KMD

CSR REPORT

2017

KMD

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

This report constitutes KMD Holding ApS's statutory reporting on corporate social responsibility pursuant to section 99a of the Danish Financial Statements Act and on gender distribution in the supreme management body pursuant to section 99b.

The report also constitutes KMD's Communication on Progress in relation to implementing the principles of the UN Global Compact.

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The digital transformation is changing the world

S ociety, public institutions and private companies face constant demands for change. The boundaries for how resources are used are constantly moving. We challenge ourselves, and we are challenged by others. We have to deliver higher quality, work more efficiently and reduce costs.

We must all reach out to where the opportunities and potential are greatest. New and more technology is not the solution to everything, but it is part of the solution. This makes KMD's competencies and solutions within data, digitization, digital infrastructure and technology more relevant than ever.

I am proud that KMD currently delivers highly complex services and solutions for both the public and private sectors.

We support legislation and regulated areas with digital shortcuts. We have built up, administer and maintain large transaction values and volumes in order to deliver a critical and complex infrastructure.

KMD handles payments of almost DKK 400 billion a year, which is equivalent to around 20% of Denmark's GDP. In total, we ensure that more than 1.3 million citizens receive their benefits each month. More than 100,000 daily users of our health and social care solution handle relationships with citizens via 1 million citizen records.

We support solutions that give more than 1 million consumers access to banking and financial services, and we handle more than 60% of the premium receipts in the Danish life insurance and market segment.

This is a huge responsibility.

Since 2012, we have invested DKK 2.7 billion in new technology in order to ensure that authorities and companies are able to benefit from the potential of the digital transformation. KMD's new investments and development are directed for the most part at using data and technology in new ways. In this respect, we have made good progress with establishing closer, open collaborations with customers and other partners to create value in a rapidly changing world.

At the same time, we are focused on ensuring that the new technological possibilities also provide a basis for increased awareness of information security and privacy so that citizens and customers can continue to have digital trust and confidence in KMD. Just as they must also trust that KMD has a high level of integrity and business ethics in our culture and conduct.

In this report, we also describe how KMD is living up to its pledge to comply with the principles of the UN Global Compact.

My goal is that KMD should bring about simplification, change and progress through digitization and technology where it matters most. I am convinced that our approach to the digital transformation is enhancing the responsible development of our welfare state and businesses' competitiveness.

If you have any thoughts on this, please do not hesitate to contact me.

Eva Berneke
CEO, KMD

KMD on the move

At KMD, we are aware that our work impacts on society.

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Better services for citizens. New products for customers. Rationalization of work processes. Stronger collaboration. Handling of new legislation. Better management and control tools. New types of competition. These are just some of the challenges and opportunities faced by public organizations and private companies today.

More IT is not the answer to everything. But digital transformation can help with meeting new requirements and addressing new challenges, so it is high on the agenda in a changing society.

KMD on more markets
It is not just the world that is changing. So too is KMD. We are a very different company today than we were just a few years ago. Our monopoly on supplying IT to Danish local governments is history. This is good for KMD and our customers. Competition promotes development and change.

Our strategy "KMD on more markets" means that we are collaborating with local governments, regions, government bodies and institutions. Added to this is our growing market comprising a large number of medium-sized and large private companies in the Nordic countries. A market that we are continuously expanding through acquisitions, including Banqsoft (2015), Edlund (2016) and, most recently, In2media group, which became Charlie Tango in 2017. KMD is moving beyond Denmark's borders, primarily into Norway, Sweden and Finland, within both the public and private sectors.

The unrelenting digital transformation
New digital and technological possibilities have come onto our radar, and they are changing our approach to digitizing processes and using data. KMD is working with cloud, machine learning, artificial intelligence, augmented reality and robotics to translate them into a Danish and Scandinavian context.

The technological possibilities are also bringing new dilemmas and perspectives for society. In the coming years, this will require a close dialogue and collaboration with customers, decision-makers and citizens if we are to maintain strong public digital trust and inclusion.

Our footprint
KMD's main impact on society comes from our solutions for public authorities and institutions, organizations and private companies. This is what the outside world and KMD are focused on — our development, operation and maintenance of digital solutions, data handling and data protection. The solutions for society are described in "We are making a difference" on pages 10-15.

KMD's social engagement also comprises mentorships, partnerships and donations in conjunction with relevant social players. Selected partnerships and initiatives are discussed in "We are sharing our experience" on pages 16-17 and "We are developing future competencies" on pages 26-27.

KMD has five major CSR themes that require special attention. The reporting on the themes comprises relevant selected policies, actions and results from 2017. The themes are:

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The digital transformation is changing everyday life for all of us individually and society as a whole. So we're engaging in close dialogue to test out the new technologies together with customers and users. This gives a reality check on whether we're on the right, responsible track."

Betina Hagerup, EXECUTIVE VICE PRESIDENT, STRATEGY, TECHNOLOGY & COMMUNICATION, KMD

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Cyber and information security

Handling and storage of customers' data entail a risk of hacking of central registers as well as personal and company data. Our cyber and information security is therefore of paramount importance for withstanding attacks and preventing security breaches. This is described on pages **18-19.**

2

Data protection and privacy

The use and sharing of data can give good value for our public and private customers. At the same time, we are fully aware of citizens' rights to privacy, which we must protect. Read more about this on pages **20-21.**

3

Employees and managers

KMD's employees and managers, together with our technological partners, are the platform for our ongoing success and growth. The digital transformation is changing the nature of competency requirements. KMD is therefore focused on being a workplace that can attract, retain and develop the right competencies, as discussed on pages **22-25.**

4

Business ethics

KMD has a fundamental goal to contribute positively to society, including operating responsibly and on fair and equitable terms. We therefore have clear policies, frameworks and processes to ensure that we address the risks that we are faced with. Pages **28-31** describe the initiatives we have launched, especially in relation to anti-corruption, competition law, tax and responsible supplier management.

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Environment and climate

KMD's persistent work with climate and environment has meant that we are able to reduce our energy and resource consumption relative to our economic growth. Areas which make particular demands of our resources are powering offices and operating centers, waste and transport, as examined on pages **34-35.**

We are creating cohesion

K MD is continuously working to create cohesion for citizens across administrations, to optimize the efforts of local governments and regions, and to improve public services. Better cohesion is a recurring theme in KMD's solutions within areas such as social, health, employment, and children and young people.

One specific example comes from Slagelse, where KMD has helped create transparency and cohesion in chronic obstructive pulmonary disease (COPD) rehabilitation.

Better cohesion in citizen programs

In Slagelse, the local government is working with the hospital in a cross-sector project to explore how to offer citizens with COPD new options for rehabilitation. As part of the project, participants and employees from the local government and the hospital communicate via KMD's online meeting tool.

The tool is used for online training, individual discussions, education and café meetings for participants. Nurses, physiotherapists, occupational therapists and other project employees also hold cross-disciplinary meetings via the platform.

"It's not necessary to meet up physically. We just log in, run through the patients and discuss how things are going to ensure that we're pulling in the same direction. Often we also use each other for professional sparring in terms of how the rehabilitation is going and if, for *example, there are particular challenges, I can bring them up in the nursing discussions with the citizen. There are a lot of different needs, and it can be hard coordinating it all. It's important that we don't say different things,"* says **Anne Marie Dalsgaard Sloth**, A COMMUNITY NURSE IN SLAGELSE MUNICIPALITY.

The first teams of COPD patients have already completed the program.

The project will be evaluated at the end of 2018, when scientific articles on the results of the project will be published.

New challenge project

KMD is developing cohesion solutions in close collaboration with the local governments. For example, Rudersdal Municipality and KMD have jointly analyzed the cohesion challenges in Rudersdal's eldercare and are now ready to develop a digital solution that will ensure continuous communication and general overview across its administrations and, not least, between Rudersdal, citizens and relatives.

