ACTING RESPONSIBLY
– IN EVERYONE’S BEST INTERESTS
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ACTING RESPONSIBLY – IN EVERYONE’S BEST INTERESTS

Action, not words
Corporate social responsibility (CSR) gets big billing nowadays.

At KMC, acting decently and responsibly in relation to our fellow human beings and the environment in which we all live is just a natural part of how we work – and have always worked.

For us, acting responsibly isn’t just a fancy slogan du jour – it’s basic common sense and part of our ongoing practical awareness about both the short-term impacts and the long-term perspectives in what we do – growing ever-humble potatoes and turning them into high-quality food ingredients.

No cutting corners
We’re 100%-owned by Danish potato growers – you have to be a potato farmer to own shares in KMC, and every member of our board of directors is a potato farmer. This means that if our owner-suppliers do anything irresponsible or unethical, it has a direct impact on their own best interests and their own income stream. This unique ownership structure puts everyone’s best interests in alignment.

This close intermeshing with the nitty-gritty of practical farming also means KMC as a company has a unique awareness about the direct consequences of cutting corners or acting irresponsibly – any short cuts almost always boomerang.

This end-to-end mutual interest in responsible, ethical business practices also means KMC and its owner-suppliers have a vested interest in protecting and stewarding natural resources and the environment for the generations to come.

Solid supply chain ensures control and value
At KMC, we don’t just source raw materials from the anonymity of world commodity markets. We don’t simply buy in supplies of potatoes as and when needed (leading to delivery problems for the customer if potato harvests run into problems in different parts of the world).

Instead, our distinctive ownership structure also gives us full control – and responsibility – of the value chain for the ingredients we make. We have an unwavering policy of sourcing from our own carefully vetted suppliers – Danish potato growers, operating under some of the most stringent environmental legislation in the world. Control of the supply chain also means KMC can document where and how our raw materials were grown and harvested, with pinpoint precision and a rock-solid, fully transparent audit trail. This has the added advantage of boosting the value of our raw materials.

This kind of dynamic mutual interest means we can be sure of providing KMC customers with guaranteed deliveries of top-quality products, backed by all the necessary provenance and quality assurance requirements.
Investing in the future
At KMC, we don’t just buy the potato raw materials from our suppliers. We undertake focused investments of know-how and technical expertise in these suppliers, helping them boost production volume and reinforce product quality in all kinds of practical ways, running trials to help them improve crops and yields, and sharing our accumulated know-how with them.

When responsibly implemented, shared know-how is an extremely effective investment in the future, and a cost-effective way for KMC suppliers as well as KMC customers to achieve a key degree of competitive advantage.

The natural advantage
Danish environmental legislation is among the most stringent in the world, and Denmark is one of the world’s leading proponents of environmentally responsible thinking throughout industry and commerce.

This Danish point of origin means you’re sure of high-quality ingredients made from potatoes grown in clean soil, air and water – a natural advantage that’s hard to beat.

No quick answers
KMC’s unique working relations with the farmers who grow our potatoes provide an unusually good opportunity to make sure we do things in an environmentally responsible way.

On the one hand, experience teaches us that changes in agricultural best practice as well as investments in infrastructure, irrigation, plant improvements, disease management, use of new types of fertiliser, etc. all take time to assess – and to work.

On the other, our owner-suppliers are perfectly clear on the fact that the soil, fields, water resources and vegetation aren’t machines, and none of us can control the climate or the weather. In the world of agriculture and food ingredients, there really are no “quick fixes”, and seemingly easy options always have repercussions later.

KMC and its suppliers know that in our specialist line of business it pays to act responsibly.

Know-how the ultimate asset
The global market for food ingredients is increasingly fluid, transparent and open to disruption. Technology, equipment and open markets make the basic building blocks increasingly available to any company anywhere. Nowadays, the key differentiator and most powerful source of competitive advantage lies in solid knowledge about how best to apply any particular technology, and how best to tweak and configure any particular production set-up.

The most valuable asset in the KMC professional armoury lies in the know-how and experience of KMC experts and specialists, and their ability to make sure KMC ingredients can help customers improve the performance and capabilities of their food products so end-users and consumers consider them more attractive.

All this shifts the centre of commercial gravity away from mere product specs and prices to the core elements of the way our company does business, and the business practices we employ in working with customers to achieve the best results in an ethically responsible manner.
Issues, practices and opportunities

Sensible perspective
Mainstream CSR reporting normally focuses around a number of “standard issues” and pressure points.

KMC is well aware of these, and has a clear position on each. However, in the big scheme of things KMC is a relatively small food ingredients company, so we can’t spend vast sums on highlighting mere compliance with relevant legislation. Most of these considerations are already a sine qua non in KMC’s basic thinking and a natural requirement in good, responsible commercial practice.

