

Mandatory Report on Corporate Social Responsibility, cf. the Danish Financial Statements Act, Section 99a and Section 99b

This mandatory report on corporate social responsibility for Brødrene A & O Johansen A/S is part of the Management's Review in the Annual Report for 2014 and covers the accounting period from 1 January to 31 December 2014.

In all of our business activities, AO wants to comply with current legislation and international conventions in the countries and communities where we operate.

We respect and comply with competition rules, environmental legislation, labour market legislation, agreements and safety requirements, and other regulations that provide the framework for how we conduct business. We want to be a responsible company that supports the UN Global Compact's ten principles on human rights, labour standards, the environment and anti-corruption.

AO has not developed a human rights policy. Instead a Supplier Code of Conduct has been prepared in order to make sure that our suppliers take on the desired responsibility. It is an integral part of our supplier agreements. Failure to meet our Supplier Code of Conduct will result in a termination of contract. (Our Supplier Code of Conduct is available at AO.dk which is updated on a regular basis).

AO operates primarily in Denmark, and the greater part of our purchases is made in the EU. Our employees are our greatest asset, and we have therefore chosen to focus on work environment issues and climate impact as the most important areas.

We have a working environment policy and an environmental policy focusing on the continued improvement of the company's performance.

Working environment

It is AO's policy to constantly focus on competent and respectful management, motivation, development/training and working environment, including

- developing the skills of employees, so that their potential is being used, and their value on the labour market is strengthened. In 2014, the number of days spent on education and training was calculated at 1,087 days
- providing a healthy and safe working environment with focus on the prevention of accidents and injuries. The number of reported work-related injuries increased from 14 in 2013 to 19 in 2014. The increase in the number of accidents is attributable to more minor injuries. During the year, investments have been made in a fully automated high-bay warehouse, and it is expected that this facility will reduce the risk of accidents in 2015
- ensuring a working environment where employee absenteeism is minimised, and where work skills are kept up-to-date. A target for absenteeism will be established in 2015

- AO's policies and practices relating to recruitment, pay, promotion, working conditions, corruption, and skills development are meant to ensure that discrimination is avoided, and that decisions are made on the basis of objective criteria.

The above-mentioned policies and actions are an integral part of our daily management activities/culture, and they develop concurrently with AO's strategies. The collected data is part of our ongoing follow-up on the work environment assessment. We believe that the collected data supports our goal of a "healthy and safe" working environment

Climate impact

AO's administration and central warehouse in Albertslund have been environmentally certified according to DS/EN ISO 14001 since 1999. Vaga Teknik was environmentally certified according to the same standard in 2001. In October 2008 all facilities at the address of the logistics centre in Horsens became certified, and the rental and service functions at Herstedvang 6 in Albertslund achieved certification in September of 2010.

AO acknowledges that an active consideration for the environment is important, and through our purchases, investments and other operations of the business we will help to protect the environment. We focus on reducing the most significant environmental impacts which we have assessed to be transport, waste, and energy and resource consumption. Our environmental policy is available at the website AO.dk, which is updated on a regular basis (in Danish only).

The following concrete actions concerning the environment need to be outlined:

- Our administration and central warehouse in Albertslund and our logistics centre in Horsens are environmentally certified according to DS/EN ISO 14001. More information about our environmental certification is available at AO.dk (only in Danish).
- Our rental and service functions as well as our warehouse facilities at Herstedvang 6 in Albertslund are environmentally certified according to ISO 14001.
- A number of environmental initiatives have been launched in order to reduce the consumption of electricity and paper and to collect consumables for recycling.

The company's environmental management system is audited once a year and new objectives are determined.

AO's environmental objectives for the 2013-2015 environmental policy are defined as follows:

- **Relative transport costs are to be reduced annually by 6%.**

In 2014, relative transport costs have stayed at the same level as in the financial year of 2013. A systemic consolidation of AO's orders resulted in a decline in the number of supply drops by approximately 5%, but the transition to a new volume settlement system resulted in a minor increase in transport costs, and so did extraordinary line haul transports in connection with the construction of AO's new high-bay warehouse. Consequently, transport costs stayed at approximately the same level as last year. Due to the decline in the number of supply drops AO believes that the actual environmental impact was reduced in 2014. The target of a 6% reduction in transport costs has not been met in 2014.

- **Supply of goods to customers through the company's stores is to be increased annually by 6%.**

In 2014, there was a fair increase in the number of deliveries of stocked items made through our stores. From 111,179 orders in 2013 to 144,518 orders in 2014 which is an increase of 30%. The target has therefore been met.

- **At Rørvang total energy consumption, including electricity, heat and fuels, is to be reduced annually by 6%.**

In 2013, AO decided to invest in a new high-bay warehouse and an extensive renovation of the central warehouse. The warehouse at Rørvang 3 has therefore been under reconstruction for most of 2014, and it is one of the reasons why total energy costs increased by 9.6% in 2014. Now the central warehouse has a building envelope. In addition, new energy-saving heat supply has been installed, and energy-saving LED lighting has been mounted. Positive effects of these energy-saving measures are first to be expected in 2015. The target of a 6% reduction of the energy consumption has therefore not been met in 2014.

- **The company is to recycle more than 70% of its total waste.**

AO continues to have full focus on the sorting of waste, and in 2014 it was decided that AO should be a bit more ambitious in this respect, and therefore the waste sorting target was raised to 70%. According to the waste analyses for 2014, the company recycled 76.8% and 78.9% of its total waste at the central warehouse in Albertslund and at the logistics centre in Horsens. The recycling target of more than 70% has therefore been successfully met.

In 2012, plastic boxes for packing and transportation of replenishment orders to AO's stores were introduced, and in 2013 it resulted in a packaging reduction of more than 30% compared to previous years. AO will continue to focus on packaging reductions, and in 2014 AO launched a bidding round for AO's total purchase of packaging materials, and an extra saving of approximately 10% on AO's packaging consumption is therefore to be expected in 2015.

Gender composition of management

In keeping with Danish Act No. 1383 of 23 December 2012 on the introduction of rules regarding target figures and policies for the gender composition of the supreme governing board and the reporting thereof, the company has on 1 April 2013, decided that, in connection with the ordinary general meeting in 2017 at the latest, the shareholder-elected Board members are to be composed of at least 20% women. All shareholder-elected Board members were re-elected at the ordinary general meeting in 2014. At the time of the presentation of the financial statements the target figure has therefore not been reached.

In addition, the company has drawn up a policy to increase the share of the underrepresented gender at the company's other management levels in Denmark. The goal is to achieve a share of female managers of at least 10% in 2017 at the latest. The current gender composition of the company's other management levels is 6% women and 94% men (2013: 7% women and 93% men). No notable changes in the top management team have been made during the year.

Through the above-mentioned policy the company seeks to create a good and versatile workplace that promotes equal career opportunities for both women and men, and it is therefore estimated that the share of the underrepresented gender at the company's other management levels will increase in the long term.