KMD Sustainability Report 2020

01.04.2020 - 31.03.2021

COMMUNCATION ON PROGRESS

UN GLOBAL COMPACT

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

We welcome feedback on its contents.

This report is a part of the management review and constitutes KMD Group reporting on corporate social responsibility pursuant to section 99(a) of the Danish Financial Statements Act and on gender distribution in the executive board pursuant to section 99(b).

READERS GUIDE:
This report covers the fiscal year 01.04.2020-31.03.2021. This means that in the following, any figure referring to 2020, refers to the fiscal period 01.04.2020-31.03.2021 unless otherwise stated. The report also represents the KMD subsidiary Edlund A/S' statutory reporting on corporate social responsibility pursuant to section 99(a) of the Danish Financial Statements Act.

Contents

The digital society proved its resilience

2020 was another unpredictable year where the novel corona virus continued to impact the entire world and cause great tragedy. Last year, my predecessor, Eva Berneke, concluded her sustainable commitment by saying that as society slowly reopens after COVID-19,

we must learn from the experience and support the further development of a digital society towards a new normal. Going through another year in the shadow of COVID-19, this indeed turned out to be a new normal — even though COVID-19 is still present.

In 2020, COVID-19 locked down societies one by one in order to mitigate virus transmission. During this crisis, digital solutions have become vital to address isolation and keep people informed and engaged, and the digitization demonstrated its value to society. In 2020, the UN E-Government Survey once again rated Denmark as the foremost nation within public digitization. A position we in KMD take great pride in supporting by providing vital digital infrastructure to the Danish society for more than 45 years.

In KMD, we mitigated infection by working remotely from home. KMD has transformed into a digital, remote, and modern workplace where physical presence is rarely a prerequisite. At the same time, our employees maintained the high performance and customer service that keep the critical digital infrastructure of society running. The performance of many of our systems were put to the test — and passed. As an example, My Education, the name of our Learning Management System, used by more than 700 schools, was the 9th most Googled word in Denmark in 2020. New critical infrastructure was also developed during the crisis, as the extensive COVID-19 testing demands a flexible and secure data platform. This was provided by KMD.

Beyond the predominant novel coronavirus, climate change remain a critical societal challenge. The Danish Government is determined on reaching the 2030 climate goal of reaching 70 pct. reduction in carbon emission and KMD supports this goal with our own target of achieving zero emissions from our own business by 2030.

Climate action and environmental stewardship have been priorities for KMD for several years.

We work continuously to reduce our own carbon footprint, as well as supporting our customers with digital solutions for energy efficiency. During 2020, our former CEO Eva Berneke continued to lead the work of the Danish Government's Climate Partnership of the Service, IT, and Counselling Sector as well as the Data Driven Society track of the Digitalization Partnership, working to promote green digital solutions, and showing how data and digital technologies can play a vital role in the green transition.

We believe in using data to create a smarter society — supporting a smarter power grid, smarter traffic, smarter waste management, and smarter water consumption. KMD invests in developing smart solutions to support sustainable development, especially in the areas of data-driven solutions that support the energy and utility sector and energy management.

Looking forward, new digital technologies and data bring forth new issues and concerns. Artificial Intelligence and biometric technologies are providing new possibilities but also brings along issues of data privacy and ethics. KMD is committed to developing digital technologies in a responsible manner and in support of sustainable development. We express our core values in three actions: We understand your business — We create value — We act responsibly. We remain committed to the UN Global Compact and to support the Sustainable Development Goals.

This is our communication on progress.

Per Johansson, CEO

Solutions to support a sustainable society

It has been KMD's strategy from the very beginning to play a vital role in digitizing society and, thus, helping to increase public service, ensure democracy, and improve welfare. This strategy has played a significant role in the UN awarding Denmark for the world's best digitized public sector in two consecutive surveys in 2018 and 2020.

In a year like 2020, where life as we know it has been challenged and most likely changed forever by a global pandemic, a highly digitized society truly proved its value. But it has also emphasized that there are still many areas with room for improvement — and that the highly digitized life has its downsides too in terms of loneliness and failure to thrive due to the lack of personal interaction. The challenge of finding the right balance is still ahead of us.

Challenge of digital skills
One of the challenges we are facing is the balance between the highly digitized society and the level of digital skills in the population. This is also a rising challenge in terms of meeting the job market demand for IT- and technology competences in the future, and the gender gap among the young talent seeking toward STEM education play a role here as well. This is a challenge we address by supporting different educational activities, doing our

best to share our knowledge, and being an inspiration to others.

KMD's purpose
In KMD, however, we see the positive results of digitizing society every day, and we have expanded our strategy to include more markets. We now strive to help digitize societies around the world and bring the benefits of technology to more markets to help our customers succeed and make a difference in society, business, and every-day life.

Climate change
Climate change is a big topic, and the digital technologies have been proclaimed by the World Economic Forum to have the potential to reduce carbon emissions by 15 percent globally. We continue to integrate sustainability in the development of our products, services, and business as a whole. At the same time, we are also aware that our own business is connected to a negative impact on environment.

The consumption of energy in the IT sector is increasing every year, and the production of hardware to facilitate the software solutions is eating into scarce natural resources. This is why we are dedicated to pursuing the target of zero C02-emissions from our own business by 2030.

As a provider of business-critical digital solutions to the energy and utility sector, we are highly focused on supporting the green transition by providing digital- and data-driven solutions to help our clients to reduce carbon footprints and support the development of sustainable solutions.

We develop sustainable IT that enables better welfare, optimizes the use of energy and resources, protects personal data, and builds an inclusive society where the whole is more than the sum of its parts.

KMD Supports the Sustainable Development Goals
The Sustainable Development Goals address the great challenges of the global community — but they also embrace the challenges of our domestic society — for example, in the field of climate change or supporting strong institutions.

