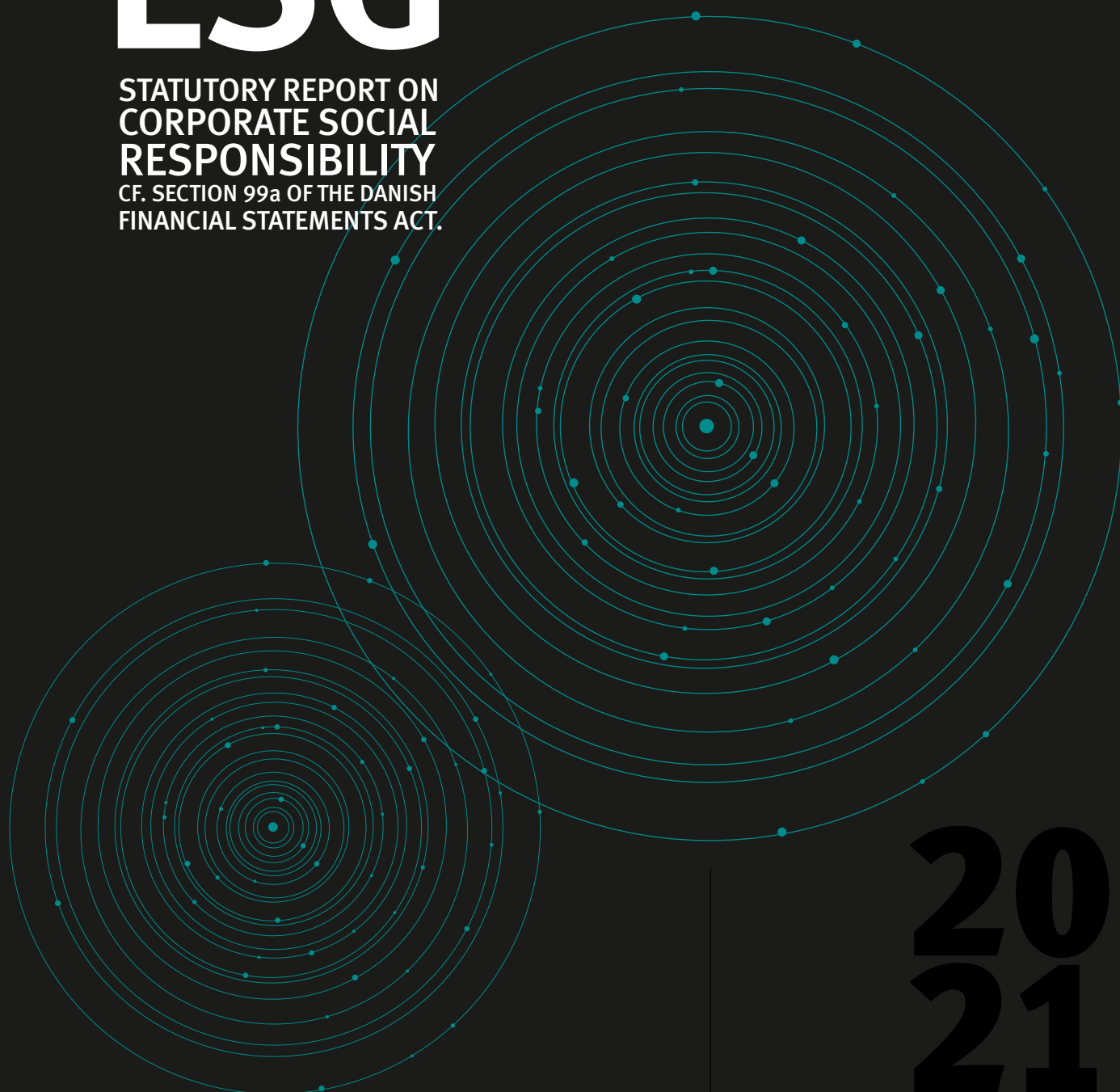


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