, the number of global refugees has risen to its highest level since World War Two. The trend has also been manifest in Denmark, where the large influx of, in particular, Syrian refugees is presenting a challenge to the Danish welfare system. But KMD also sees an opportunity. Among the many refugees, there may be potential employees for the IT sector, which is short of workers. In 2016, KMD therefore entered into a partnership with the Danish Red Cross and the City of Aalborg in which 16 KMD employees would help 16 refugees with IT skills get closer to the Danish labor market through a six-month mentoring scheme. The aim was not to secure employment for the refugees at KMD, but to identify their needs and wishes in relation to the labor market. On completion of the mentoring scheme, 79% of the refugees were in work placements, jobs or university education. Eight of the 16 mentors stayed in contact with their mentees after the scheme had finished.

KMD has also admitted three Syrian refugees to the KMD Academy, where they are being trained alongside six Danes in .NET programming and, from day one, are part of a KMD department.

FUTURE SKILLS
The challenge of a worker shortage and the need for innovation also led in 2016 to KMD collaborating with a number of other companies in the Danish IT Industry Association (ITB), the association Coding Pirates (which aims to promote IT skills in children and young people), Vejle Municipality and the City of Copenhagen to establish the Coding Class project. This comprises a teaching program for schoolchildren in grades 6 to 9 that aims to prepare them for the demands of the 21st century, where the ability to understand and create digital solutions is vital. In all, 15 classes in both Vejle and Copenhagen are taking part in the program. KMD donated a total of DKK 100,000 to the project.

Through the KMD Educa Award, which recognizes innovative digital teaching programs devised by trainee teachers, KMD is also focusing on the next generation of teachers and the need to train them in 21st-century skills. The KMD Educa Award was presented at the School Fair in Aarhus, attended by four of the seven University Colleges in Denmark. In 2017, the award will be renamed the Digital Teaching Prize and presented at the Learning Festival in Copenhagen.

Citizens at the other end of life also have a need to acquire digital skills. Since 2012, KMD has worked with DaneAge to develop and update the digital training program "Get to know your PC." In that time, more than 148,000 senior citizens[1] have completed the program on DaneAge's courses. In 2016, the program was used by 18,616 senior citizens. It was also used by 44% of DaneAge's teachers, 4 percentage points lower than in 2015, which meant that KMD and DaneAge failed to achieve their minimum target of 55%.

In 2016, KMD and DaneAge jointly updated the program, producing a version intended for use on tablets, which are increasingly the preferred digital device of senior citizens[2]. The target is for at least 10,000 senior citizens to be using the tablet version in 2017.

DIGITAL SOLUTIONS TO FUTURE PROBLEMS
In 2016, KMD partnered with the Danish Red Cross to establish the Code for Good hackathon. More than 50 KMD employees and experts from the Danish Red Cross met up for 32 hours in October to tackle five challenges arising from the Danish Red Cross's experience of digital issues, from re-establishing contact between family members fleeing from wars and natural disasters, through system integrations that make it easier for asylum seekers to enter the Danish job market, to an improved understanding of the work of the Danish Red Cross in visiting the many thousands of Danes living on their own. The winners of Code for Good had the honor of being able to donate DKK 50,000 to the Danish Red Cross's disaster fund on behalf of KMD.

[1] As at 31 December 2016.

[2] Danish Agency for Culture: Internet use and devices 2015, http://slks.dk/mediernes-udvikling-2015/internetbrug-og-enheder/.

KMD was also a partner in Open Innovation X, organized by the Technical University of Denmark (DTU) with the aim of increasing innovation in Denmark and finding solutions to actual business problems. More than 50 students participated in the project, working over the course of a single weekend to come up with solutions for KMD, Danske Bank, IBM and others.

Furthermore, KMD partnered with CBS and Danske Bank in a competition for students focused on use of open data. KMD provided access to public data that, when processed in parallel with customer data from Danske Bank, could give new insight for customers and the bank. The first prize of DKK 75,000 went to four students who used the large quantities of data to improve the contact between customers and the bank.

EMPLOYEE INVOLVEMENT

Together with Falck, Copenhagen Airports and a number of military organizations, in 2016 KMD set up the association Welcome Home, which aims to help veterans of the Danish Armed Forces find civilian employment after they have finished their military service. While 85% of all veterans are fully functioning and able to take a job, they often lack the know-how to convert their military skills into a civilian context. Through a six-month mentoring scheme, the member companies' employees give the veterans an increased appreciation of their own skills and how they fit with a company's needs. In 2016, KMD employees mentored four veterans; two are now in jobs, while two are still in mentoring. KMD donated a total of DKK 100,000 to the project.