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At KMD, we're investing in developing digital welfare solutions that create better citizen programs and a platform for increased collaboration across local government administrations, between local governments and across sectors. There's no doubt that cohesion in citizen programs is one of the major themes in the local governments and regions right now — and going forward."

Mette Louise Kaagaard, EXECUTIVE VICE PRESIDENT, LOCAL GOVERNMENT, KMD

We are making a difference

> ❝ *We're working to ensure that the many complex laws reach the individual citizen. Correct payment at the correct time is our core service. KMD provides the IT to support almost DKK 400 billion in annual payments. This is a huge task that KMD has undertaken for more than 40 years."*

Ole Jensen, EXECUTIVE VICE PRESIDENT, CASE & BENEFITS, KMD

Denmark is changing. The digital transformation has changed the public and private sectors in recent decades. Tasks and activities that just 10 years ago took days, maybe even weeks, to complete, can now be handled in next to no time. We often forget that in our changing world.
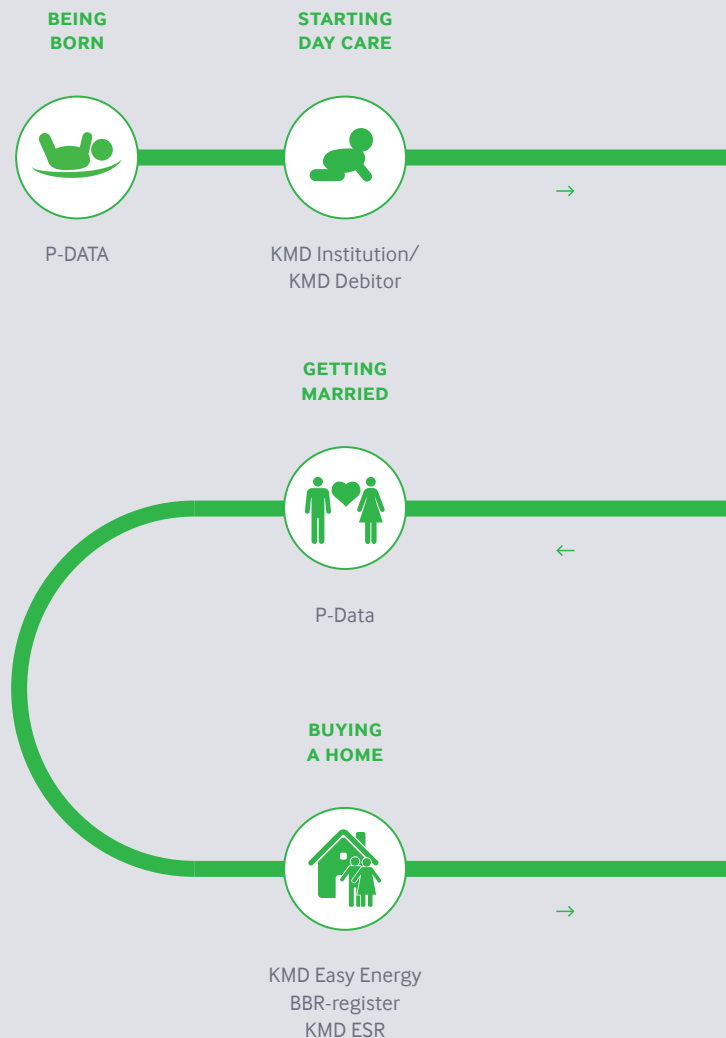
Denmark is one of the world leaders in embracing digital opportunities. And KMD has been the focal point for many of the developments, especially in the public sector. We are proud of that.

KMD is there from cradle to grave
Citizens benefit from KMD's solutions probably without realizing it. Our solutions are there through all phases of life, from birth to school, work, retirement and death – see illustration.

When things run smoothly in the digital world, no one notices. In fact, under the transition agreement with KOMBIT (related to ensuring supply security in connection with exposure to competition of the previous monopoly systems), our solutions have an uptime of close to 100%, even though the agreement only requires 98% minimum.

When you are working with billions of transactions and cases with complex work processes and regulation, errors occur. And that is also true for us; during 2017,

BEING BORN

P-DATA

STARTING DAY CARE

KMD Institution/ KMD Debitor

GETTING MARRIED

P-Data

BUYING A HOME
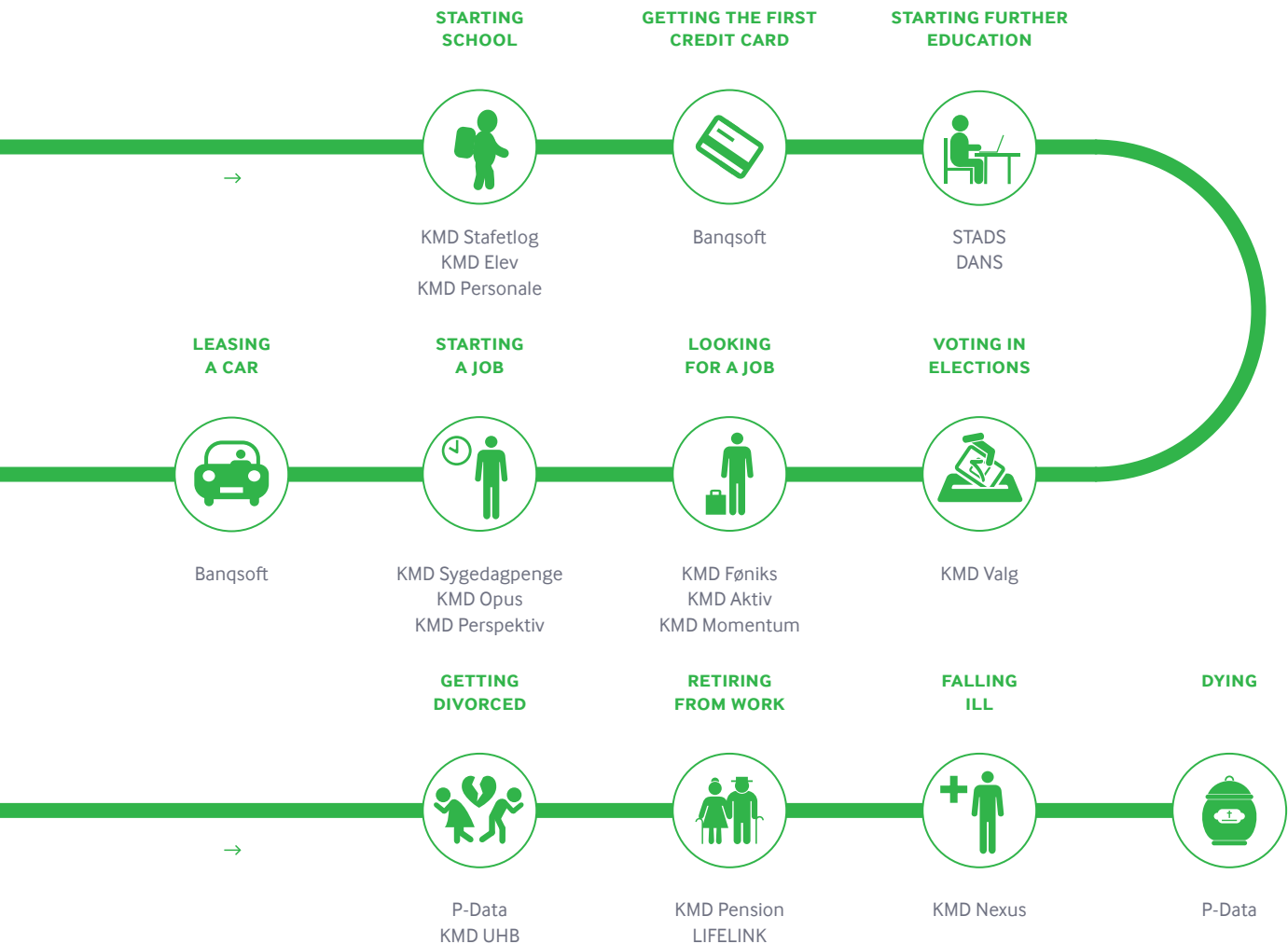
KMD Easy Energy
BBR-register
KMD ESR

it happened several times. When it does happen, we rectify errors quickly so that the individual customer and citizen are not excessively inconvenienced.

