

## ANTI-CORRUPTION POLICY



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# 1 Introduction

The purpose of this description is to give employees in the KMD group (hereinafter referred to as KMD) a practical, user-friendly introduction to KMD's anti-corruption policy. It must increase each employee's attention to KMD's policy and ensure basic understanding of how the policy affects KMD's business activities. The policy also describes the initiatives launched by KMD in connection with the anti-corruption policy.

The anti-corruption policy comprises a policy for KMD's use of gifts and representation. KMD's gift policy sets up rules relating to when and under which conditions KMD may offer gifts, meals and customer events. It also describes on which occasions KMD employees may receive gifts and representation from customers and suppliers etc. and the conditions for this.

## 1.1 KMD's overall anti-corruption policy

KMD's overall anti-corruption policy is that KMD will not accept any form of conduct that can be regarded as corruption, bribery or facilitation payment.

***"We have zero tolerance towards corruption, bribery and facilitation payments"***

Eva Berneke, CEO

This means that KMD management will not pursue contracts which require a bribe as a condition for obtaining them. KMD management will also offer support to sales and marketing employees in case declining sales are due to reluctance against meeting requirements which involve bribery.

The management at KMD considers it a serious professional misconduct if anyone at KMD participates in corruption, bribery or facilitation payment, which may have employment consequences.

The anti-corruption policy is an integral part of the employees' employment contracts with KMD and applies to all employees, including the executive board and the board of directors at KMD.

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## 2 What is corruption, bribery and facilitation payment

### 2.1 What is corruption<sup>1</sup>?

“Corruption is the abuse of entrusted power for private gain.” This covers several types of corruption such as bribery, return commission, fraud, extortion and nepotism.

The word “own” should be interpreted broadly. It may cover the person in question, but also relatives and physical and legal persons such as KMD. Correspondingly, the word “gain” shall be understood broadly to include money, gifts, benefits, other assets etc.

### 2.2 What is bribery?

“A payment aimed at inducing someone to do something which is dishonest, illegal or in breach of the relevant person’s obligations for the purpose of gaining undue advantage.”

Hence, bribery shall be understood as a form of payment for making someone do you a favor he/she is not supposed to. It is also considered bribery when the other party wants to be paid to do the favor. A distinction can be made between active bribery, where a person offers or promises a bribe in order to provide a certain service, and passive bribery, i.e. where a person receives or demands a bribe.

The form of the bribe is irrelevant. It does not matter whether the bribe is in the form of money, benefits, trips or other goods etc. It is also irrelevant whether the bribe is given to the person him/herself, a spouse, children, parents or other close relatives.

### 2.3 What is facilitation payment?

“To ensure or expedite an action to which the payer is entitled, either legally or in other ways.”

Facilitation payment is a type of bribe, usually involving a small amount. The purpose of the facilitation payment is to get the wheels to move a bit faster. Examples of this are to expedite the handling of a building permit, an import license or a visa.

### 2.4 Corruption, bribery and facilitation payment are detrimental to society

Corruption, bribery and facilitation payment are a major obstacle to sustainable development, especially in developing countries. Corruption is unethical and contributes to the undermining of democracy and legislation. Corruption, bribery and facilitation payment have a considerable impact on the private sector. They are a serious threat to financial growth and hinder the development of

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<sup>1</sup>The definitions have been obtained from Transparency International Denmark.

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free markets. Corruption etc. may result in distorting the competition on the market. Finally, bribery involves a considerable legal risk and may have major consequences for the image of companies.

### 2.4.1 Danish rules and regulations

The term "corruption" is not used in Danish criminal law. However, bribery has been criminalized just as embezzlement, fraud, breach of trust and abuse of office. Pursuant to Section 122 of the Danish Criminal Code, a person giving active bribes to persons in "public service or office" is liable to a fine or imprisonment for up to three years. Pursuant to Section 144 of the Danish Criminal Code, public officials who receive a bribe are liable to a fine or imprisonment for up to six years.

The term "public service or office" comprises employees working for:

- 1) The government (employees in ministries, the police, courts of justice, DSB etc.) including employees abroad
- 2) A municipality/district (hospital service employees, public school teachers, case workers etc.)
- 3) Members of the Folketing, municipal executives, parochial church council etc.
- 4) Jurors and assessors.