The Homework Online project closed at the end of 2016. KMD had been a partner since 2012, and during the lifetime of the project more than 120 KMD employees were involved as online homework helpers. From call centers at KMD's offices in Odense, Aalborg and Ballerup, the employees provided homework help on more than 4,000 occasions to children and young people from disadvantaged areas[3].

At KMD's Polish subsidiary, we have established a collaboration with Akademia Integracji, an organization that supports education, socializing and, especially, sport regardless of disability. Among other things, KMD's employees run the KMD Junior Academy, where upper-secondary pupils can learn coding once a week at KMD's offices. The pupils work in teams on designing apps for use in everyday situations, such as an app that helps wheelchair users to find disabled-friendly roads in Warsaw. The employees also participate in Akademia Intergracji's annual summer camp, where terminally ill children can enjoy camaraderie and find respite from the loneliness that often affects their lives.

Together with the organization Warsaw Family, employees from KMD have provided tutoring and homework help for children with ADHD. This help has given the children greater self-confidence and improved their academic performance, with the vast majority improving by one or two grades in mathematics, physics, chemistry, English, Spanish, Polish and other subjects.

In all, 40 employees have taken part in the Polish programs.

KMD DONATES

In addition to the strategic partnerships on developing future skills and solutions, KMD also donates both equipment and money to projects that we consider a good fit with our focus on digital solutions. By way of example, in 2016 we donated more than 40 laptops to the organizations Mind Your Own Business, Football for A New Tomorrow (FANT) and the Foundation for Social Responsibility. All these organizations use IT to support their aims, namely integration of disadvantaged young people through entrepreneurship, the promotion of democracy in Sierra Leone through sporting associations, and the development of solid association structures with a social aim.

In 2016, KMD has also donated DKK 40,000 to Helpline Charity Trust in Bangalore, India, which runs the children's home Vishwas. The donation covers the entire food budget for five employees and 45 children aged 6-18. The children also get help with their homework as well as mentoring time with employees attached to KMD's operation in Bangalore. The children have also visited KMD's offices in Bangalore and taken part in various other KMD events.

In connection with KMD's Disaster Partnership with the Danish Red Cross, a group of KMD employees collected more than DKK 20,000 from their colleagues during the Danish Red Cross's national appeal in October.

---

[3] KMD's employees had the opportunity to swap four working hours a month for shifts as homework helpers. All homework helpers at KMD completed an induction program with Homework Online.

Finally, in 2016 KMD's employees had the option to donate their company Christmas gift to the Danish Red Cross and the Menu project, which helps poor women in Nepal to create a sustainable business by sewing quality clothes and toys. The option was taken up by 283 employees, who donated more than DKK 40,000 for the project.

KMD considers its overall CSR efforts in relation to "Together we develop Denmark" to be satisfactory.

GOALS FOR 2017

REFUGEES IN DENMARK
KMD will repeat the refugee mentoring program and expects to have at least 15 employees mentoring refugees in the Capital Region of Denmark.

FUTURE SKILLS
Coding Class: Together with a number of companies in the Danish IT Industry Association (ITB), KMD will continue its engagement with Coding Class and extend the project to more schools, local governments and teacher-training establishments.

The Digital Teaching Prize: In 2017, the KMD Educa Award will be renamed the Digital Teaching Prize and presented at the Learning Festival in Copenhagen.

DaneAge: In 2017, KMD and DaneAge will have at least 15,000 unique users of "Get to know your PC" and at least 10,000 users of "Get to know your tablet." At least 55% of all DaneAge's tutors will use one of the two programs in their teaching.

EMPLOYEE INVOLVEMENT
Code for Good: KMD will again hold the Code for Good hackathon with at least 40 employees participating.

Welcome Home: KMD will mentor at least four veterans and remain on the association's board.

Akademia Intergracji, Poland: KMD will continue its engagement in the project for children and young people in Warsaw.

Helpline Charity Trust/Vishwas Children's Home, India: KMD will donate DKK 40,000 to buy food for all 45 children and five employees. Furthermore, KMD's employees in Bangalore will continue their voluntary work as mentors to the children.