We are proud to contribute to the promotion of a positive development, and we do our best to minimize our own negative impact. We provide solutions that support the development within several of the SDGs. We are aware that our business and solutions have a wide-reaching impact. We carefully evaluate the goals against our business to assess our ability to impact the progression towards the goals, as well

as the relevance of the goals to our key stakeholders. In 2020, we conducted several SDG workshops with selected internal representatives from different business areas to assess our impact. The following overview displays the business areas with significant impact. We also conducted a survey of our key stakeholders' focal points in terms of the Sustainable Development Goals. Based on our efforts, we choose to elaborate on our business development within goal 7 and 13.

Creating value
For us, digitalization is about how to turn technological development into value for the people it affects. It is value for the families who, through our solution, can be assured that their close relatives have received the necessary care and treatment. It is about creating value in pension savings where our industry solutions ensure cost-effective operations. It is about creating value for the more than 4 million Danes who can safely hand in their ballot papers at the next parliamentary election with the certainty that their vote will count.

Input

Technology
Cooperation with technology partners and synergy with NEC.

→

Human resources
3,000 qualified tech experts, domain experts, business specialists etc.

→

R&D
Software development and KMD Venture.

→

Stakeholders
End-user involvement.

→

Financial capital
Capex investment in developing software & acquisitions.

→

Energy & Hardware
To run our operations.

KMD's core activities

Health & Social (3.8)
- Give citizens access to their medical records and data.
- Support the legislation and national standards, including the shared medication record and communication with GP and hospital systems.
- Providing COVID-19 test setup and data infrastructure to professional sports events.

Children, learning and education (4.1)
- Digital registration of children in daycare institutions and schools.
- Enhance pupils' well-being and learning via a modern Learning Management System (LMS).

Energy and utilities (7.1, 7.3)
- Support central processes in energy & utility companies from meter data to collection & customer service.
- Help energy consumers optimize their resource spend.

Building administration (13.1, 13.2, 13.3)
- Support optimized facility- and asset management
- Ease management of public sports and cultural facilities

Data-Driven Value Creation
- Transform data into value to utilize green transition, sustainable procurement etc.
- Make public data seamlessly accessible across authorities.

Benefits and payments (8.2, 8.5, 8.10)
- Support sickness benefit refunds for employers and >80 different public payment types.
- Operate NemKonto.
- Support payment of salary to public- and private employees.

Jobs and development
- Help unemployment insurance funds, ensuring payment of unemployment benefits and service.

Life insurance and pensions
- Support the drafting of life insurance- and pension policies and agreements, portfolio management etc.

Banking and finance
- Provide data insight and strengthen the level of automation and self-service in customers' solutions.
- Support companies' preparedness to new legislation and compliance.
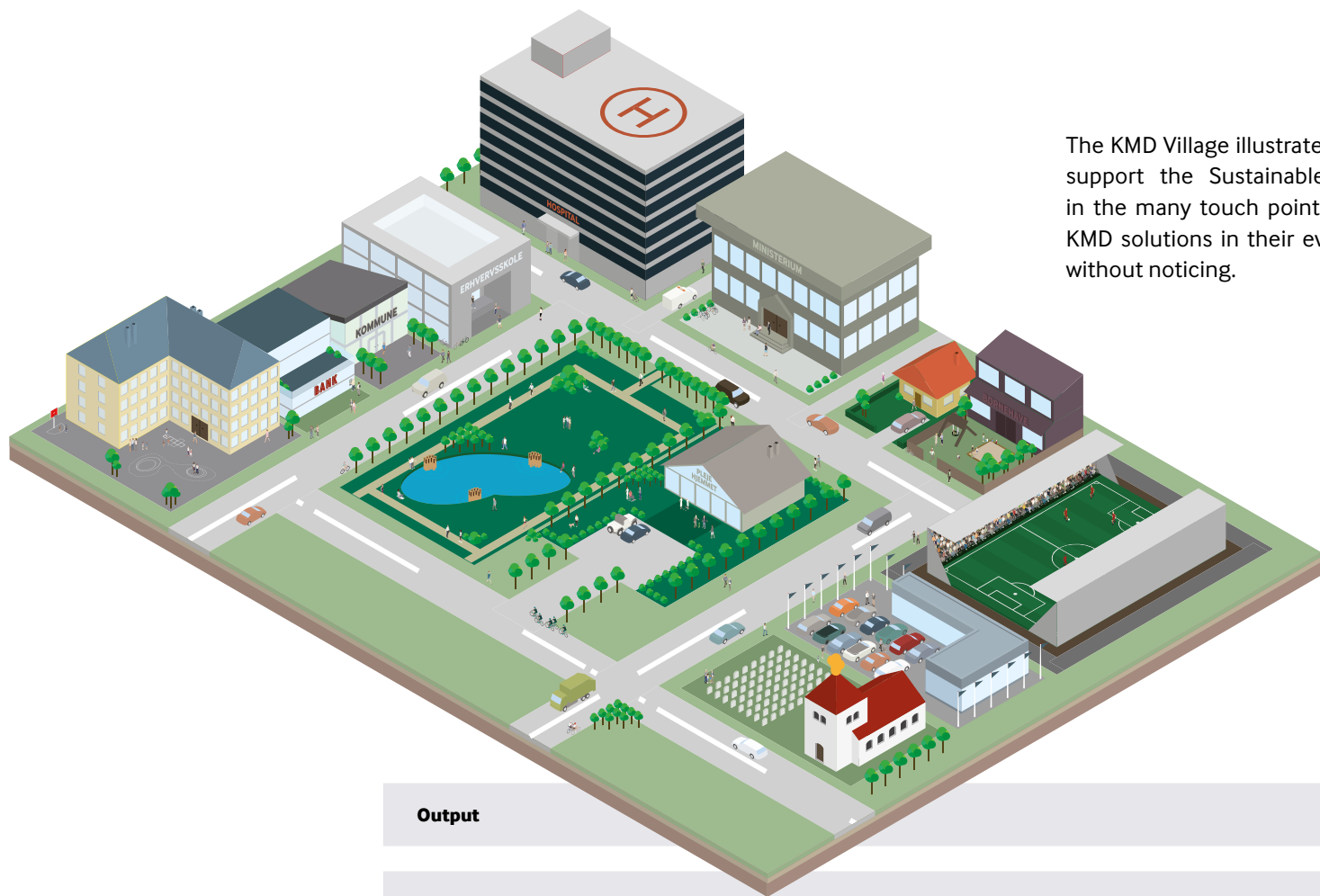
Elections and administration (16.17, 16.19)
- Ensure voting cards, correct recording of vote attendance, and digital reporting of vote counts.
- Ensure documentation and archiving of case-handling in public administration.