Not only bribing of public officials is punishable. Bribery between private individuals may be punishable as well. Bribery in the private sector has been criminalized pursuant to Section 299, subsection 2, of the Danish Criminal Code and is commonly referred to as "kickbacks". It covers situations where an employee of a company receives a gift or any other advantage from a person outside the company. If the gift/advantage is given in order for the recipient to perform or abstain from performing an action in a certain way, this will be in conflict with the recipient's obligations towards the company and is therefore punishable. This shall apply both to the person giving the bribe (active bribery) and to the person receiving the bribe (passive bribery). The punishment ranges from fines to imprisonment for a period of one and a half year. One example of this is a buyer at a company who receives a gift from a potential supplier in order to select the same supplier for the company. KMD may also become liable to fines for an employee's bribing of both public officials and private employees.

### 2.4.2 Foreign rules and regulation

From a global perspective, a number of regulatory frameworks exist relating to corruption. In the USA the Foreign Corruption Practices Act is of great importance. In Europe, the provisions of the UK Bribery Act, which probably have the strictest rules for combating corruption etc., are of key importance. Several international organizations, including Transparency International, the UN and OECD, have also implemented several measures for the purpose of eliminating or limiting the prevalence of corruption.

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#### **2.4.2.1 UK Bribery Act 2010**

At KMD, the board of directors decided that KMD must observe the regulations of the UK Bribery Act. These regulations concern bribery regardless of the country in which the bribery takes place. The UK Bribery Act sets the bar high for KMD and is thereby an effective protection against corruption.

The UK Bribery Act lists four actions that constitute violation of the law:

- 1) To offer or give a bribe for the purpose of achieving an undue advantage to a person in a relevant function (active bribery - Section 1);
- 2) To request or receive a bribe for the purpose of performing an improper activity (passive bribery - Section 2);
- 3) To bribe foreign public officials (Section 6); and
- 4) For companies which do not adequately prevent corruption (Section 7).

The actions in 1-2 cover bribery both in the public and private sectors. The term "improper" means that a person breaches an expectation to act in good faith, impartiality or in conflict with the confidence entrusted in the person in question.

The definition of "foreign public official" covers a variety of people. It refers to people within the legislative, administrative or legal field regardless of whether they have been elected or appointed to this position. People who perform public functions for the government, region or municipality are included as well. Correspondingly, employees in the health sector and employees in state-owned companies are also subject to these regulations. The term "foreign public official" may also refer to people employed at public institutions such as the UN, EU or NATO.

Action 4 regarding company responsibilities is of fundamental importance to KMD. According to this action, a company may be objectively liable for bribe given by a person affiliated with the company. In addition to employees, this provision applies to agents, subsidiaries, subcontractors etc. The company may be exempt from liability if it can prove that, despite the specific situation, the procedures necessary for preventing people affiliated with the company from giving bribes have been set up. Such procedures include, for example, drawing up an anti-corruption policy, education and training, conducting audits, monitoring customers and suppliers, compliance with gift policy, etc.

The punishment for violating the UK Bribery Act is fines and imprisonment of up to 10 years. If the company is convicted for a violation of the law, there is no upper limit for the amount of the fine. If the company is convicted for a violation of the law, this means that it will be automatically excluded from participation in public procurements.

#### **2.4.2.2 The United Nations Global Compact**

The United Nations Global Compact is the world's most comprehensive initiative for corporate sustainability. KMD accedes to the United Nations Global Compact, which covers areas such as human

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rights, labor standards, environment and anti-corruption. The United Nations Global Compact covers a total of 10 principles, which KMD supports for the purpose of contributing to the UN's objectives for sustainable development. This means that KMD has undertaken to fight corruption in all its forms, including extortion and bribery. KMD's anti-corruption policy must therefore be regarded as an initiative in KMD's adherence to the United Nations Global Compact. KMD reports initiatives and fulfillment of objectives associated with the United Nations Global Compact on an annual basis.

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## 3 KMD's Code of conduct

### 3.1 General guidelines

KMD's Code of conduct applies to all employees, including the executive board and the board of directors. Everyone at KMD shall be familiar with and shall work in compliance with this Code of conduct. All employees with external contracts shall continuously complete e-learning which is available on the Corporate Compliance website.

Non-compliance with the Code of conduct may have employment consequences.

If you encounter non-compliances, you must report them to your immediate manager - out of respect for our values - or via KMD's whistleblower system.