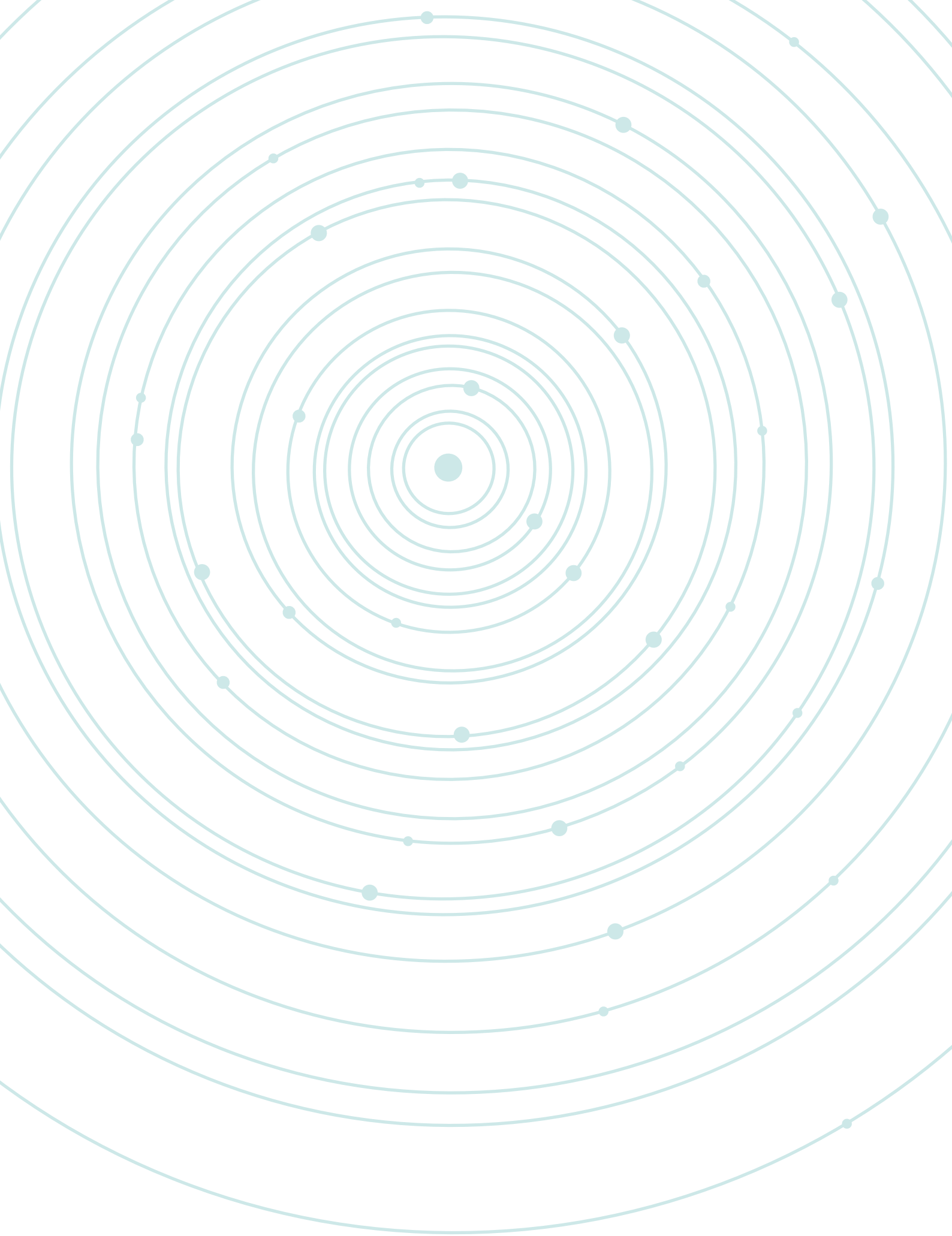
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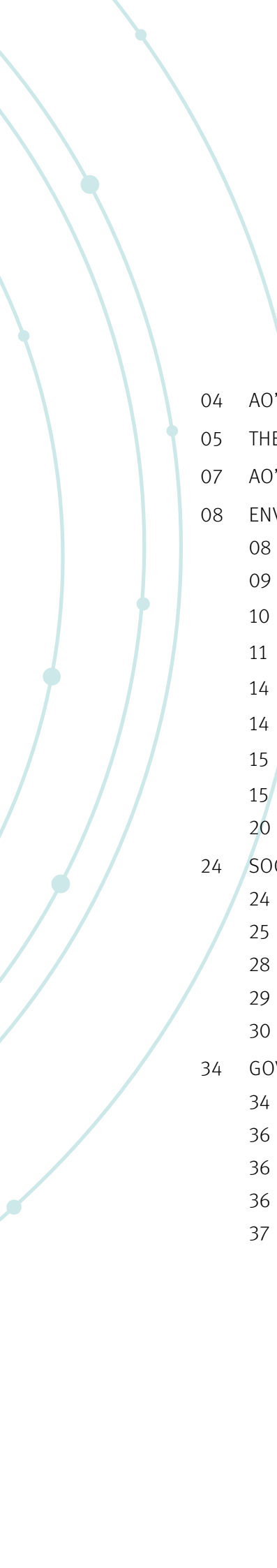