EMPLOYEES

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 we will remain strong as a company if we create clear structures for our employees and give them scope for personal and professional development.

In 2016, the level of overall employee satisfaction at KMD increased followed a few years of falling satisfaction attributable to a number of organizational changes. Intensive efforts involving workshops and dialogue meetings identified various improvement actions, and these have contributed to higher employee satisfaction.

There is fierce competition for employees in the IT sector[4], which is a huge challenge to KMD's ability to develop and retain employees. We have therefore launched a number of initiatives intended to help ensure that KMD continues to have the right employees going forward. One such initiative is our ambitious graduate program, which in 2016 brought in 27 new graduates in areas such as project management, business development and, in particular, SAP platforms.

In 2016, we also established a new KMD Academy with special focus on Microsoft's .NET, where we boost new employees' competencies in relevant technologies to create the right match for KMD's needs.

A DIVERSE WORKPLACE
KMD strives to attract the most talented employees regardless of gender, ethnicity, age, religion or sexual orientation. This is why KMD also has a diversity policy addressing issues such as the representation of women in Management, attracting more new graduates and increasing ethnic diversity. In 2016, 26% of all new employees were either straight out of university or had little professional experience.

By 2020, KMD is aiming to increase the proportion of employees with a non-Danish ethnic background to reflect the national average. In 2016, we again made progress toward achieving this aim, reaching 3.6%, compared with 2.8% in 2015. However, this is still below the national average of 7.9%.

In 2016, three Syrian refugees were admitted to the KMD Academy, and our work with the Danish Red Cross on a mentoring scheme for refugees in Aalborg has also turned the spotlight onto ethnicity in the workplace.

HEALTHY EMPLOYEES
In 2016, the average sickness absence among KMD's employees was 3.3%, above the national average for private companies of 2.9%.

This is partly explained by a greater number of long-term absences resulting from stress and other factors. KMD has therefore established a health insurance scheme that erects a "scaffold" around the individual and has introduced initiatives to counter long-term sickness absence. In 2016, 40% of employees benefited from KMD's in-house clinics, attending 5,155 appointments. Furthermore, we have trained more than 30 "stress spotters," who are able intervene early where needed.

In collaboration with Danish pension fund Sampension, in 2017 we will also be launching the Health Percentage, an online guide that enables individual employees to self-test and aspire to a healthier lifestyle.

KMD is also keen to provide opportunities for employees to exercise at whatever level. With this in mind, KMD organizes training for employees both at and away from its locations. In 2016, more than 450 employees took part in KMD's IRONMAN triathlons. Furthermore, KMD has a number of running and cycling clubs as well as various other sports and staff clubs.

KMD considers the CSR work relating to employees to be satisfactory.

---

[4] In May 2016, a government report concluded that by 2030 Denmark would be facing a shortage of 19,000 IT experts, https://erhvervsstyrelsen.dk/sites/default/files/media/rapport_-_virksomheders_behov_efter_digitale_kompetencer.pdf.

GOALS FOR 2017

DIVERSITY
KMD will strive to maintain a share of female managers that is proportionate to the overall number of female employees (24.2% against 34% as at 31 December 2016).

KMD will continue to ensure a high proportion of new graduates (26% of all new appointments in 2016 were in the "young professionals" category).

KMD will repeat the mentoring scheme for Syrian refugees – this time in Ballerup – and explore the possibility of creating additional places for refugees at our KMD Academy.

HEALTHY EMPLOYEES
KMD will maintain its 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 of these events.

KMD will also seek to reduce the level of sickness absence from the current 3.3% to the national average (2.9%) and continue health-promoting measures in the workplace, including prevention of stress-related illness.

CLIMATE & ENVIRONMENT

With 3,200 employees plus large data centers and Denmark's largest print center, KMD uses a lot of energy and generates a lot of waste. For this reason, we are very aware of our environmental footprint, and in 2016, we expanded the scope of our certification under the environmental management standard ISO 14001 to cover all KMD A/S locations in Denmark.

KMD's policy and strategy for our environmental work focus on our own impacts as well as the positive effect of our products on our customers' energy consumption[5].

ENERGY

In 2016, KMD was audited in accordance with section 4.3.3 of the ISO 50001 energy management standard. In mapping our energy consumption, we found that KMD's total energy consumption comprised 58% in data centers, 35% in offices and 7% in print centers.