In this regard, KMD is also engaging in dialogue with public decision-makers on the creation of a more digitization-ready legislation. A legislation that is more digitization-ready will be better able to optimize administration, improve citizen services and strengthen the rule of law.

In 2016-2017, KMD was also involved with the government's work on a new code for good customer–supplier collaboration.

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**STARTING
SCHOOL**

KMD Stafetlog
KMD Elev
KMD Personale

**GETTING THE FIRST
CREDIT CARD**

Banqsoft

**STARTING FURTHER
EDUCATION**

STADS
DANS

**LEASING
A CAR**

Banqsoft

**STARTING
A JOB**

KMD Sygedagpenge
KMD Opus
KMD Perspektiv

**LOOKING
FOR A JOB**

KMD Føniks
KMD Aktiv
KMD Momentum

**VOTING IN
ELECTIONS**

KMD Valg

**GETTING
DIVORCED**

P-Data
KMD UHB

**RETIRING
FROM WORK**

KMD Pension
LIFELINK

**FALLING
ILL**

KMD Nexus

DYING

P-Data

Our doors are open

Success for us is when things run smoothly for the end user. We receive more than 10,000 visits from users annually at our locations, where we have the opportunity to instruct them and listen to how they see our solutions developing optimally.

This open approach also now applies increasingly to the actual IT solutions. In previous years, KMD built solutions in silos to meet customers' requirements. But today it is a matter of creating connections and digital platforms with open APIs (application programming interfaces). Here, other suppliers, such as entrepreneurs, can integrate their solutions. This is happening in the social and health area, among others, where we integrate with more than 20 different other solutions via open APIs. This is providing space for new solutions and innovation in local governments and regions.

KMD supports the UN SDGs

At KMD, we work with solutions that support the development of a number of the UN global Sustainable Development Goals (SDGs). The SDGs comprise 17 specific goals to which all the UN's 193 Member States are committed. The SDGs entered into force on 1 January 2016 and will set a course toward more sustainable development up to 2030.

We are proud to help promote positive development. We do this by having practical solutions relating to five prioritized goals and their respective targets. And we often do it by building collaborations with public partners – but also in dialogue with civil society.

Goal: Ensure healthy lives and promote well-being for all at all ages

Target 3.5
Strengthen the prevention and treatment of substance abuse, including narcotic drug abuse and harmful use of alcohol.

Target 3.8
Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all.

Goal: Ensure inclusive and quality education for all and promote lifelong learning

Target 4.1
By 2030, ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

Target 4.6
By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.

Goal: Ensure access to affordable, reliable, sustainable and modern energy for all

Target 7.1
By 2030, ensure universal access to affordable, reliable and modern energy services.
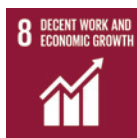
Target 7.3
By 2030, double the global rate of improvement in energy efficiency.

Business model

Through our digital solutions, we are helping to develop society within a large number of areas. We are thus playing an active role, in conjunction with public authorities, organizations, private companies and technology partners, in improving the day-to-day lives of citizens and users.

Digitization is now universal, so this overview only presents our core activities and outputs, and does not cover our total contribution.

Goal: Promote inclusive and sustainable economic growth, employment and decent work for all

Target 8.2
Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labor-intensive sectors.

Target 8.6
By 2020, substantially reduce the proportion of youth not in employment, education or training.

Target 8.10
Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Goal: Promote peaceful and inclusive societies. Provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Target 16.7
Ensure responsive, inclusive, participatory and representative decision-making at all levels.

Target 16.9
By 2030, provide legal identity for all, including birth registration.

Goal: Revitalize the global partnership for sustainable development and increase resources for achieving the goals

Target 17.17
Encourage and promote effective public, public–private and civil society partnerships, building on the experience and resourcing strategies of partnerships.

Resources	KMD's core activities and solutions

Resources

Technology
Collaboration with technological partners

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Human resources
3,000+ well-qualified technological employees, domain and business specialists, etc.

→

Development & innovation
Across KMD: from KMD Venture to one of Denmark's biggest centers for software development

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Stakeholders
Involvement of end users and decision-makers at operational and strategic level

→

Financial capital
Huge investment in own software & acquisitions

→

KMD's core activities and solutions

Health and social
- Helping professionals to help citizens with special needs – across sectors, administrations and institutions
- Ensuring that citizen programs are coherent and creating overview of approved services and the supporting finances
- Giving citizens access to their medical records
- Supporting the legislation and national standards valid at any time, including the shared medication record and communication with GP and hospital systems

Children, learning and education
- Helping parents to register their children with day-care institutions and schools
- Ensuring easier administration and compliance with legal requirements, and providing overview to managers in administrations, schools and day-care institutions
- Enhancing pupils' well-being and learning via a modern learning platform
- Coordinating the preventive effort across professional groups and administrations, and ensuring early intervention for disadvantaged children by local governments

Energy and utilities
- Supporting the central processes in Danish energy and utility companies – from obtaining and handling meter data to collection and customer services
- Helping energy consumers to optimize their resource usage and save both money and CO_2

Benefits and payments
- Supporting sickness benefit refunds for employers and sickness benefit payments for employees
- Handling more than 30 different cash benefit rates in order to be able to pay out housing benefit and cash benefit
- Handling the solution that pays out social pension to Denmark's retired persons
- Supporting more than 80 different public payment types
- Operating NemKonto (the Danish bank account system for making official payments to citizens and companies)
- Supporting payment of salary to public and private employees

Jobs and development
- Helping unemployed citizens into work by supporting job center employees' work with plans, targets and progress surveys and improving communication with companies
- Helping unemployment insurance funds to get unemployed people into work, ensuring payment of unemployment benefit and helping trade unions to serve, advise and develop their members

Life insurance and pensions
- Supporting the drafting of life insurance and pension policies and agreements, and ensuring portfolio management, reporting, notifications and analysis
- Handling premium payments

Banking and finance
- Helping financial customers with insight and data, and strengthening the level of automation and self-service in customers' solutions
- Ensuring that financial companies are at the forefront in relation to customers' requirements and expectations, and new legislation and compliance

Elections and administration
- Ensuring voting cards for voters in local government, regional, parliamentary and EP elections
- Ensuring correct recording of voter attendance at polling stations, and handling digital reporting of vote counts
- Ensuring documentation and archiving of general case-handling processes in public administrations

Health and social
- More than 100,000 daily users in local governments and regions use our solutions involving approx. 1 million citizens' records
- Used by more than 50 different professional groups – from social workers to PPR psychologists, educators, nurses, social and health assistants, dementia consultants, occupational therapists, warehouse employees and abuse consultants to economists and many others
- KMD handles inter-local-government billing in the social area, involving more than DKK 8 billion a year

Children, learning and education
- More than 130,000 children registered annually for day-care services
- 850 schools – and thus 300,000+ pupils, approx. 60,000 teachers and educators, and 370,000+ parents – use our learning platform
- 503 schools use our digital pupil administration system
- KMD helps young people to obtain qualified guidance on educational options. Approx. half of Denmark's young people receive guidance on choice of youth education programs via brobygning.net

Energy and utilities
- We handle data from more than 2 million meters across Denmark and ensure collection of DKK 20 billion annually for our customers
- We help our customers with energy savings in the order of 15-25% by showing consumption in a transparent way and through collaboration with energy advisers