Security &Privacy
- Helping companies meeting security risks.
- Delivering automated GDPR compliance.

© KMD

The KMD Village illustrates how KMD's solutions support the Sustainable Development Goals in the many touch points where citizens meet KMD solutions in their everyday life – probably without noticing.

Output

Health & Social
- 100,000+ monthly users in local governments and regions use our solutions involving approx. 1 million citizens' records.
- Creating coherence between efforts of 50 different professional groups.
- Providing test infrastructure to reopen the Danish national football league and the European Handball Championship.

Children, learning and education
- 1130,000+ children registered annually for day-care services.
- 700 schools – and, thus, 275,000+ pupils, approx. 55,000 teachers use our learning platform.

Energy & Utility
- Data management of 2,5+ million meters internationally
- Support our customers in energy savings with digital energy management in the order of 15-25%.

Building administration
- Supporting optimized facility- and asset management.
- Ease management of public sports and cultural facilities.

Data Driven Value Creation
- Transforming data to value creation across sectors.
- 1.5 b. data calls to Datafordeleren per month.

Benefits and payments
- Paying salaries to approx. 1,1 million employees in the public and private sectors.

Jobs and development
- We support 39 local government job centers helping unemployed citizens into work
- We support almost 450,000+ citizens in their membership of unions/unemployment insurance funds

Life insurance and pensions
- Support 12 out of 18 life insurance and pension companies in Denmark.
- > 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 worldwide.

Elections and administration
- Supporting a democratic election processes.
- Providing the most common electronic case and document management solution in public authorities.

Security & Privacy
- Helping companies meeting security risks.
- Helping organizations ensure privacy

Prioritized Environmental, Social & Governance Themes

Report materiality and indicators to Sustainability Board

Define gross material topics

Set up indicators

Desk research & Stakeholder dialogue about material topics
SDG survey workshops

Corporate officers

Sustainability Officer

BoD

Sustainability Board

Sustainability governance
KMD's sustainable management is promoted by corporate divisions such as Human Resources, Compliance, Integrated Management Systems, Environment, Quality Assurance, Procurement, and Communications, as well as business divisions and the Sustainability Officer. Each area is supported by policies and procedures to ensure compliance and progress. Key themes for sustainable management are discussed by corporate officers and approved by the Sustainability Board. Sustainability targets and results are reported and discussed within the Board of Directors.

In defining our materiality, we refer to the UN Global Compact and the Sustainable Development Goals. Our reporting metrics are assumed from the recommendations on key ESG figures presented by Finansforeningen / CFA Society Denmark, FSR – Danske Revisorer og Nasdaq Copenhagen, combined with our assessment of material topics and targets.

Material topics

Material topics for KMD include health and safety, employee well-being, diversity and inclusion, labor rights, anti-corruption, and human rights in our supply chain as well as in our own business. These elements are core to the long-term success of our business and our values as a company, and address the UN guiding principles. Being a technology-based company, information security and data protection are obvious sustainability topics, especially in relation to protecting fundamental human rights within privacy. With the emerging deployment of new technologies like AI and biometrics, the material topic of data ethics plays an increasing role in KMD.

Environment protection and climate action is another material topic to the KMD's business. Our use of scarce natural resources is limited to the energy we spend in our datacenter, print center, and offices, and the natural resources spent by our suppliers and third-party suppliers during production of the hardware we resell or use in our operations. We firmly believe in a strong shared value creation in supporting the green transition by providing digital- and data driven solutions to help our clients reduce their carbon footprint and support the development of sustainable solutions.

Our Climate Pledge

As a provider of business-critical digital solutions to the energy- and utility sector, we have a unique opportunity to engage in value-creating partnerships with our customers, partners, organizations, and authorities to support the target of reducing carbon emissions and ensure affordable and reliable modern energy & utility services. On this basis, KMD has ensured more than DKK 10 million in CAPEX investment in the development of digital- and data-driven solutions to support climate action and green transformation in the coming year.

To mitigate our own footprint, in 2030 KMD committed to the target of zero carbon emissions from our own business — a target we continue to pursue.

We compile the prioritized topics in five themes:

1

Climate and environment

Climate and environment action is becoming increasingly important in the IT and data industry, as on one hand, powering datacenters is becoming a worldwide contributor to carbon emissions.

On the other hand, digitalization can play an important part in the green transition and mitigation of climate change.

2

Business ethics

Digitization makes governance processes more transparent, which facilitates ethical business activities. In addition, KMD has a fundamental goal to operate responsibly and on fair and equitable terms in relation to anti-corruption, competition law, tax, and responsible supplier management.

3

Cyber and information security

Our cyber and information security is of paramount importance for KMD, as our solutions often contain corporate and personal data, the latter of which is a matter of protecting privacy.

4

Data protection and privacy — a human right

The use and sharing of data can provide good value for our public and private customers. At the same time, we are aware of citizens' rights to privacy which we must protect — as a human right.