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ESG 2021

Brødrene A & O Johansen A/S
Rørvang 3 - 2620 Albertslund
CVR No 58 21 06 17





04	AO'S ESG REPORT FOR 2021
05	THE AO BUSINESS MODEL
07	AO'S CHOICES AND PRIORITISING OF FOCUS AREAS
08	ENVIRONMENT AND CLIMATE
08	Policies
09	AO will be carbon neutral by 2030
10	Environment and climate measures and actions
11	Waste and recycling
14	Energy consumption
14	Transport
15	Due diligence and risks
15	KPIs and results for 2021 – environment and climate
20	Expectations for our efforts and targets for 2022
24	SOCIAL ASPECTS AND EMPLOYEE ASPECTS
24	Policies
25	Social and employee-related measures and actions, including risks
28	The COVID-19 pandemic
29	KPIs and results for 2021 – social aspects and employee aspects
30	Expectations for our efforts and targets for 2022
34	GOVERNANCE
34	Recommendations on Corporate Governance
36	Whistleblower scheme
36	Risk management
36	Relationships with stakeholders, including shareholders
37	Suppliers and business associates

AO'S ESG REPORT FOR 2021

AO's ESG report for 2021 includes the statutory report on CSR for Brødrene A & O Johansen A/S (hereinafter AO), which forms part of the Directors' Report in the financial statements for 2021, and covers the accounting period 1 January – 31 December 2021.

At AO, we believe that everyone has a duty to manage the resources and opportunities available to us in a responsible way, ensuring the best possible conditions that the next generation can use as a starting point.

Responsibility and integrity are an integral part of the AO culture and are expressed in our dealings with customers, suppliers and business associates, in the daily management of our employees and with the society we are part of and want to contribute to.

We comply with applicable legislation and international conventions in the countries and areas we conduct our business in.

We support and operate in compliance with the Ten Principles of the UN Global Compact on human rights, labour rights, the environment and anti-corruption in all aspects of our business, and we support the UN Global Goals with specific actions in respect of selected Global Goals.

In 2021, we have formulated a comprehensive policy for Corporate Social Responsibility (CSR), which has been approved by the Board of Directors and can be viewed and downloaded at <https://ao.dk/om-ao/investor-relations/in-english/company-profile/policy-for-csr-2022>

Our wish is to help promote a sustainable society, and we have chosen to focus our efforts on the environment and climate, social issues and governance in our company based on integrity and fairness.

This Environmental, Social and Governance (ESG) statement reports on our targets, activities and outcomes in all three areas.

THE AO BUSINESS MODEL

The AO Group is a knowledge-based IT and logistics company active in Denmark, Sweden and Norway. Most of our customers are in Denmark, and we make most of our purchases in Europe.