Benefits and payments
- We support payment of i.a. DKK 1.2 billion in housing benefit
- More than 1.3 million citizens in Denmark and abroad receive social pension payments every month. Annually, we pay out more than DKK 150 billion in social pension payments
- Overall, we handle approx. 43 million transactions a year involving payment of almost DKK 400 billion
- We pay salary to approx. 1.1 million employees in the public and private sectors

Jobs and development
- We support 40+ local government job centers with their employment effort
- We support almost 550,000 Danes in their membership of unions/unemployment insurance funds

Life insurance and pensions
- We support 12 out of 18 life insurance and pension companies in Denmark, and thus handle more than 60% of Danish premium receipts within life insurance and pensions

Banking and finance
- We support a financial customer with an end-to-end fully automated platform for more than 1 million end users

Elections and administration
- For the local government and regional elections 2017, KMD printed 4.3 million voting cards for Danes entitled to vote
- 1,100 polling stations use our voting lists, and we handle postal votes comprising approx. 10% of the votes
- KMD Valg supports reporting of results on national television on voting night
- We support digital and mobile work processes in public authorities with the most common electronic case and document management solution

© KMD

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We are sharing our experience

M anagers and employees at KMD are engaged in sharing their knowledge and experience with people outside the labor market, who find it difficult finding regular work. KMD engages in active mentorships, in which we bring our competencies into play.

The road back for veterans
Since 2016, KMD has been engaged in work between war veterans and the business community. The road from military to civilian life is by no means always easy for veterans who have been working for Denmark in the world's war zones. A large number of resourceful veterans have built up unique skills that have been proven under at times extreme conditions, but they often lack guidance in converting these skills into a business context. "Velkommen Hjem" is an organization co-founded by KMD that aims to create better conditions for veterans, partly by making its competencies available through active mentorship.

In 2017, KMD implemented eight mentorships, five of which have concluded and resulted in a job.

"The challenges that the large group of resourceful veterans face when they want to switch to a civilian career have been overlooked in the past. As a company, we can help to address this social responsibility through mentorships in which we contribute our core competencies, including our knowledge of what skills the business world needs," says **Søren Amund Henriksen, EXECUTIVE VICE PRESIDENT, CENTRAL GOVERNMENT, KMD,** and member of the board of Welcome Home.

Help for others
Since 2016, KMD has been working with the Danish Red Cross on refugee mentorships with the aim of integrating refugees more quickly into the Danish labor market. In 2017, KMD had 10 refugees in mentoring programs in Ballerup, eight of whom subsequently got into work, education or a meaningful internship.

In addition to our social engagement in Denmark, KMD provides donations and mentorship to local children's homes in India and Poland, where we have our global resource centers. In Poland, we also work with the organization Warsaw Family, with our employees voluntarily providing homework assistance to children with ADHD.

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You can do an awful lot when you've been in the armed forces, but getting the civilian world to understand your skills can be really challenging. Mette [KMD's mentor] has helped me to translate my skills."

Nicky Thyboe,
VETERAN, SCRUM MASTER, KMD

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Cyber and information security

The digital transformation cannot today succeed without authorities, companies and citizens addressing the issue of cyber and information security. Access to and protection of information have always been a challenge. However, rapidly increasing digitization has significantly changed the need for security, and that need continues.

Hacker attacks are being professionalized, with criminals using more sophisticated methods by the day. And the threat is not just coming from outside; increasingly, it is also coming through employees acting unguardedly and in violation of security policies.

The perpetual balance between user-friendliness and security is thus becoming ever more crucial. Internally, we need to protect ourselves to the relevant extent, but not to such an extent that we lose user-friendliness and, as a result, run the risk that users of digital solutions will come up with their own ways to bypass security.

KMD handles a large amount of confidential and personal data for citizens, companies and authorities. Our customers trust us to handle this data in a correct and safe manner. We therefore have strict internal security requirements.

No one can ever guarantee information security 100%. And that includes KMD. But our goal is to protect all the data that we process, and for which we are responsible, against cyberattacks and hacking. We recognize and take very seriously that it is our responsibility to help protect the data of companies, authorities and citizens in the very best way.

We all depend on digital solutions round the clock. We therefore work with customers to create a balance between threats, risks, user-friendliness and economy. The ISO 27001 standard on information security is a guideline for our work. Since 2014, KMD has been certified in accordance with the standard, and it is the focal point for our risk-based work with information security.

What we have done

→ Conducted an exercise in business continuity management (BCM) with the participation of KMD's top management

→ Begun implementing additional tools to improve security, including BCM tools and tools for conducting security awareness campaigns

→ Taken the initiative in the Danish ICT Industry Association to introduce an industry code for countering hackers

→ Taken part in the Strategic Collaboration Forum for Cyber Security organized by the Centre for Cyber Security; this work will continue in 2018

→ Drawn up a training program for customers in information security management in relation to control and governance based on a business perspective

→ Improved the response time in our Security Analytics Center and set out further requirements for security initiatives that reduce the risk of being affected by hacker attacks. The result is that KMD has not been affected by the latest major international ransomware attacks

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Our license to operate rests on our responsibility for other people's data. It's therefore vital to have top-quality cyber and information security. KMD has invested in security, including our unique Security Analytics Center."

Jan Olaf Olsen, HEAD OF DEPARTMENT, GROUP SECURITY, KMD

Data protection and privacy

As a data processor for public authorities and private companies, KMD has a huge responsibility. We see data protection and privacy as part of our basic human rights. It is our goal to safeguard citizens' rights in our work with digital solutions.

P rivacy has been on the agenda for many years, both in Denmark and internationally. That is why today we have national legislation on data protection. In Denmark, we have traditionally seen a high level of trust in public authorities, so the gathering of data has not previously been a cause for concern or a major consideration for registered parties.

Hacking waves involving financial and identity theft, together with increased commercial use and selling of data, have intensified the focus on privacy. The EU General Data Protection Regulation, which will enter into force in May 2018, is a result of this. It builds on national data protection legislation, but imposes stricter sanctions for breaches.

How is KMD fulfilling its data protection responsibility?
KMD is already working hard to protect citizens' privacy. At the same time, we are working for increased use of data to create better cohesion, enhanced user experiences and an improved decision-making platform for the benefit of citizens and users.

We are making every effort to handle this occasional ambivalence as well as possible, and both aspects will continue to be consistent with the EU General Data Protection Regulation. In future, authorities and companies will face stricter requirements in terms of formulating the purpose for collecting and processing data, for example. The better the purpose specifications, the better the use of data.

In recent years, KMD has worked to adapt its business processes and IT systems so as to comply with the new EU Regulation, and we protect the large amounts of personal data that we process for our customers. This work will continue in 2018.

We have worked with new solutions in a number of citizen-centered areas, such as employment, health and social, and institutions, with a view to increasing transparency. We provide registered persons with access to their own case data, meaning that they can more easily gain access to the status of their case without needing to go through an access to public records process.

In 2017, we worked with customers who are data controllers on how they should ensure compliance with the EU General Data Protection Regulation. This included

drawing up guidance on implementing the legislation and setting out guidelines, implementing role-based access control and rights management, and logging all actions in the systems.

What we have done

→ Continued with the Data Protection Officer function

→ Begun implementing data protection through design and standard settings

→ Introduced the principle in relevant solutions of "from records access to case access" so that citizens can more easily see their data in the public administration

→ Mapped 150 areas/systems in respect of data protection and subsequently drawn up an action plan

→ Provided training and instruction on the new requirements for managers and employees who are part of the implementation team that will be directly affected by the EU General Data Protection Regulation

→ Conducted a webinar for more than 700 employees at KMD

→ Developed a mandatory e-learning course on processing personal data at KMD with the aim that all employees should complete the course at the start of 2018

→ Updated KMD's agreement templates with new data processor conditions

→ Updated and signed a new data processor agreement with our existing customers and suppliers; this work will continue in 2018

Employees and managers

For KMD, the rapid advance of new technologies, the emergence of new business areas and the ongoing responsibility for large parts of Denmark's critical digital infrastructure make the development of employees and managers particularly important.