5

Our people

KMD's employees and managers are the platform for our ongoing success and growth. KMD is, thus, focused on being a workplace that can attract, retain, and develop the right competencies. This theme includes labor rights, diversity, and our report on gender distribution in the executive board.
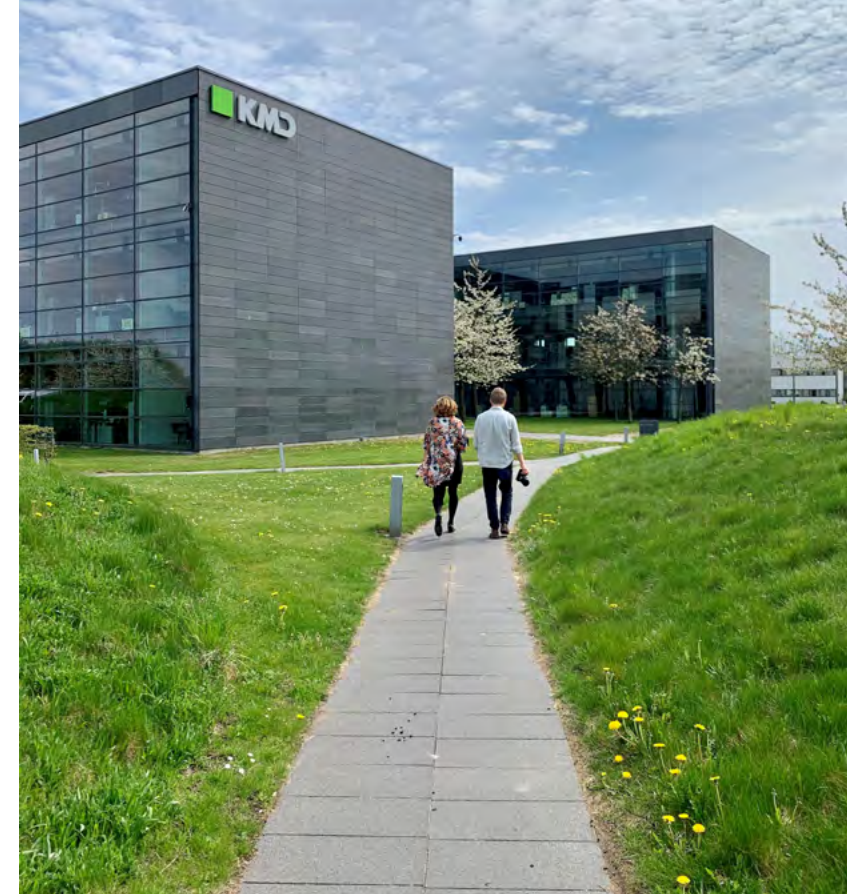
Highlights of
Targets and results

Area	Material Topic	Baseline 2019	Target 2020	Result 2020	Target 2021	Target 2030
Climate	Impact from our business, CO2 emission Scope 1 & 2	9,943 ton CO2e	334	298	300	Zero emission from own business.
Climate	Digital solutions to support a green transition	Provide digital solutions supporting energy reduction from buildings	Initiate busines development within digital support of green transition	Initiated development within 3 areas of green transition	Provide minimal viable products to support green procurement, and demand-side flexibility aggregation platform	Provide a range of data insights and digital solutions to substantially support energy & utility reduction, smart grid, digital asset management and green procurement
Social	Cyber and information security Data protection and privacy — human rights	ISO27001	ISO27001	ISO 27001 Contribute with our deep knowledge in the data protection field by answering hearings nationally and internationally	ISO27001	ISO27001 Contribute with our knowledge in the Data Protection field
Social	Our people	Gender diversity in all management levels 24 %	30%	Employee engagement 71 Gender distribution all management levels 29 %		Employee engagement 74 Gender diversity all management levels 30 % by 2022
Governance	Women on Board	20 %	33 %	17 %	33 %	

You can read more about the NEC Way **here**

\Orchestrating a brighter world **NEC**

The NEC Way

The NEC Way is the corporate philosophy of the NEC Group. It is the overall purpose of NEC to orchestrate a brighter world. Within the NEC Way, the purpose and underlying principles represents why and how all members of the NEC Group must conduct business, whilst the Code of Values and Code of Conduct embody the values and behaviors that we must demonstrate. In KMD, the NEC Way is reflected through our purpose, vision and values. Our rules of conduct are aligned to the ones of the NEC Group, including our Code of Conduct.

Purpose

Code of
Values

Code of
Conduct

Principles
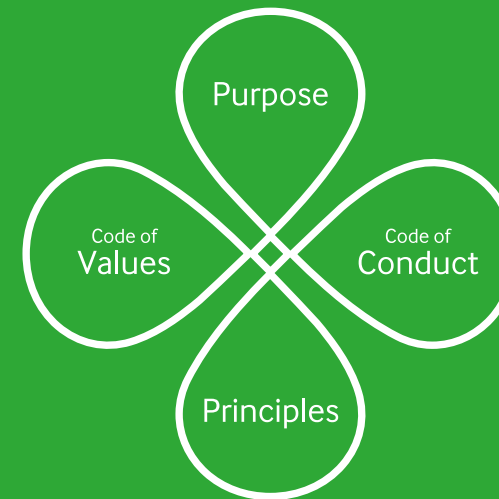
Climate and environment

Climate change is one of the biggest global challenges of our time. KMD works systematically to reduce our climate- and environmental impact which primarily comes from our data centers, offices, and our employees' travel. We recognize that there is a substantial negative environmental impact connected to the production of the hardware we use in our operations — and the hardware we sell via our products and services. The efforts of reducing the impact of our supply chain are addressed through our Supplier Code of Conduct. The supplier must seek to prevent, minimize, and attend to any adverse environmental impact of the supplier's own activities, products and services.

We take responsibility for the waste at the end of the lifecycle of the hardware products used in our own operation, as well as the hardware products we sell, in accordance to the WEEE-directive.

KMD is committed to the target of zero CO_2-emissions from our own business activities by 2030.