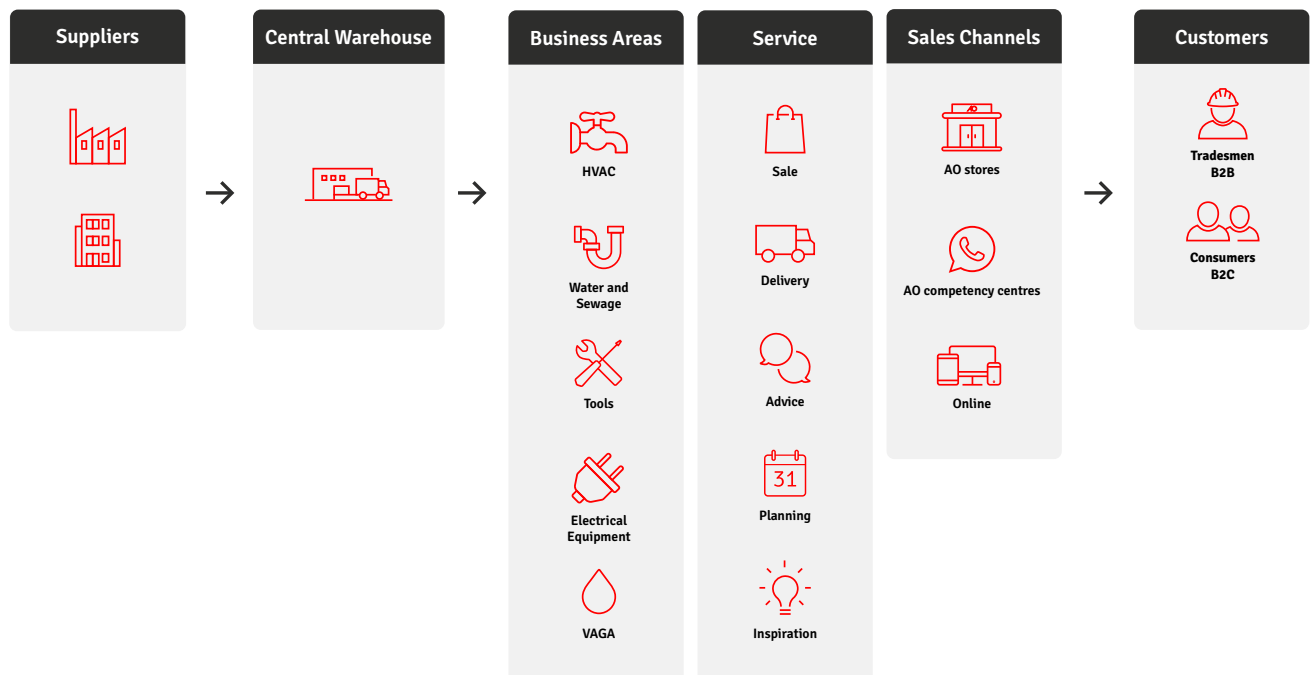
AO deals in a wide technical range of heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

Our main concept is one-stop shopping, digitally and at AO stores, where customers are offered a complete range of products in a collection and delivery system supported by advanced IT and online trading solutions.

We serve both the professional and private markets. Thanks to efficient warehouse and distribution systems, we are able to make fast deliveries to professional tradesmen and installers, private individuals and local authorities, factories and public institutions.

Self-service and robot technology are a natural part of our business and are implemented in our stores and administration. AO365 and user-friendly online systems allow our customers to shop 24 hours a day at our stores and online.

Our business model is illustrated below:





“AO’s stores ensure close proximity to its customers in all parts of the country.”

We have developed a range of concepts and online trading solutions to support the competitiveness of our customers and to streamline their procedures via AO.dk, smartphone apps and self-service solutions in our 51 stores and two B2C stores, Greenline and CompletVVS, in Denmark and 5 stores in Sweden.

AO365 has been rolled out across the entire network of stores in 2021. Customers are able to shop freely in all our stores 24 hours a day, 365 days a year, using the AO365 app on their smartphones. AO365 has done away with opening hours at a stroke. Our store is our customer’s store. Our warehouse is our customer’s warehouse!

The COVID-19 pandemic, as well as the resulting uncertainty, has continued to significantly affect the corporate sector in 2021 in both Denmark and other markets where AO pursues sales.

Denmark was affected by lockdowns, particularly during the first quarter of 2021, and physical DIY centres were closed for some of the spring. This led to extraordinary B2C growth in general via our webshops.

AO’s stores ensure we maintain close proximity to customers in all parts of the country.

AO has established procedures and safeguards since the first closure in 2020 so as to ensure that our staff and customers can feel safe in our stores. 2021 has also seen an increase in the number of customer transactions.

While many parts of society have been on some form of lockdown, customers have demanded flexibility when it comes to choosing sales platforms and forms of shopping. AO has been able to offer this in its capacity as an omnichannel enterprise. The many options and digital forms of shopping mean that customers can choose to shop in ways that suit them best at any one time. We have found throughout the pandemic that more customers want to shop in ways which mean they are not crowded by other customers or sales staff, and we have been able to offer both 24-hour stores and self-service solutions in this regard.

The digital element accounted for just over half of total revenue in 2021. Besides growth in online sales, we also saw significant growth in all digital forms of shopping throughout 2021.

AO'S CHOICES AND PRIORITISING OF FOCUS AREAS

With reference to the UN Global Compact, we analysed CSR-related risks and the impact on society we have in the local areas where we are present. This gave us an insight into the positive and negative impact we have, and how we can contribute moving forwards.

We believe that the countries in which we operate are all well-regulated in relation to the environment, social aspects and employee rights, human rights and anti-corruption.