In recent years, technological developments have been taking place extremely rapidly, and customers expect innovative solutions deploying the latest technology. This creates a need for KMD to develop the competencies of its employees and managers. At the same time, the company operates and develops a large part of Denmark's critical digital infrastructure, which is based on older technologies. This means a double need for competencies.

Multitrack career paths
We are addressing this challenge in part through our transparent career model for upskilling and retaining capable employees to undertake the various development tasks.

Our career model has six main IT tracks: architecture, consulting, delivery management, development, project management and testing. This helps create a mutual understanding and relationship between manager and employee. This means clear career paths, so the individual can see what is needed in order to advance. This creates overview across the organization. The excellent opportunities for employees to develop their skills and interests mean that we fill one in five positions with internal candidates.

At the same time, we are actively working to onboard the smartest, best-qualified new graduates from Danish and international universities. In so doing, it is always

our goal to ensure the right competencies for the tasks, today and tomorrow.

An attractive workplace
KMD is a diverse workplace, so it is important for us that all employees — regardless of gender, ethnicity, age, religion and sexual orientation — are treated equally and have the same conditions to do their job.

We are keen that employees and managers should feel well and thrive at work. By providing a healthy working environment and implementing a range of health-promoting initiatives, we are continually working to reduce sickness absence and prevent stress-related illness. In 2017, KMD's average sickness absence was 3.1%, an improvement on the 2016 figure of 3.3%.

For many years, KMD has been reorganizing the company and its employees for the future. This has naturally presented some challenges, which is reflected in the level of employee satisfaction.

In this light, employee satisfaction among KMD's top management has been identified as one of five company-critical "must wins." We have come a long way along the right path, including in respect of increased inclusion and strengthened dialogue, but we need to do even better. In 2017, we succeeded in improving the employee satisfaction score in our quarterly surveys by an average of 2.7 index points compared with 2016.

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KMD has a strong focus on attract-ing and developing the most highly skilled employees so that we can always offer our customers the best technological solutions."

Peter Albrechtsen, INTERIM VICE PRESIDENT, HUMAN RESOURCES, KMD

KMD has unique wide use of technology given that we develop our own products and run major implementa-tion projects within a large number of areas. We are still therefore an attractive employer that can offer a perfect "playground" for employees and managers with a pas-sion for digitization and technology who want to make a difference for society.
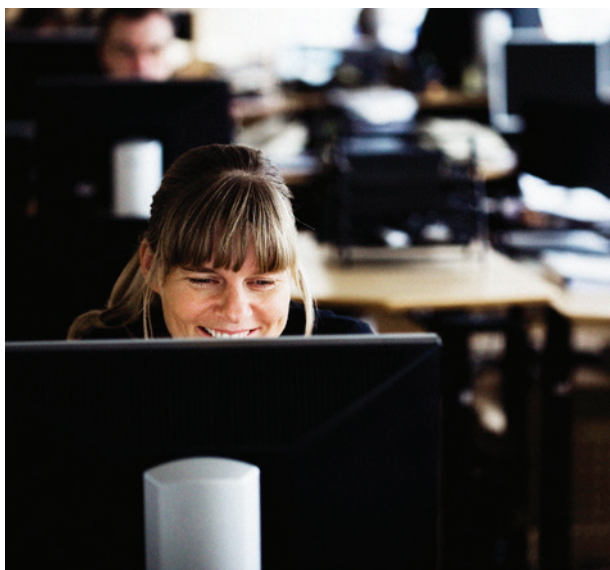
What we have done
In order to secure the right competencies

→ Run the KMD Microsoft Academy — a special train-ing and recruitment program for new graduates with a particular focus on Microsoft's .NET

→ Run KMD Graduate — a two-year program in which new graduates develop their talent through assign-ments, instruction, mentor meetings and a new graduate network

→ Facilitated professional communities — network-ing, inspiration and professional sparring across the organization within selected technologies and domains

What we have done
In order to create an attractive workplace

→ Used continuous measuring of employee satisfac-tion and well-being through quarterly satisfaction surveys and a comprehensive biennial well-being survey to inform the dialogue between employees and managers

→ Implemented our Leadership Development Pro-gram at all levels

→ Collaborated with the Danish Red Cross and Wel-come Home on mentoring schemes

→ Designed a campaign to encourage more fathers to take parental leave

→ Turned the spotlight on health and well-being, including through a number of well-functioning social and sports clubs, and on participation in big events such as the "Engage" charity concert for veterans, KMD IRONMAN and KMD 4:18:4

→ Maintained KMD's health scheme in which employ-ees can benefit from free health treatments at work, for example

→ Trained "stress spotters," who are able to make an early intervention against stress

→ Launched an online health test and, in collabora-tion with Danish pension fund Sampension, the Health Percentage online guide

→

Competencies

- ■ Proportion of new recruits straight out of university or with little professional experience
- ■ Number of new recruits in the Graduate Program

26 %   27 %   33 %

45

27

19

2016   **2017**   **2018**

24

❝❝
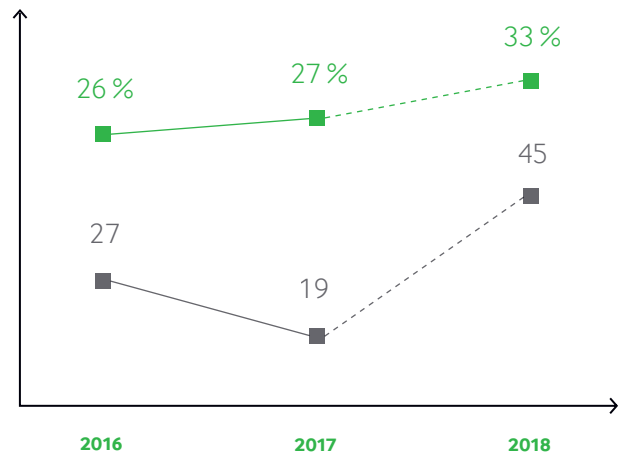
KMD is an attractive workplace, and our scope means there's room internally to switch to other working areas or relocate to other parts of the country. We're seeing today that the market has matured, the competition has got tougher, and conditions are changing. I think our immediate managers are doing a great job of creating a good workplace. They listen well and do a lot to promote good teamwork."

Bent Grøn, IT SERVICE COORDINATOR, OPERATIONS, 30 YEARS AT KMD

Women at KMD

Female role models can be beacons for KMD to attract even more women to the company both as employees and managers. The proportion of women at KMD is currently 34%. By comparison, women make up 24% of the industry as a whole.

Compared with the business community in general and the IT industry in particular, women are strongly represented at KMD's top management level. In the top two management layers, there are 36% women, which means KMD is on the right track in terms of demonstrating equal opportunities internally and providing inspiration externally.

KMD has set a goal for the share of female managers to be proportional to the number of female employees. In 2017, women made up 24% of all managers, so we can do better. In support of our goal, more than 50 women took part in KMD's Leadership Development Program in 2017, making up 33% of all participants.

Currently there are no women elected by the general meeting on KMD's Board of Directors. Our new goal is to have two women on the Board of Directors, corresponding to 33%, within the next four years, i.e. by 1 February 2022.

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The graduate program grabbed my interest from the start. You become part of a network of young new graduates with the same starting point as yourself, and you get the specific training you need to be successful as a consultant. I also think it's very exciting to be part of a company that's in the middle of a cultural and business development process. I find KMD to be a secure workplace where people are really helpful and there's a flat structure."

Line Ølund Friis, **SAP GRADUATE 2017**

"

We believe that gamification and computer-based skills tests also have great potential, and we really want to be a part of the developments at KMD."