We are working systematically to optimize our operations in terms of reduction of energy usage and CO_2-emissions. We

routinely monitor our energy consumption and environmental impact, including waste management. In 2020, we have increased our share of certificates of origin on renewable energy in order to reduce our carbon footprint.

The energy target for 2021 is, however, not to decrease our energy consumption compared to 2020. The majority of KMD's energy consumption stems from our datacenter activities which requires us to make long term plans to optimize the consumption, e.g. by selecting more environmentally friendly solutions when renewing hardware in our datacenters.

Our results on waste and transportation are exceeding targets and expectations. This is highly connected to the special situation of COVID-19 lock down during 2020. This is also why the targets for 2021 are higher than the result of 2020, as we expect a more normalized situation.

During the past year, Covid-19 challenged us to change our ways of working into the modern workplace. The tools for online meetings and remote cooperation truly proved its value and had a huge impact on our emissions from transportation.

Climate Partnership

KMD's former CEO Eva Berneke was appointed by the Danish Government to lead the Climate Partnership for the Service, IT, and Counselling Sectors. In March 2020, the partnership delivered 13 recommendations to the Danish Minister of Industry, Business, and Financial Affairs on how the sector can support the goal of a 70% reduction in carbon emissions by 2030. During 2020, Eva Berneke headed the work with implementation of the recommendations in the "Green Business Forum". One of the achievements of the climate partnership is a change in the taxation of surplus heating from e.g. data centers.

Learn more about the climate partnership **HERE**

Policy

KMD strives to be a credible and environmentally responsible partner to our customers. Read our full policy

Actions

We upheld ISO14001:2015 and maintain work with databased energy management. We conducted extensive renewal of electric installations to comply with the current regulation. We improved our modern workplace facilities, and conducted E-bike testing for employees. Further more we increased the share of Renewable Energy Certificates to cover 100 pct. of electricity.

Risk

The extensive growth in digitization and data is a big risk in terms of becoming a big worldwide contributor to carbon emission. It is paramount to ensure that data-consumption leads to a total decrease in carbon emissions and not an increase.

Hardware production in our supply chain has a considerable impact on natural resources, and is connected to risks within areas of environment, human rights and labor rights.

Targets

_ Zero CO2-emissions from our own business activities by 2030.

_ Reduce waste production and increase waste recycling and reuse.

Results

Scope 1   Company cars

Scope 2   Energy consumption

Scope 3   Business travel, car mileage reimbursement and waste management (not included purchased goods, services and commute travel). It is our goal to slowly build up the reporting on scope 3.

Environment	Unit	Target 2021	2020	Target 2020	2019	2018	2017
Energy consumption	kWh	31,340,000	31,290,819	31,340,008	31,291,013	31,874,155	32,645,841
Share of renewable energy	%	100	100	100	33	-	-
Waste	Ton	400	356	400	444	518	668
Waste recycling	%	77	77	75	74.4	72	72.5
CO2e (scope 1)	Ton	300	298	334	431		
CO2e (scope 2)	Ton	zero	zero	zero	9,512	12,112	7,313
CO2e (scope 3)	Ton	1000	336	1,300	1,655		

KMD's carbon footprint

In KMD, we have traditionally reported on the areas of emissions closest to our business, namely transportation, data- and energy consumption, and waste, mainly defined as scope 1 and 2, but also including elements of scope 3.

Supporting biodiversity
KMD has decided to actively engage in the journey towards more wild and rich biodiversity by joining the association Vild Med Vilje (Wild on Purpose). More diverse and recreational outdoor areas around the office buildings will be established for the benefit of the flora and fauna as well as the employees and the local community. By engaging in this movement, KMD hopes to inspire employees, visitors, and locals in joining this mentality and to start an open conversation about the global biodiversity challenges.

Digital solutions to support the green transition

Countries today are facing a massive green transformation to meet the ambitious climate goals laid out by the Governments and the EU. This demands a tremendous effort across sectors, markets, and suppliers. We support the energy and utility sector through the transformation with innovative new IT solutions build to handle the future requirements of the market. This will help companies and organizations to:

_ Enhance the use of renewable energy by enabling a flexible demand. We are developing an IT platform, that aggregates and activates demand-side flexibility to actively balance the power grid.

_ Ensure a data-driven asset management and infrastructure investment via intelligent as-is simulation of the effects of the market development/electrification in short-medium and long term.

_ Promote green behavior through consumption and emission insights and enablement of data driven energy management.

_ Promote green procurement via data-driven insights into procurement. We are developing a knowledge database about products' sustainability, their path to consumption and possibly recycling. The goal is to create a more sustainable purchasing behavior.

_ Gather and manage large amounts of production and consumption data, enabling easy settlement and billing. The platform is capable of handling all market role specific settlement requirements.

Today, we also help governing bodies implement energy industry specific regulation, for instance by calculating distribution of multi-billion renewable subsidy payments.

In total, we have dedicated more than DKK 10 million to developing new green IT solutions in 2021.

Green energy management in buildings
CO2-emissions from the world's collective building stock are rising. The rise is partly due to an increased need for heating and cooling of the buildings as well as extreme weather events. An EU report from 2017 found that as much as 40% of the total energy consumption in the EU was used to heat and cool buildings. The same EU report also concluded that 75% of buildings in the EU were decidedly energy inefficient.

This is why we have dedicated resources to develop our solutions within energy management — to support companies and public institutions in reversing the trend, so that the energy consumption in buildings is reduced. We are used to meeting ambitious climate goals and supporting the green agenda. Today, approx. 40 pct. of the public building area in Denmark are managed by our solution.

Our energy management tool acts as a map of the collective efforts made by companies and public institutions to achieve the energy- and climate goals they set. KMD EnergyKey allows owners and decision-makers involved in efficient operation to quickly see where they need to invest. Data is a crucial tool to support the green transition, and data-driven energy management can bring both green and economic benefits.