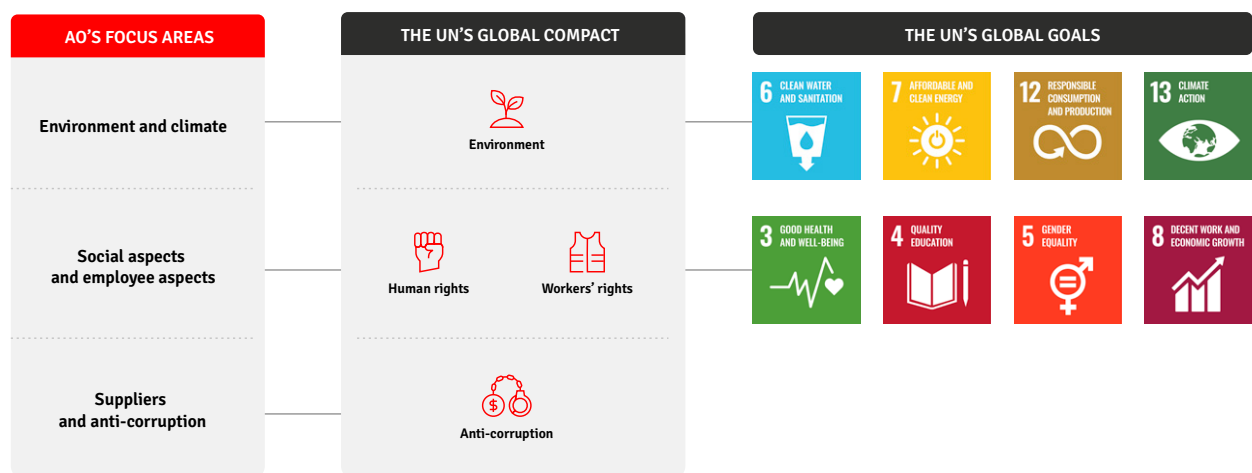
Based on a desire to make a difference and our belief that we can make a positive contribution, we decided to focus on Environment and climate (E), Social aspects and employee aspects (S) and Governance (G).

This is embedded in our CSR policy.

We believe that we have a strong platform to make a positive contribution via our cooperation with our customers and suppliers. We are prepared to guide and help our customers to fulfil their own ambitions for sustainability and green solutions. We would like to make it easy for them to choose eco-friendly, green products.

We require our suppliers, via our Supplier Code of -Conduct, to observe the principles of the Global Compact, so we can contribute to achieving the UN's Global Goals. We would like to extend our communication with our suppliers so that we can work together to have a positive influence on the sustainability agenda.

Our focus areas and objectives contribute to fulfilment of the UN Global Compact and achievement of the UN's Global Goals, and can be illustrated as follows:



CSR policies and objectives have been adopted by AO's Board of Directors, which reviews both financial and non-financial KPIs each year.

ENVIRONMENT AND CLIMATE



POLICIES

We have a specific environmental policy which forms an integral part of our overall CSR policy.

We take our responsibilities seriously – including those that do not form part of our own direct business – and we strive to be at the cutting edge of specific ESG initiatives in our consumption and investment, among other things.

At AO, we believe that everyone has a duty to manage the resources and opportunities available to us in a responsible way, ensuring the best possible conditions that the next generation can use as a starting point. We would like to help bring about a sustainable society, and we have chosen to pursue high environmental management standards throughout the entire Group, from our central warehouse in Albertslund to our stores in Denmark and Sweden.

AO perceives national and international legislation to define a minimum standard, and that is why we want to go further than we are required to do by law. We would like to protect our environment still further by constantly improving our environmental initiatives. We are doing our best to be at the cutting edge of developments in the priority areas where we focus our primary environmental efforts.