In 2016, KMD had total electricity consumption of 31,980,991 million kWh, an increase of 1.8 million kWh, or 6%, compared with 2015. The increase was primarily due to outsourcing of cloud infrastructure to Tech Mahindra and growth in customers. The outsourcing has meant duplication on a number of applications and, as a consequence, greatly increased energy consumption in our data centers (8.7%). KMD expects energy consumption to be the same in 2017[6]. However, as we go forward, the newer cloud structure will be far more energy efficient and KMD therefore expects to achieve a reduction in energy consumption once implementation is complete[7]. Since 2008, KMD has found energy savings of 15.1 million kWh – equivalent to the annual consumption of 3,000 detached houses and 28.2% of KMD's total energy consumption in 2008. Total heat consumption increased by 573.6 MWh, or 6.9%.

In 2016, KMD's carbon emissions from direct energy consumption totaled 7,128.3 tons, up 3.5% on 2015. The increase was due to generally higher energy consumption[8]. Over the period 2008 to 2016, KMD cut its carbon emissions from 17,796 to 7,128 tons, a reduction of 59.9%.

TRANSPORT

In 2016, KMD reduced total carbon emissions from transport by 3.4% compared with 2015. Since 2012, KMD has specifically focused on reducing its carbon footprint from transport between the Company's locations, and over the period we have achieved a reduction of almost 1,000 tons, or 11.4%, thereby meeting our goal of 10%. In all, KMD emitted 2,021 tons of CO_2 from transport in 2016.

WASTE

KMD produced 648 tons of waste in 2016, of which we recycled 68.3%. We thus achieved the goal set in 2014 to increase our overall recycling rate from 62% to 67% by the end of 2017. In our print and data centers, which account for 48% of our waste, our recycling rate in 2016 was 97.3%, an increase of 14 percentage points compared with 2015. The remaining 52% of our waste comes from offices and canteens, where the recycling rate in 2016 was 41.2%, an increase of 1.3 percentage points compared with 2015. In total, we improved our recycling rate by 4.5 percentage points compared with 2015.

The higher recycling rate is mainly due to improved sorting across KMD. We have established bio-waste sorting in the canteens and introduced "follow me" printing, which reduces wasted prints. Both schemes were introduced in 2015, but the full effect was only seen in 2016.

---

[5] The international think tank GeSI estimates that digital solutions will be able to reduce current carbon emissions by up to 20%: SMARTer2030, http://smarter2030.gesi.org/.
[6] A major renovation of our oldest buildings in Ballerup is also expected to result in a reduction in energy consumption, partly through the introduction of LED lighting. However, this will not be complete until 2018.

[7] In 2016, KMD verified energy savings of 6,290,395 kWh from the replacement of equipment in our data centers.
[8] The CO_2 equivalents for heating and electricity are from 2015 and thus unchanged, as the equivalents for 2016 were not available at the time of writing.

PRODUCTS

In 2016, KMD began implementing KMD Atrium, a fully integrated facility management system that will ensure improved monitoring and overview of our energy consumption, thereby providing a better basis for environmentally friendly decision-making. Combined with the Energy Key product from our subsidiary EMT Nordic, KMD is able to deliver full monitoring of environmental data to our customers. Depending on the customer's maturity level, this could mean reductions in carbon emissions of up to 15%.

Efficient operation of our server parks and continual focus on energy efficiency allow us to offer customers more energy-efficient performance than if they were to operate their own data centers.

Finally, KMD offers a full palette of services in the area of welfare technology. By way of example, patients and healthcare professionals are able to meet virtually, thus saving on transport and reducing carbon emissions as a result.

KMD considers the CSR work relating to climate & environment to be satisfactory.

GOALS FOR 2017

ENERGY

KMD will continue to focus on identifying energy savings in data centers and offices, but does not yet anticipate a change in energy consumption due to the continued migration of data in connection with the outsourcing of the server park to our Indian partner, Tech Mahindra.

TRANSPORT

In 2017, KMD will establish a new target for reducing carbon emissions from transport between own locations. This follows successful achievement of the goal of a 10% reduction in 2016.

WASTE

In 2017, KMD will establish new targets for proportion of recycled waste. This follows successful achievement of the goal of 68% waste recycling in 2016. KMD will continue to focus on its recycling rate in office buildings and canteens.