Cyber and information security

At KMD, we continuously improve the dynamic areas of IT that rapidly change due to societal shifts. One of these areas is cyber- and information security. It is a prioritized area due to the potential impact it may have on our customers and our business. KMD delivers mission critical IT solutions that digitizes processes, management, and accountability systems in the public sector. Those systems processing personal data are backed by data processing agreements whereby systems are risk assessed and parameters are taken to avoid data breach and negative impacts on the registered users and, thus, protecting the confidentiality, integrity, and availability of KMD and customers data.

Policy

KMD handles information and information systems which are of great importance to citizens, authorities, and companies, as well as a significant amount of confidential personal information. It is, thus, a key importance that KMD maintains its excellence and dedication to achieve confidentiality, integrity, and availability of its information and delivery of secure services for public- and private customers. KMD's information security policies and security rules set the baseline defined by the business.
KMD has a responsibility to protect KMD and customer data. During this pandemic, almost 90 % of the staff worked from home, to prevent the virus from spreading. Group Security remote working policy was fully exercised.

Actions

We updated policies and processes, created a new Cyber Defense Center and created new security units in 2020. Further more we implemented a third party risk assessment process. KMD has invested considerable efforts and manpower in the security area, e.g., new security projects.

Risk

We are informed about risks. We base the choice of security controls and priorities of implementation on a reliable risk assessment. Our management assigns owners to each of the risks, decides on the right risk treatment, and documents the decisions. Risk treatment plans are regularly monitored and reviewed. To document our security implementation level, we list the selected controls and their implementation status in the Statement of Applicability

Targets

Our target is to maintain KMD's compliance with current legislation, ISO 27001 international standard, contractual obligations, relevant industry standards, and best practices.

_ Update policies and processes

_ Maintain ISO27001 certificate

_ Perform RedTeam testing

_ Conduct Awareness and Phishing campaigns Create a Cyber Defence Center

_ Use third-party risk assessment process

Results

_ Upheld ISO27001 certificate

_ Implementation of Zero-trust ensures effective and secure access management and improves endpoint protection which reduces the risk of attack on KMD's infrastructure.

Data protection and privacy

As a data processor for public authorities and private companies, KMD has a responsibility to protect personal data. It is our responsibility to safeguard the human right to privacy in our work with digital solutions.

As one of the major data processors for the public sector in Denmark, KMD has a responsibility to protect citizen's personal data. It is both important to the individual citizen's rights, but it is also important to uphold the general trust in the authorities and public digitalization.

Policy

This Privacy Policy describes how KMD A/S processes your personal data when we act as a data controller after the implementation of the EU General Data Protection Regulation.

Find the full policy **here**

Actions

KMD always seeks to contribute with our deep knowledge in the data protection field by answering hearings both nationally and internationally.

Ensured material- and documented compliance with technical and organizational security requirements as data processor and data controller.

_ Cooperated with the Danish Data Protection Agency in conducting inspections and hearings.

_ Conduct inspections of processing activities

_ Conduct mandatory training course of new employees

_ Undergo external audit of KMD's processing of personal data as a data processor after ISAE 3000

Risk

Non-compliance to GDPR and other data protection issues may have significant impact on the affected data subject. For KMD it is also connected with financial risks. It can both be directly imposed such as fines, but it can also as be a result of reputational damage.

Targets

_ Respond to all data subject's requests within 30 days

_ Responded to all inspections and hearings from the Data Protection Agency within the deadline

Results

_ Responded to all data subject's requests within 30 days

_ Respond to all inspections and hearings from the Data Protection Agency within the deadline.

Data Ethics in AI

Data ethical considerations is a prerequisite when your business comprises data processing for public authorities and private companies. Especially, when the data and solutions influence people's everyday life and matter to the degree that our solutions do.

It becomes even more relevant when working with the development and deployment of new emerging technologies, like AI and biometrics, of which we may not yet have seen the full picture of the risks and potential of.

Hence, we welcome the new regulation adopted by the Danish Financial Statements Act section 99(d) that makes it mandatory for companies to account for a data ethics policy in the annual report, effective by January 2021.

KMD has been working with data ethics governance for several years. In 2019, KMD was one of the few Danish companies that tested and provided feedback to the European Commission's *Ethics guidelines for trustworthy AI.*

When it comes to AI in the public sector, we believe in the importance of putting people at the center and making the decision transparent and explainable, while maintaining the privacy of the original data. We have an inherent wish to act responsibly and to ensure that we do not contribute to discrimination or inequality via our use of data.

High5Girls

The gender distribution in the IT industry is dominated by men. The non-profit organization High5Girls has the mission is to inspire young girls and women to discover a passion for a STEM profession. KMD encourages their female employees to teach and mentor at the Hackathons that High5Girls organizes for young female students.

The founder of High5Girls, Marianne Andersen, says that: "The girls can relate to the role models and see that 'if she can do it, so can I'. We must have different role models from different industries and types of jobs because STEM is extensive. We need to broaden the image of STEM jobs".

15-minute workouts with Matilde
KMD employees who have been feeling a bit static having to work from home during the second lockdown due to Covid-19 have had a chance to get moving via Yammer two times a week.

Matilde Grubak Kruse Schmidt, Client Manager Assistant at KMD, is also a personal trainer. She has been hosting the workout-sessions on Yammer to get her colleagues moving.

"It can be difficult to find your motivation to do some exercise when it is cold outside, and I tend to go for the fridge instead", says Kim Hung Tran, who is Head of CMO, Business Operations. Matilde adjusts the exercises to everybody's level, so everybody can join", he says.

Our People

Current rapid technological development creates a need for KMD to constantly develop the competencies of employees and managers. At the same time, the company operates a great part of the society's critical digital infrastructure — some of it based on older technologies. This challenge fosters a need for diverse competencies.