At AO, we focus on reducing our main environmental impacts and have identified:

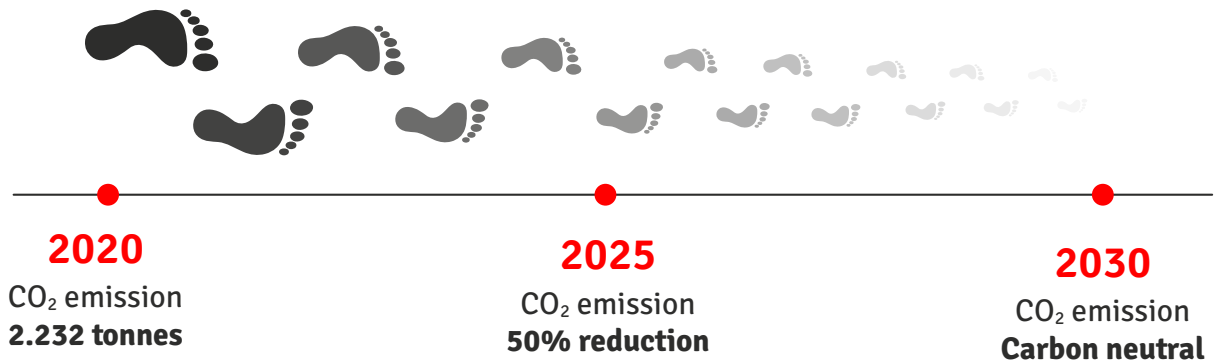
- Waste – reduction and recycling
- Energy consumption – reducing our consumption of electricity, heating and fossil fuels
- Transport – shipping that causes less harm to the environment.

We apply stringent environmental management standards at AO. This is why AO in its entirety, from the executive management to its stores, is certified according to the ISO14001 environmental management system, which involves:

- Getting staff actively involved in environmental initiatives
- Tabling the environment on the agendas of in-house sales, Board and Executive Board meetings
- Measuring departments on the environment, just as we measure them on other results
- Ensuring that initiatives resulting in environmental impact are planned, implemented and evaluated in partnership with the accountable environmental unit at AO.
- Helping our customers make green choices when they shop with us.

AO's environmental policy must be viewed in the light of our CSR policy, as reducing AO's carbon footprint is also key to AO's efforts.

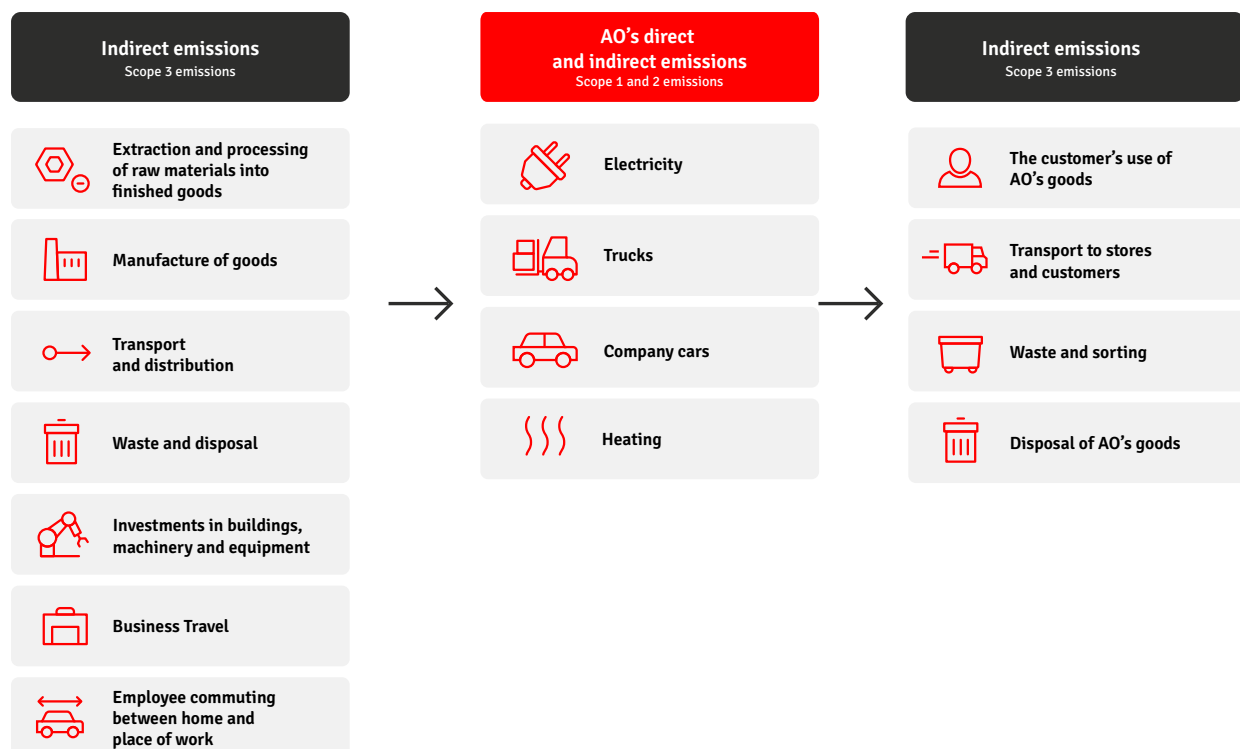
AO WILL BE CARBON NEUTRAL BY 2030



As an IT and logistics business selling heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools and operating small-scale in-house production via our activities at Vaga Teknik, our direct environmental and climate impact is small.