Jan Gaardbo Jensen,
VICE PRESIDENT, CHILDREN AND EDUCATION, KMD

We are developing future competencies

The steadily growing demand for IT employees and increased focus on future IT competencies represent a challenge that KMD is keen to help address.

Coding in schools
In collaboration with a number of member companies and local governments, the Danish ICT Industry Association created Coding Class to get coding on the timetable in Danish municipal primary and lower-secondary school. Coding Class comprises a one-year training program in coding for grade 6 pupils that ends with a visit to a company. KMD is a partner in Coding Class and regularly hosts classes on company visits.

The main aim of Coding Class is to get children interested in IT and technology, and give them a better understanding of the world around them now and in the future.

"It makes you confident about the future and proud of the children when they present their final results."
Carl-Erik Vesterager,
VICE PRESIDENT, ENERGY AND UTILITIES, KMD

Research project on 21st century skills
Pupils in municipal primary and lower-secondary school will be developing computer games. It will increase their motivation and strengthen the skills that will be crucial in the social life of the future. This is the goal of a research project led by researchers from universities, teaching institutions and private companies, including KMD.

The project will explore how the use of analog and digital gaming tools such as Minecraft, Scratch and board games can improve pupils' abilities to collaborate, communicate, think critically and solve problems. These skills are also known as 21st century skills, because they are of major importance for pupils' potential to play an active part in future society.

University students improve development skills
In Poland, KMD runs a Junior Academy where, in the past two years, around 50 students from seven universities have been working on charity digital projects. Among other things, the Junior Academy has developed an app that helps elderly people to remember their medicine. In 2017, the Junior Academy was nominated for Top CSR Initiative of the Year in Poland at the CEE Shared Services Awards.

"We prioritize collaboration with educational institutions so that through work placement programs and projects we can help train new talents and increase interest in IT development. At the same time, the activities are helping to engage our employees, while the work is raising awareness of KMD here in Poland."
Jens Brinksten, **CEO, KMD POLAND**

Skills boost for users
As Denmark's largest welfare IT provider, we are not only fulfilling our responsibility to digitize welfare and ensure that future IT developers have the right skills. We are also helping to ensure that the citizens who come across our solutions on a daily basis are able to cope in an ever more digitized world.

In collaboration with DaneAge, we have therefore developed the e-learning courses "Get to know your PC" and "Get to know your tablet" to improve digital skills in the elderly. The tools are used by voluntary tutors and others, and more than 154,000 course participants have used one of the tools since 2012.

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Business ethics

KMD's business ethics are part of our corporate social responsibility. Every single manager and employee has a vital role to play if we are to maintain a corporate culture where ethical conduct is a matter of course.

O ur solutions are used because they win on price and quality in the market, not because of conduct that has given us unfair access to supply them. So we are highly conscious of our culture, policies and conduct. KMD's work with business ethics is embedded in our top management, which is involved in prioritizing the risk-mitigating measures that are carried out.

For KMD, information security, anticorruption and competition law are especially important and business-critical themes that are addressed with a view to reducing risks. Information security is discussed in more detail on pages 18-19.

Competition law
It is vital for KMD that our employees are familiar with the principles of competition law so that we avoid legal infringements. After all, effective use of resources through free competition is beneficial for companies, the welfare society and citizens.

Anti-corruption
For a number of years Denmark has been ranked as the least corrupt country in the world by Transparency International. At KMD, we do not want this to be a pretext for doing nothing. So we have a zero-tolerance policy in relation to corruption and bribery, including facilitation payments. We have a policy on gifts and entertaining that sets out the conditions under which representatives of KMD may give or receive gifts, or pay for or allow others to pay for meals and entertainment, when dealing with external parties.

Whistleblower program
Transparency is one of the first steps on the road to putting a stop to unethical conduct or careless actions.. It is therefore essential that people can report breaches to the Code of Conduct or policies easily and without worry. KMD's whistleblower program is visible and easily accessible both for KMD and for the outside world.

Employees, business partners, IT professionals and ordinary citizens have straightforward access via our website to report anonymously security risks and matters that are not in compliance with KMD's Code of Conduct or policies within Corporate Compliance.

Handling of whistleblower cases:
2016: 2 cases, 2017: 2 cases →

What we have done

→ Trained all new employees in corporate compliance via e-learning

→ Trained relevant employees in acquired subsidiaries

→ Implemented anti-corruption programs in KMD's subsidiaries

→ Evaluated KMD's risks in relation to corruption continously

→ Run an internal "Say it!" campaign to promote the whistleblower program

→ Carried out regular checks to ensure compliance with internal policies and legislation

→ Trained more than 250 employees in competition law via e-learning

→ Run a campaign to maintain awareness of our rules on gifts

Corporate compliance programs include policies within these areas:
- Anticorruption
- Competition law
- Intellectual property (IP) rights
- Document management and storage
- Information security
- Contractual risk management
- Authorizations

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Our business ethics principles are a foundation for KMD. No one should be in any doubt internally or externally about the integrity of our actions."

Mark Skriver Nielsen, SENIOR VICE PRESIDENT, GROUP LEGAL, SECURITY & CORPORATE SERVICES, KMD

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Supplier management

Our Supplier Code of Conduct sets out the requirements that we expect to be met in our supplier chain. The code represents an important element of our procurement agreements. In order to achieve our objectives within human rights, security and anticorruption, for example, we need our suppliers to meet our requirements within:

- **Human and labor rights**
- **Health and safety**
- **Environmental protection**
- **Business ethics**

Our suppliers are asked to register their company and submit information via an independent digital platform so that we can assess their policies and processes. We also carry out annual risk-based screening of our suppliers. This ensures that our suppliers meet our minimum requirements for corporate social responsibility.

More than 85% of KMD's purchases are from Danish companies, and we generally experience a high level of CSR compliance with our suppliers. If there are inconsistencies between our code and the supplier's ability to comply, we first try to work with the supplier to resolve the issue. In principle, there may be cases where we then have to reject or cancel an agreement if we cannot accept a risk inherent in such an inconsistency.

What we have done

→ Ensured that the Supplier Code of Conduct is included in all procurement agreements signed by Group Procurement

→ Updated our Supplier Code of Conduct

→ Continuously screened our suppliers
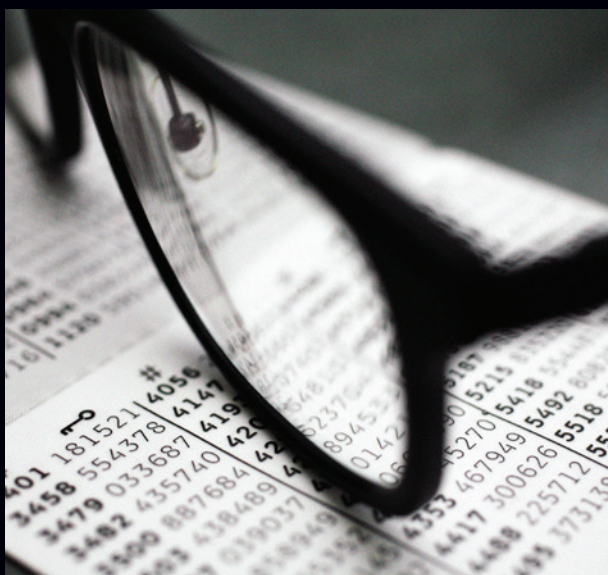
Tax

All Danish Group companies' taxation is subject to Danish tax and joint taxation rules, and it is KMD policy to comply with these rules. KMD's policy for Danish corporation tax is thus independent of our ownership.

For the past five financial years, KMD has made total tax payments of DKK 387 million. Thus, KMD pays significantly more in corporation tax now than under the local government ownership – up to three times as much. And that is with a lower corporation tax rate.