Our perspective is a bit different. We’d rather be ahead of the curve, finding new solutions and setting new standards for responsible, forward-thinking business practices in the world of potato-based food ingredients.

Danish legislation and other statutory requirements regarding limiting emissions, environmental protection and positive health and safety practices are among the most stringent in the world. This has placed KMC in an unusually advantageous long-term position in terms of conducting business responsibly.

We combine this strategic advantage with the commercial agility that stem from KMC’s lean structure and delegated decision-making to maintain flexible, rapid-response policies on all aspects of our business practices.

The following is a brief overview of the current KMC position, focus and efforts with regard to specific aspects of conducting business responsibly.
Environmental impacts, emissions, energy use, disposal and remedial action

Sustainability, environmental responsibility, limiting our use of energy and other natural resources at every stage, and being careful with any emissions and/or discharges from our production activities, laboratories and offices are all important KPIs for KMC operations.

All KMC production and processing facilities, laboratories, offices and vehicles comply with current national and international regulations with regard to minimising CO₂ emissions. Furthermore, we are continually striving to limit and reduce harmful emissions (of any kind) resulting from our business operations.

KMC makes consistent, concerted efforts to minimise any harmful emissions associated with its commercial activities. We also make sure that all disposal of effluents and waste products from KMC processing activities is in accordance with (or better than) current national and European legislative requirements.

We use the most effective technology currently available to clean and treat all effluents and waste from KMC processing facilities as well as KMC offices and storage units, so that these substances cause the least possible harm and have the least possible environmental impact.

Worth noting
- The Danish potatoes that we use as the raw material in KMC products have a long growing season and are particularly effective at binding nitrogen, which is important in fuelling growth, providing high yields, and making sure of optimal photosynthetic production in leaves.

- KMC uses considerable quantities of water in the processing activities that are central to producing KMC ingredients. KMC only uses clean groundwater, and KMC processing plants source this water from their own wells. The aquifers are at relatively high elevations in the sandy soils as close as possible to where KMC potato growing takes place. All water use is undertaken under stringent monitoring by the appropriate Danish authorities, with the required documentation and in accordance with some of the most stringent standards in the world.

- Because water is pivotal for the effective, environmentally responsible production of KMC ingredients, KMC production facilities therefore make continual investments in state-of-the-art technology designed to reduce water consumption. All water is recycled and re-used to the greatest possible degree. There is also a strong commercial incentive to do this, because of the high fees associated with wastewater disposal in Denmark.

- Wash water from KMC starch production is returned to agricultural land for crop watering and irrigation, thus paving the way to savings on ground water reserves. According to the 2014 Danish report entitled “Kartoffelvaskevand, Udbringningspraksis, analyse og udvaskningsberegninger” from SEGES (www.seges.dk), this amounts to an environmental benefit. It is also considered BAT (Best Available Technique), according to conclusions from FDM (EU Food, Drink and Milk Industry) (http://eippcb.jrc.ec.europa.eu/reference/BREF/fdm_bref_0806.pdf).
Working conditions

KMC production facilities, laboratories and offices comply in full with current health and safety regulations in the countries concerned.

We make concerted efforts to limit any risk of industrial accidents, with a vigilant focus on accident prevention and employee safety.

Worth noting

- KMC reports its safety statistics to the Starch Europe safety programme.
- KMC maintains a clear, stated policy on working conditions.
- KMC monitors and reports on staff behaviour and psychological working conditions.
- KMC monitors and reports on staff absenteeism in order to help identify any problems or sources of discontent.
**Human rights and labour rights**

KMC complies with all appropriate and relevant international labour and human rights protocols, including the core conventions of the International Labour Organization (www.ilo.org) and the United Nations Guiding Principles on Business and Human Rights.

All KMC operations comply with current regulations and trade union requirements in the countries concerned. KMC does not accept or condone any labour practices that fail to comply with relevant legislation and labour market agreements, or any other malpractices related to the work force engaged in growing, harvesting or processing raw materials used by KMC.

**Sustainability**

In any forward-thinking business environment, sustainability is crucial for the future success of the company. This is particularly true for KMC because of our close, direct links with the agricultural community, the innate naturalness of our products and because the vast majority of our products are ingredients in food that people eat.

**Worth noting**

- In February 2015, Starch Europe (www.starch.eu) and the Committee of the European Starch Potato Processors’ Unions (CESPU) made a joint statement about the sustainability of potato starch products. It is available at www.starch.eu/starch-europe-statement-on-sustainability-of-starch-products/

- In May 2015 Starch Europe (www.starch.eu) issued a press release about a new Life Cycle Assessment study on starch products. It is available at www.starch.eu/11741/

- Starch potatoes produce more carbohydrate per hectare than other cereal crops, resulting in a positive energy balance. They are also ideally suited to the Danish climate/agricultural profile, thus limiting any strain on natural resources.