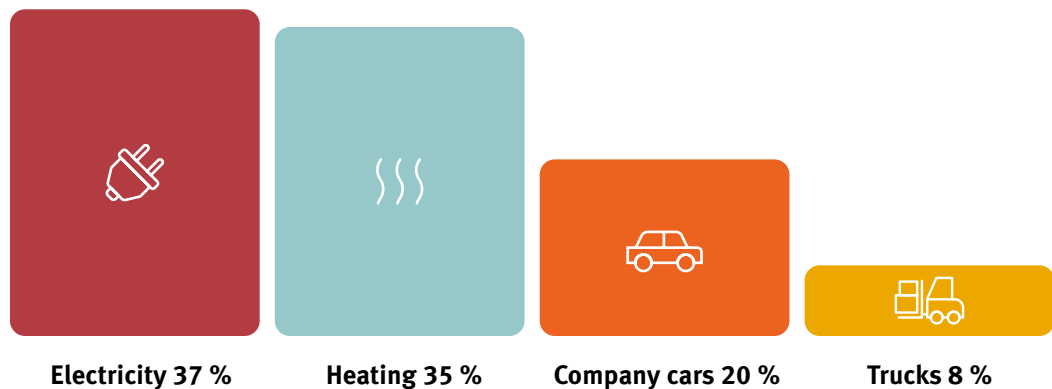
Most of AO's total carbon footprint is to be found in indirect emissions (scope 3), such as production and transport of AO goods and customers' use and disposal of AO goods.

The link can be illustrated as shown below:



In 2021 we have worked on identifying the company's own direct and indirect carbon footprints. The result is a baseline CO₂ account for 2020, which indicates that AO has a carbon footprint for its scope 1 and 2 emissions of 2,232 tonnes¹.

The 2,232 tonnes of CO₂ in 2020 can be broken down into the following types of consumption:



We would like to minimise our overall climate impact throughout the value chain, so we will be working on identification, collecting data and commencing activities to reduce our scope 3 emissions over the next few years.

In 2022, we will continue our dialogue and cooperation with our customers, suppliers and partners so as to focus even more closely on sustainability and green solutions. We are absolutely certain we can make a difference when we all work together.

ENVIRONMENT AND CLIMATE MEASURES AND ACTIONS

Support for our environmental and climate initiatives in our management system, together with the ongoing communication in this regard in 2021, is consolidated in all corners of the organisation and has the attention of everyone at AO.

It is important for us to make a difference and help to make the world a better place. That is why taking the next step and dedicating more resources to the area has been natural for us. As of 1 January 2022, therefore, we have hired a Head of Climate and Sustainability who will be stepping up our efforts to fulfil our aims and develop and realise our goals.

We regularly update the entire organisation about our environmental and climate initiatives by tabling environmental and climate issues at meetings throughout the organisation, and also by issuing newsletters to all staff, putting up posters showing environmental/climate targets, etc.

April 2021 saw the renewal of our environmental accreditation to DS/EN ISO 14001:2015 with no non-conformances. We underwent a virtual audit in December 2021 on account of the backlog caused by the COVID-19 pandemic, and this was completed with no significant non-conformances.

Our efforts to encourage our suppliers to reduce their impact on the environment and climate have continued, and we will be stepping these up going forward. The aim of this is to allow AO to influence customers to make green choices.

Prior to entering into or renewing contracts, we conduct an overall environmental assessment of the

¹ According to the environmental declaration. Our carbon footprint, prepared according to the electricity declaration, amounts to 3,223 tonnes of CO₂.

supplier, based on a questionnaire, and lay down requirements that suppliers must fulfil AO's Supplier Code of Conduct for suppliers, based on the UN's Global Compact. The Supplier Code of Conduct can be viewed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2022 and was last approved by the Board of Directors 9 December 2021.