KMD has drawn up a transfer pricing policy that accords with the arm's length principle, as described in the OECD Transfer Pricing Guidelines for Multinational Enterprises, and should ensure that the KMD Group's internal trading complies with applicable rules.

Given the above, profits or losses are thus not moved across borders to minimize tax payments. KMD pays corporation tax in the countries where we have companies. More than 92% of the corporation tax paid in 2017 by the KMD Group can be attributed to Denmark.

We are shaping the change

Digitization of companies and business models has opened up a range of new possibilities. What they all have in common is that you need the technological platform to exploit them.

All types of companies are therefore undergoing change, not least financial companies, which have particularly embraced the digital transformation — with all the benefits, options and risks that it entails.

Similarly, citizens have become much more used to availing themselves of digital possibilities. As a result, companies and citizens can together intensify the digital journey for the benefit of all parties.

"Stable delivery, disruption, cyber crime, better customer experiences, new products and services, and business optimization. Our customers are not short of challenges. They are short of solutions and help with realizing their full business potential. KMD is with them the whole way."

Helle Huss, EXECUTIVE VICE PRESIDENT, KMD BUSINESS

Confidence for the future — insight for today

KMD is part of the Danish life insurance and pension system. In terms of the individual pension, this is in partnership with our subsidiary Edlund. We support more than half of Danes' total premium expenditure on life insurance and pensions through our partnerships with the Danish pension and insurance companies.

Citizens have a lot of options for customizing their pensions: How much will be paid in? When, how and how much will be paid out? Who will be covered? What about industrial injury, invalidity and sickness? These are just some of the key issues.

At the same time, consumers naturally know how to get the most value for their money. This is good for individual and for competition in the market.

The administration of Danes' life insurance and pension policies is no trivial matter. There is a wealth of systems and processes both for observing applicable regulations and for providing the best service to citizens.

The winds of change are also blowing through life insurance and pensions. The regulations are constantly changing, so our solutions have to comply with old and still applicable rules, handle new adjustments and be able to incorporate future changes.

The needs of consumers are also changing toward a desire for far greater access to and insight into their pensions and portfolios. Insight now increases confidence and peace of mind for the future.
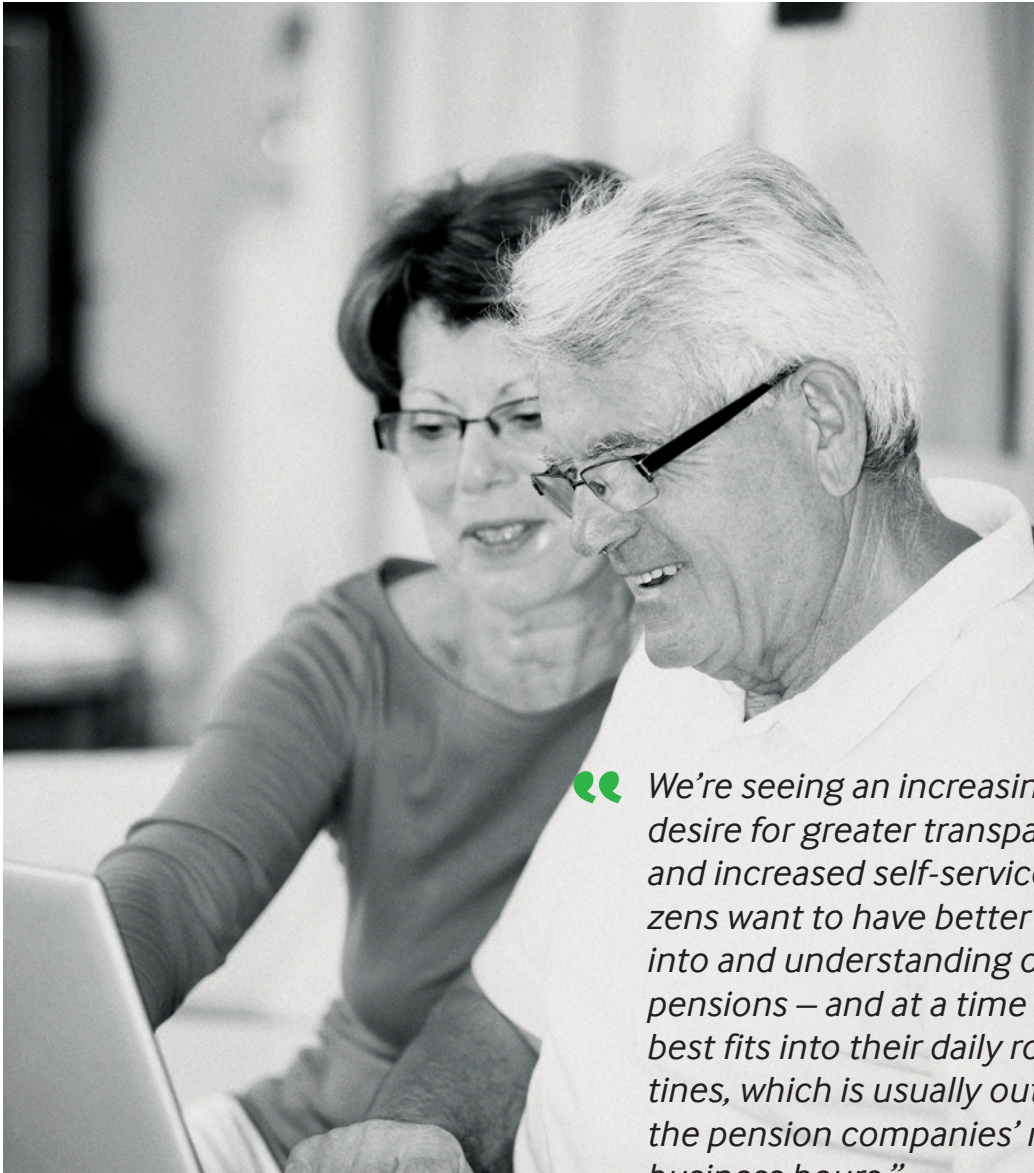
❝❝ *We're seeing an increasing desire for greater transparency and increased self-service. Citizens want to have better insight into and understanding of their pensions — and at a time that best fits into their daily routines, which is usually outside the pension companies' normal business hours."*

Morten Bruun Steiner,
CEO, EDLUND

>> *Through efficient management and constant focus on energy efficiency, we can offer our customers an energy-efficient operating performance."*