Policies
We strive to make employees and managers feel well and thrive at work. KMD is committed to ensuring a safe working environment and to creating a diverse and attractive workplace. It is important for us that all employees — regardless of gender, ethnicity, age, religion and sexual orientation — feel included, are treated equally and have equal conditions to do their job. We do not tolerate discrimination of any kind, and we strongly support the elimination of all forms of forced labour and child labor.

KMD is ensuring employment terms and conditions in accordance with relevant market practices and benchmarks. Where applicable, KMD complies with collective labour agreements, as also put forward in our Supplier Code of Conduct.

Actions
We believe that happy employees lead to happy customers. Consequently, we are following our employee satisfaction through regular Employee Engagement Surveys and ensure to address any local issues in the local teams. Employees and leaders carefully review and discuss the results in order to agree on beneficial improvement measures wherever needed. Employee Engagement is linked to working environment and safety. At KMD, we strive to ensure a healthy working environment and successively implement a range of health promoting initiatives.

KMD ensures and maintains all mandatory working environment bodies and regulations. In 2020, the mandatory Working Environment Survey was conducted in the KMD Group. The Working Environment Survey showed some issues regarding indoor temperature and noise, currently being handled by local working environment bodies. Furthermore, the survey showed no notifiable issues regarding psychological working environment.

2020 has been a challenging year where we had to send most of the workforce home to mitigate the spreading of the novel corona virus. Based on our learnings we are challenging our previous ways of working at KMD. We have implemented the KMD Life concept, entailing new guidelines on the way we work. KMD Life provides flexible frames for leaders' workplace planning and decision. We deliver from where it makes sense —from a prioritized customer, team and individual employee perspective.

Risk
A high degree of employee satisfaction is important to KMD and has been a clear focus for several years. A low degree of employee satisfaction will be connected to increased risk of difficulties attracting and maintaining qualified employees.

Targets
Our overall target is to ensure the right competencies for the tasks of both today and tomorrow. The ambition on employee satisfaction is to at least reach the IT market benchmark, entailing an EES score of 74.

On gender distribution, our goal is to achieve a female/male ratio of 30/70 at all leadership levels and across all other levels.

Results
During the past several years, KMD Employee Engagement Survey results have been steadily climbing.

Last Q1 2021 survey resulted in a an EES score of 71, rising by 2 since the Employee Engagement Survey previous year.

In 2020, we successfully managed to keep the spreading of the novel corona virus below a critical level by asking all employees to work from home.

By the implementation of KMD Life, we have even brought good experiences from the past year with us into the future.

Women on Board

A recruitment campaign on International Women's Day sending the message that we are looking for more women to join KMD as women are only 1 of 3 employees.

34 %
in the KMD Group
is women
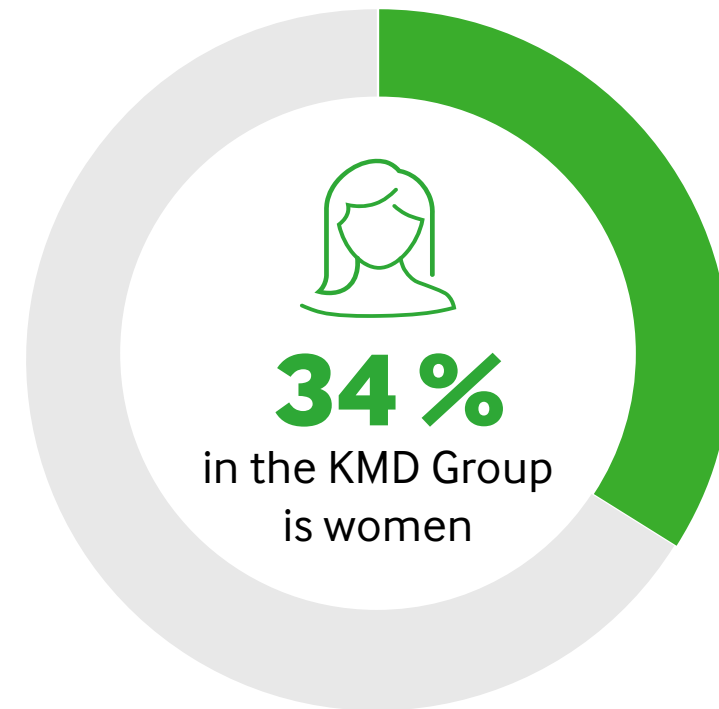
We believe that diversity is a strength which provides us with different perspectives, ideas, and skills, allowing us to develop the company in a positive direction.

At KMD, we do our best to put gender diversity on the agenda. We highlight our female leaders as role models, engage in the public debate on gender diversity and female leadership, and participate in networks and cross boards.

The proportion of women in the KMD Group is currently 34%. In comparison, women make up 24% of the industry as a whole.

At all KMD management levels, 29 % were women by the end of the fiscal year which is an improvement from last year.

In 2020, out of six members of the Board of Directors one woman was elected by the company's general meeting. This means that we do not meet our target of two female members of the Board.

Our 2022 target is to have two women elected for the Board of Directors by the general assembly, equivalent to 1/3 of the general assembly elected members.

> *It means a lot to me to meet the women from KMD in building my network in Denmark because as a foreigner I do not know anyone in the industry. So once again, thank you.*

A participant from the event

ReDI student

In collaboration with ReDI School of Digital Integration, KMD has mentored and inspired female refugees to find their path to a career in IT. Female employees from KMD have presented and shared their personal, academic, and professional experiences from the IT industry with the students at an online company visit.

After the event, Ida Marie Bjerre Jepsen, founder of ReDI School Copenhagen expressed: *"We are very pleased to invite our students to KMD. Hearing the personal stories and what an IT professional works on is interesting. It inspires and motivates our students to believe in themselves and in their future opportunities in the IT industry".*

Business ethics

To KMD, ethical decision-making is about basing our actions on integrity, honesty, and compliance. If a decision is not ethical, it is not a good decision in our view. To support our business ethics agenda in KMD, we have internal policies and procedures, in addition to training and awareness to guide our managers and employees on how to act.