KMD does not accept any form of negative employment consequences for employees who have reported actual or suspected non-compliances in good faith.

If you are in doubt or need additional information, you can ask your immediate manager or visit the Corporate Compliance site at mitKMD or contact a Compliance Officer.

Information on and a link to KMD's whistleblower system can be found on the Corporate Compliance site at mitKMD as well.

### 3.2 Anti-corruption

KMD has a zero-tolerance policy towards corruption, bribery and facilitation payment. Therefore, you may not offer or receive unlawful or improper presents in terms of money or any other forms of payment or goods in order to gain business or private advantages for KMD, yourself or others. KMD has the same stance with regard to KMD's partners, who may not receive or give, or in any other way be involved in bribery or corruption etc. With regard to respecting this, KDM has engaged a third party for monitoring its suppliers from high-risk countries and high-risk business sectors.

Furthermore, KMD's anti-corruption policy shall also contribute to ensuring that suppliers can trust KMD to process all bids seriously, professionally and objectively at all times.

Internal Audit conducts ongoing audits to ensure compliance with the anti-corruption policy.

### 3.3 Legal capacity

All decisions at KMD are made on factual, commercial grounds. Therefore, you must always make sure that you have the necessary legal capacity in relation to KMD, colleagues, customers, suppliers, partners, competitors and others, including family or friends. In case of a situation with high risk for incompetence, you have to notify your superior or the Compliance Officer.



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## 3.4 Gifts to employees in the public and private sectors

You must pay special attention to your dealings with KMD's public customers because of special rules relating to gifts to public employees and politicians. Please note that both public and private companies may have implemented their own rules relating to gifts.

It is important that you respect KMD's gift policy and do not offer gifts in any form that may be construed as an attempt to gain an advantage or influence a decision - Both out of respect for our customers and in the interests of KMD's reputation.

A gift may be given only on *special occasions* and within the framework of the gift policy.

### 3.4.1 Receipt of gifts

Just as we give gifts only on special occasions, we also only accept gifts on special occasions and of limited value. Please refer to KMD's gift policy. Please note that gifts from external parties (suppliers, consultants or customers) must be reported to Corporate Compliance.

## 3.5 Political donations

KMD does not support political organizations.

## 3.6 Charity

KMD contributes to charity. This is done in compliance with our CSR strategy which sets out the general objectives and framework for this. Projects are assessed on a case-by-case basis.

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## 4 Organization of KMD's anti-corruption activities

### 4.1 Board of directors

The board of directors shall be responsible for the approval and supervision of KMD's anti-corruption policy. KMD's board of directors will delegate approval and supervisory powers associated with KMD's anti-corruption policy to the Audit Committee. The Audit Committee consists of five board members.

Anti-corruption is a permanent item on the Audit Committee's agenda. Reporting will be made to the Audit Committee on an ongoing basis on the implementation of the program, reporting of events, allegations of bribery and initiatives taken for the purpose of rectifying defects. Furthermore, the Audit Committee receives reports on completed revisions and inspections of the anti-corruption policy.

The Audit Committee shall demonstrate actively that it supports the anti-corruption policy. The Audit Committee shall supervise the anti-corruption policy and assess its suitability, adequacy and effectiveness. Furthermore, the Audit Committee shall implement any necessary improvements.

Should cases arise which involve members of the executive board, reporting shall not be to the Audit Committee but directly to the chairman of the board of directors.

### 4.2 Legal & Corporate Compliance

The operational responsibility for the anti-corruption program shall lie with the Senior Vice President of Legal & Corporate Compliance.

The daily operation is handled by Corporate Compliance Officer and Compliance Officer. Changes in anti-corruption regulations and the development in practice from authorities and courts in Denmark and abroad are continuously kept under review. Based on the decisions of the Audit Committee, Legal & Corporate Compliance proposes activities that may be carried out; the scope of control activities that must be carried out in cooperation with an internal auditor; and tries to identify focus areas for the next period. Initiative proposals are presented to the Audit Committee. Furthermore, efforts are continuously made to improve the anti-corruption policy.

Legal & Corporate Compliance handles reporting of the events received in the whistleblower system. The executive board is briefed on a quarterly basis about inquiries and the Audit Committee on a half-year basis.

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## 5 Contact information

Name/Title	Contact information
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