- Starch potatoes provide a positive CO₂ uptake due to the long growing season. This extended growing season also removes large quantities of nitrogen from the fields.

- Virtually all the potato is used – there is hardly any waste from KMC starch production. KMC makes a concerted effort to achieve maximum exploitation of all by-products from its production of starch ingredients.
  - Potato protein is extracted and sold as a valuable feed product
  - Potato fruit juice is well-suited as fertilizer in organic farming – and in general land spread as natural fertilizer
  - Potato pulp is used as natural cattle feed.
Traceability

The unique ownership structure of KMC – in which the company’s owners are all Danish potato growers who are also KMC’s suppliers – is one of the key strengths of KMC. It ensures us full control of the KMC supply chain, and also means we can monitor and document our raw materials and their movements with exceptional precision.

This is particularly true because the vast majority of the raw materials for KMC products are sourced from within Denmark, a small country in which every iota of business activity is stringently monitored.

Worth noting

- This unique set-up provides a transparent, fully documented value chain, over which we have an exceptional degree of influence.

- KMC is certified in accordance with ISO 22000:2005 HAACP procedures.
Nutrition, hygiene and quality

Food quality and good hygiene are essential if human beings are to thrive. KMC products serve as ingredients in our customers’ food products, with a wide range of different characteristics. KMC ingredients have only limited nutritional value in themselves, but help make it possible to deliver key food products in new markets and to new customer groups.

KMC ingredients can also be used to replace fatty substances that are harmful to health, and to replace expensive, difficult-to-store dairy products that in many parts of the world can be difficult to obtain and to administer.

Because KMC ingredients are an integral component in a vast range of food products used throughout the world, we’re determined to live up to the responsibilities this brings. KMC has an exceptional worldwide reputation for the quality and consistency of its ingredients products. In order to maintain and protect this valuable commercial asset, we carry out consistent, structured inspections and stringent quality assurance procedures using the most effective technology available. And we observe the highest possible standards at every stage of processing, packaging, storage and transport.

Certain KMC ingredients are also certified by appropriate bodies so that they can be used and consumed by populations with specific religious/cultural and/or nutritional positions.

This includes halal and kosher certification.

Worth noting
- We provide all the food hygiene, food safety and quality control certifications appropriate to each customer’s specific requirements, including HACCP/ISO 22000, BRC, AIB, etc.
- KMC products are fundamentally natural, with no chemicals or artificial components added. This makes them ideal as ingredients in food products for customer groups with allergy issues.

Transport and packaging

The raw materials in KMC products are all grown relatively close to the KMC processing facilities that turn them from potatoes into a wide range of food ingredients. This means we are able to keep transport – and its environmental impacts – to a minimum.

KMC products are all delivered in the form of powders, flakes or granules, and therefore need to be suitably packaged to protect them in transit from KMC to KMC’s customers, and so that they are easy and practical for our customers to move around, store and use.
We package KMC products as instructed by our customers, and in accordance with appropriate national guidelines for materials recognition, disposal and recycling. As far as possible, KMC strives to use packaging and transport containers featuring recyclable materials and/or materials with minimal environmental impacts.

**Worth noting**

- Approx. 80% of each potato (by weight) is water. Transporting water back and forth is an unnecessary and undesirable cost, which means KMC and its owner-suppliers have a mutual commercial interest in keeping transport to a minimum.

- The potatoes are normally delivered directly from the field to the KMC processing plant (with only short periods of storage during the winter). This helps minimise transport and its attendant environmental impacts.
Crop development and GMOs

KMC accepts the fact that genetically modified organisms are in use around the world, and that we can do little about this fact, or the commercial realities it entails. We realise this can impact our business, but we do not wish to use or to conduct business involving GMO products.

Worth noting
- KMC is a signatory to the European Starch Industry Association – Starch Europe (www.starch.eu) Policy on GMOs for the Food & Feed Sector from May 2006 (amended October 2011), expressing European starch manufacturers’ general position with regard to GMOs.
- KMC has a clear position with regard to GMOs. We have no wish to use or to conduct business involving GMO products. All KMC growers have signed contracts unequivocally forbidding them to use or to be in contact with genetically modified organisms of any kind.
- At the same time, we maintain a degree of commercial pragmatism rooted in our focus on helping KMC customers meet their specific needs, and in providing them with what they want.
- KMC maintains a completely transparent supply chain, in which we are fully acquainted with the commercial and agricultural practices of each grower, and monitor these closely. KMC’s unique control and monitoring of an uninterrupted supply chain means there is full traceability at every stage, enabling us to document and guarantee that there are no GMOs in the raw materials used in KMC products, and no risk of GMO contamination en route from grower to processing plant.
- KMC is actively involved in crop research and development work in order to support the identification of potato varieties better suited for starch production under specifically Danish climate conditions and agricultural practices. All such work is conducted by conventional means, and does not involve any use of GMOs or GMO-related techniques.