ENVIRONMENTAL MANAGEMENT

In 2017, KMD will switch to the environmental management standard ISO 14001:2015.

KMD will establish a number of new goals for energy, transport and waste as part of developing a new environmental strategy.

PRODUCTS

KMD will map the climate effect of selected products and present these to our customers.

SUPPLY CHAIN

Signing the UN Global Compact has committed KMD to 10 fundamental principles relating to protection of human and labor rights, climate & environment issues, and anticorruption measures. These considerations are formulated in our policy for social responsibility and in our Supplier Code of Conduct, which provide a concrete framework for the requirements that we place on ourselves and our suppliers.

SUPPLIER SCREENING
In 2016, KMD initiated a process to transition from EcoVadis SAS's screening tool to a new Danish tool from Aperitas. As a so-called Frontier Member, KMD has been active in developing the tool and expects to begin using it in the first quarter of 2017. KMD carries out annual screening of all high-risk suppliers, identified on the criteria of revenue, geography and industry. In 2016, 43 suppliers were screened, none of which were asked to provide further information relating to their procedures and policies.

This screening gives KMD a tool that enables fact-based dialogue with our suppliers about their CSR work, while placing KMD's Supplier Code of Conduct in a concrete context in which we can collaborate on action plans to help suppliers improve their efforts in selected areas. This will make it easier for us and our suppliers to achieve our goal of all key suppliers working in accordance with the principles of the UN Global Compact.

In 2016, KMD began updating its Supplier Code of Conduct, which is expected to be completed and implemented in the second quarter of 2017.

CORPORATE COMPLIANCE
Corporate Compliance continued to be a high-priority area for KMD in 2016. Following a major revision of the anticorruption policy and program in 2015, KMD initiated a number of compliance-related measures in 2016.

During the year, KMD implemented a new e-learning program across the organization focusing on anticorruption, including KMD's rules on gifts and entertaining. The program, intended for KMD employees with external relations, was completed by more than 1,100 employees in 2016. It is scheduled to be run every two years.

New employees, including those who join following a company acquisition, also complete an induction course in corporate compliance via an e-learning program.

In 2016, KMD designed a further e-learning program in competition law, which will be rolled out to relevant employees across the organization in 2017.

In the course of the year, KMD ran an information campaign on the rules for giving, receiving and reporting gifts. This initiative was part of the ongoing embedding of the obligation for employees to report any gifts received with a value above a certain triviality limit, introduced when the policy on gifts and entertaining was revised in 2015.

In order to ensure compliance with the policy on anticorruption and the policy on gifts and entertaining, regular checks are carried out in various parts of the organization as well as planned audits in conjunction with KMD's Internal Audit. In the second half of 2016, an audit process was initiated in relation to anticorruption compliance and will continue into 2017.

In 2016, KMD also proceeded with the work of ensuring that our IT security policies and programs support our goal of secure and correct data management.

During the year, KMD processed two cases within the Company's whistleblower program, which provides employees with an alternative to the regular reporting pathway when notifying breaches of legislation or of KMD's internal rules within the Company's seven compliance areas, namely anticorruption, IT security, authorizations, competition law, intellectual property rights, contractual risk management, and document management and storage. All employees, members of the Executive Board and Board of Directors, and external reporters can make use of the whistleblower program.

KMD's corporate compliance work is continually being developed based on risks, trends and requirements, both internally and in the outside world. In 2017, there will be particular focus on compliance in the supplier chain and in KMD's independent subsidiaries, audit initiatives in relation to anticorruption, and rollout of an e-learning program in competition law for relevant employees.

In 2016, KMD's certifications comprised ISO 20000 (IT service management), ISO 9001 (quality assurance), ISO 14001 (environmental management) and ISO 27001 (information security), which now also cover KMD's subsidiary in Poland.

KMD considers the overall CSR work relating to the supply chain to be satisfactory.

GOALS FOR 2017

PARTNERSHIPS

KMD will implement a new screening platform for suppliers in relation to CSR parameters. KMD will screen at least 75 selected suppliers and draw up relevant action plans for suppliers identified via screenings in the Aperitas system.

KMD will revise its Code of Conduct for Responsible Supplier Management.

CORPORATE COMPLIANCE

KMD will continue implementation of the prioritized compliance measures, which focus on, among other things, compliance in KMD's independent subsidiaries, control measures relating to anticorruption, and rollout of an e-learning program in competition law for relevant employees.