We continuously work to develop and strengthen our compliance efforts to meet both internal and external requirements. In our experience, the bar keeps getting raised which is a development that we welcome. Particularly, ethical business conduct is increasingly required by stakeholders in the supply chain. Human and labor rights compliance are material topics that KMD is progressively addressing towards hardware suppliers.

Based on recurring risk assessments, our corporate compliance program focuses on information security, data protection, anti-corruption, and competition law. Commonly for each corporate compliance area, the ownership and prioritization are embedded in our top management.

The KMD Corporate compliance program includes policies within these areas:

_ Anti-corruption

_ Competition law

_ Intellectual property (IP) rights

_ Document management and storage

_ Information security

_ Contractual risk management

_ Chart of Authority

You can find more information about policies within sustainability and corporate compliance at **https://www.kmd.net/sustainability-compliance**

Anti-corruption

The world has looked very different in the past year due to the COVID-19 pandemic. Naturally, this has also affected risks connected to corruption, but the overall corruption risk picture for KMD still remains similar to previous years.

Our zero-tolerance policy towards corruption, bribery, and facilitation payments continues to be our guiding principle in our efforts to prevent it from occurring. Our employees undergo training on a recurring basis, and we have a number of controls embedded in our operations to minimize the risk of non-compliance. We also work together with our business partners to combat corruption and to align our expectations to business practices that support sound ethical decision-making. We strive to do even better, and this is why we have set a number of targets for the coming year to further strengthen our governance in the area.

Whistleblower program

KMDs employees and business partners should always feel comfortable to ask questions and raise concerns when in doubt or if something does not seem right - without having to worry about confidentiality or retaliation. We believe that this will help us to catch and resolve issues early on. The KMD whistleblower system is available to employees, business partners, IT professionals, and ordinary citizens. In fiscal year 2020/2021, we had 4 whistleblower cases whereof the majority regarded security weaknesses.

Number of whistleblower cases
2018: 5 cases
2019: 7 cases
2020: 4 cases

What we have done

_ Evaluated KMD's risks in relation to corruption on an ongoing basis

_ Trained new employees in corporate compliance via e-learning

_ Trained relevant employees on subjects within anti-corruption, e.g., fraud detection and introduced a Manager Training module on business ethics

_ Shared awareness about importance of compliance, e.g., KMD Compliance Day and campaign about gifts and entertainment rules

_ Carried out regular controls to ensure compliance with internal policies and legislation, including an internal audit on anti-corruption

What we will do

_ Update training material on Anti-Corruption and Code of Conduct

_ Update Gift and Entertainment Policy

_ Strengthen the implementation of Supplier Screening Procedure in the organization

_ Align Anti-Corruption controls across the KMD Group

_ Promote the use of Whistleblower arrangement

Tax

All Danish Group companies' taxation is subject to Danish taxation and joint taxation rules, and it is KMD's 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 185.7 million.

KMD has established a Tax Policy as well as Transfer Pricing Policy that accords with the arm's length principle as described in the OECD Transfer Pricing Guidelines for Multinational Enterprises. KMD also follows the tax guidelines set by the NEC Corporation. This ensures that the KMD Group's internal trading complies with applicable rules. Profits or losses are, thus, not moved across borders to minimize tax payments. KMD pays corporation tax in the countries where we have operations.

Supplier management

The KMD Supplier Code of Conduct sets out the requirements that we expect to be met in our supplier chain. The code is part of our procurement agreements and is introduced together with a sustainability and compliance focused screening procedure which we introduced in 2020. The procedure is part of the general vendor selection process to make it as integrated with already existing operational processes as possible. We screen and expect our suppliers to meet our requirements within:

_ Human and labor rights

_ Health and safety

_ Environmental protection

_ Business ethics

In addition to the supplier screening procedure, we carry out an annual risk-based screening of our suppliers and conduct audits. We generally experience a high level of CSR compliance with our suppliers. Certain products and services are, however, related to higher risks within e.g., human and labor rights, and we are therefore working towards addressing these risks more extensively.

In 2020, we conducted one audit that concluded that the supplier in question lived up to relevant requirements. If we would find inconsistencies between our code and the supplier's ability to comply, we, first, try to work with the supplier to resolve the issue. If the matter cannot be resolved sufficiently, we must reject or cancel the agreement with the business partner.

What we have done

_ Implemented an updated supplier screening procedure for new suppliers

_ Completed annual screening of existing suppliers

_ Audited one supplier to ensure compliance with Supplier Code of Conduct

What we will do

_ Further implement and develop supplier screening procedure for new suppliers

_ Complete annual screening of existing suppliers

_ Conduct 4 supplier audits with a focus on compliance with Supplier Code of Conduct

ESG key figures

Area	Unit	Target 2021	2020	Target 2020	2019	2018
Environment						
Energy consumption	kWh	31,340,000	31,290,819	31,340,008	31,291,013	31,874,155
Share of renewable energy	%	100	100	100	33	-
Waste	Ton	400	356	400	444	518
Waste recycling	%	77	77	75	74.4	72
CO2e (scope 1)	Ton	300	298	334	431	
CO2e (scope 2)	Ton	zero	zero	zero	9,512	12,112
CO2e (scope 3)	Ton	1000	336	1,300	1,655	
Social						
Gender diversity	%	34	34	32	31	32
Gender diversity (all management levels)	%	30 (2022)	29	30 (2022)	24	24
Sickness absence	%	2.8	3	2.8	3.2	3.0
Employee satisfaction	NPS	74	71			
Governance						
Gender Diversity Board	%	33	17	33	20	20
Exec. Board Pay Ratio*	Times		1:7.8			

*Exec. Board total compensation versus median for FTE in KMD A/S

KMD

An NEC Company