Yield improvement

KMC makes consistent efforts to help reduce environmental impacts by using the latest technology, practical crop management skills and in-depth technical know-how to steadily increase both crop yields and the yields from KMC processing of the potatoes that our processing facilities take in as raw materials.

In general, we aim to help our growers increase crop yields by approx. 1% each year.

Our collaboration with Danish potato growers is uniquely close – because they are KMC’s owners, with fields in close proximity within Denmark. And also because we have shared interests in better growing results – better results help boost growers’ revenues, while better-quality potatoes help KMC increase processing efficiency, improve profit margins and maintain quality standards.
We collaborate closely with growers to improve both the volume and the quality of their potato crops, resulting in the production of more calories of nutritional value per hectare of land – a key parameter in the face of growing populations worldwide.

**Worth noting**

- KMC is constantly working to help growers boost potato crop yields, in order to reduce costs as well as to reduce environmental impacts by reducing the use of treatments of all kinds.

- KMC participates in a wide range of growing trials as well as in a comprehensive development programme for new varieties of potato, working in collaboration with a wide range of specialist researchers. KMC also employs its own team of specialist agricultural advisors to monitor, assist and encourage the growers.

- KMC development efforts focus on potato varieties particularly suited to local climate and growing conditions in Denmark. The primary aims are to achieve:
  - Higher starch content
  - Higher starch yields (tons per hectare)
  - Better resistance to disease
  - Greater stability during storage.

- KMC conducts a wide range of focused programmes for sharing and passing on know-how regarding every aspect of growing, harvesting, handling and storing potatoes.

- We also conduct in-depth “business check” examinations to provide practically focused comparative data, to help boost the overall efficiency and financial strength of growers’ operations.
Business ethics, social responsibility and honest communication

Based on 80+ years of commercially successful history, KMC has a distinctive way of conducting business, featuring a professional integrity that we want to make sure our customers feel they can rely on.

KMC isn’t a big organisation, and we have a distinctively personal way of conducting business, featuring a high degree of individual responsibility, delegation and empowerment. We take great care to make sure that our current, day-to-day business practices in no way compromise our invaluable professional reputation.

This makes it particularly important that we follow a clear, consistent codex of business ethics. For example, we do not condone or accept any form of bribery or illegal, undocumented payments, favours or services in conjunction with soliciting business or with the carrying out of KMC business transactions.

All KMC growing and processing operations take place in relatively small towns in agricultural areas of a relatively small country – Denmark. This means our commercial activities and policies for how we conduct our business are important for local communities with regard to employment, social development and prosperity.

KMC invests substantial resources in supporting a wide palette of training opportunities, ranging from apprenticeships to engineering college and university assignments and to contacts with technical studies in a range of higher-education institutions.

Furthermore, the core of the KMC business model lies in our focus on helping customers improve and/or get more out of their products. This involves an increasing degree of active know-how sharing, which can only be productive and successful in a working atmosphere characterised by openness, integrity and honesty. KMC therefore undertakes to always communicate openly and fairly about our policies, practices, products and activities.
Joint positions, listed compliance

KMC is a member of a wide range of relevant interest groups, professional bodies and specialist organisations (both national and international), and we subscribe to the highest standards relevant to our highly specialised field of business.

Specifically, KMC is a member of the following organisations and subscribes to their official positions regarding corporate social responsibility in general and their environmental and policy stances on particular issues and aspects of the overall public debate about companies acting ethically and responsibly:

- Starch Europe – trade association that represents the interests of the EU starch industry at EU and international level
  [www.starch.eu](http://www.starch.eu)

- CESPU Committee of the European Starch Potato Producers’ Unions

- Sedex Supplier Ethical Data Exchange
  [www.sedexglobal.com](http://www.sedexglobal.com)

- EUPPA European Potato Processors’ Association
  [www.euppa.eu](http://www.euppa.eu)

- Landbrug & Fødevarer (Danish Agriculture & Food Council)
  [www.lf.dk](http://www.lf.dk)
Your response is welcome

KMC is committed to making sure its staff, suppliers and working partners comply with the highest standards – both written and unwritten – when doing business.

We would welcome any ideas that could lead to improvements.

If there’s anything you would like to know about how we at KMC conduct our operations, please contact our CEO Nicolai Hansen at nih@kmc.dk or our COO Bjarne Larsen at bl@kmc.dk

If you wish to express an opinion on any particular point, or draw our attention to something you disagree with, please contact KMC legal counsel Axel Bonde at ab@kmc.dk

You can download this document from the KMC website, at www.kmc.dk/about-kmc/about-kmc/responsible-business

If you’d prefer a printed version, please contact Axel Bonde at ab@kmc.dk

Please note that this document will be adjusted and updated, when appropriate.