Alexander Zoffmann Jessen,
HEAD OF DEPARTMENT, FACILITY MANAGEMENT, KMD

Climate and environment

KMD is striving to be a responsible climate and environment partner for our customers. We are therefore working systematically to reduce our climate and environmental impact, which primarily comes from our production and our employees' behavior.
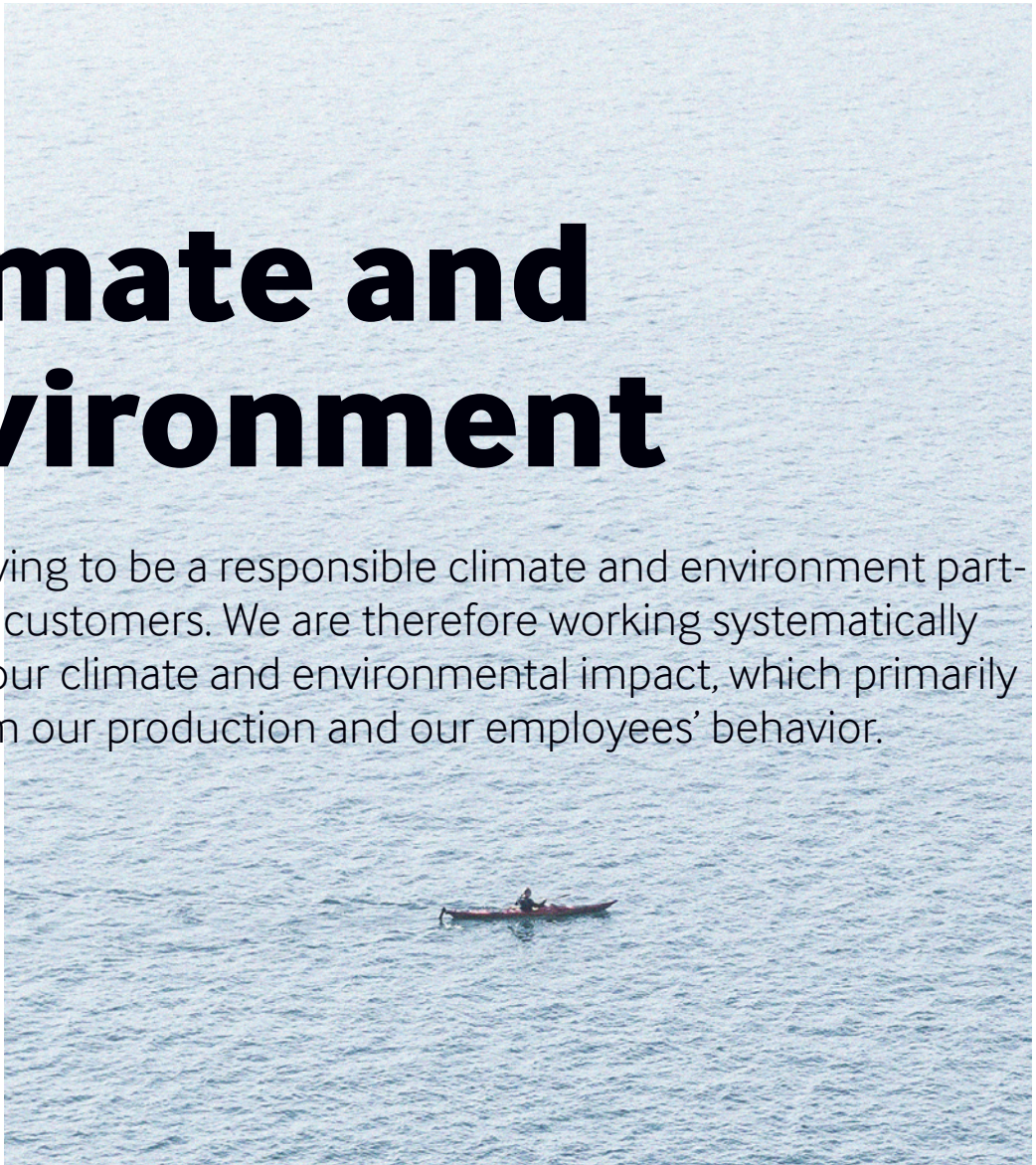
Our biggest climate impact is linked to our IT operations. We are therefore working systematically to optimize our operations and develop our IT solutions in a climate- and environment-friendly manner. At the same time, we know that KMD's products can reduce traffic and paper consumption, create overview of energy consumption and optimize operations for our customers. We therefore also see our products as one of our biggest assets in the work to give customers a greener footprint.
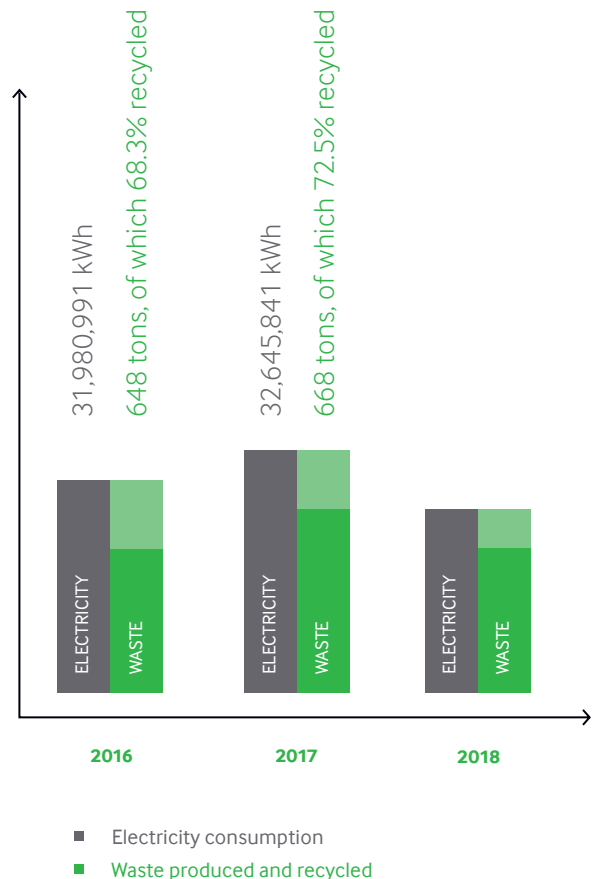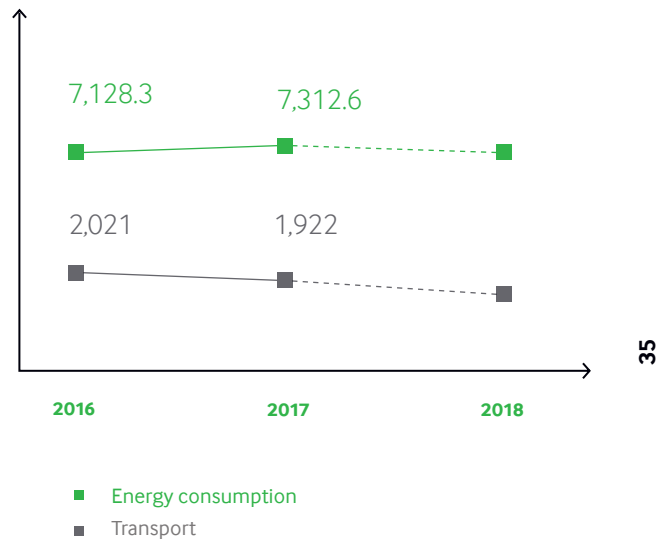
We routinely monitor our own consumption and environmental impact, including in respect of waste and waste sorting. If we identify opportunities for optimization in areas that are assessed to be important, prioritized actions are agreed. These are exemplified in our environment and climate strategy, which is updated every two years.

We continuously monitor the environmental impact of our employees' transport and seek to minimize it through use of Skype meetings, car-sharing, optimization of public transport to our locations and optimization of conditions for cycle commuters.

What we have done

→ Implemented the environmental management standard ISO 14001:2015 to cover all KMD A/S locations in Denmark

→ Established biowaste sorting in canteens and introduced "follow me" printing, which reduces wasted prints — both schemes were introduced in 2015

→ Fitted sensors on waste containers to ensure they are only emptied once they are full

→ Implemented the facility management system KMD Atrium in the operating center; combined with Energy Key, this ensures better monitoring of energy consumption and a better basis for environment-friendly decision-making

CO_2 emissions, tons

7,128.3   7,312.6

2,021   1,922

2016   2017   2018

■ Energy consumption
■ Transport

31,980,991 kWh — 648 tons, of which 68.3% recycled
32,645,841 kWh — 668 tons, of which 72.5% recycled

ELECTRICITY / WASTE

2016   2017   2018

■ Electricity consumption
■ Waste produced and recycled

35

About KMD

KMD is the largest Danish-based IT company. For more than 40 years, KMD has worked on the development, operation and maintenance of Denmark's biggest IT systems. Today, KMD develops and delivers software and service solutions for local government, central government and the private sector in Denmark as well as selected segments in Scandinavia. The KMD Group has more than 1,500 Danish and international customers, including more than 800 Danish and foreign companies. The KMD Group has an annual revenue of around DKK 5 billion and around 3,500 employees. KMD is owned by Advent International and Sampension.

Read more at **www.kmd.dk.**