In 2021, we have been working on defining and launching our own labelling scheme with a view to making it easy for customers and consumers to identify which products are efficient in terms of electricity and water consumption. This is not a label that encompasses the whole product's carbon footprint from cradle to grave, but when our customers choose a Grønt Forbrug (Green Consumption) product, this guarantees them low electricity or water consumption, saving them money and economising on the shared resources available to us all.

Our products are reassessed regularly, and we adjust our labelling when new, more energy-efficient products are launched so that the products offering the lowest consumption always bear the Grønt Forbrug eco-label. We are working in parallel on other eco-labels issued by public authorities, and we would like to draw our customers' attention to these going forward.

The Grønt Forbrug eco-label is intended to provide a benchmark for our customers so that they can choose eco-friendly products.

Learn more at: <https://ao.dk/services/koncepter/groentforbrug>.

We have launched a major screening project for all Group properties so that we can identify and assess opportunities to make our buildings greener and more eco-friendly in terms of both materials and consumption.



GRØNT FORBRUG MAKES IT EASY TO SELECT ENERGY AND WATER SAVING PRODUCTS

We have also decided to give priority to green solutions for our regular maintenance of AO Group properties.


WASTE AND RECYCLING

Our national waste agreement in Denmark makes it possible to sort waste types at all AO locations, and to optimise the number of times our containers are emptied based on how full they are, thus reducing the number of collection trips that have to be made to and from the stores. Locations with small amounts of specific types of waste can send them to our central warehouse along with returned goods. The central warehouse then disposes of the waste, along with any other relevant waste it may have.

We are also focusing on waste sorting in Sweden, so that the majority of our waste can be sent for recycling. Our Swedish stores do not send small amounts of waste to AO's central warehouse; instead, they dispose of it locally.

We strive continuously to optimise our packaging consumption, and to ensure it is appropriate in terms of protecting the environment. We are constantly looking at alternatives to cardboard boxes





“Rooftop solar cells will contribute to the operation of our new expanded shuttle storage system to be completed in 2022.”



“GLS ensures immediate delivery by green environmentally friendly vehicles.”

for packaging purposes, and we always try to use the thinnest possible cardboard boxes, as well as using cardboard boxes made using recycled paper, for our deliveries.

We only use plastics that can be recycled and are trying to optimise the use of stretch films in order to minimise our consumption of plastic.

ENERGY CONSUMPTION

We can remotely read heating and electricity meters at over 95% of our locations in Denmark, enabling us to continuously track energy consumption, and via benchmarking between different stores, we can identify where intervention will have the greatest effect.

We can also remotely read water meters at over 75% of our locations. This allows us to monitor water consumption, and to set water alarms to alert us to rising water consumption that can be due to broken pipes, leaky taps and toilets etc. These measures have helped reduce our water loss in 2021.

We have phased out all diesel trucks from our central warehouses and replaced them with electrical models. We expect to phase out AO's gas trucks by 2022.

We continued the replacement of outdated lighting with modern, energy-saving LED lights at a number of our locations in 2021.

TRANSPORT

We are constantly communicating with our carriers about reducing their environmental impact when transporting our goods. That is why we have agreed with our biggest carrier that we can use an open system to fill their trucks completely, avoiding runs with half-empty trucks when carrying AO goods. This saves the environment and climate many tonnes of CO₂ each year.

Our biggest carrier has started using their first electric trucks in Copenhagen K, Odense and Aarhus

in 2021, and in 2022 the company will be switching to HVO biodiesel in the other trucks in the same cities.

We have implemented a new car policy in 2021 that only allows for the use of hybrid or electric cars. It is no longer possible to choose a car that run solely on petrol or diesel.

We have continued to install electric charging stations at our own buildings in 2021.

In 2022, we will be working on our transport and defining targets for reducing our CO₂ emissions as part of the mapping of AO's scope 3 emissions.

DUE DILIGENCE AND RISKS

We have no formalised processes for 'due diligence' related to the environment, but assess potential environmental consequences of major investments, changes in working processes, new locations, new methods or patterns of transport etc., using the results as an integrated part of decision-making.

AO has identified the major risks in relation to our business activities related to the environment as being waste and recycling, energy consumption in the form of electricity and heating, and transport. Not surprisingly then, these are the very areas in which we prioritise our environmental efforts to minimise the risks related to these three areas.

KPIs AND RESULTS FOR 2021 – ENVIRONMENT AND CLIMATE

Based on our environment policy, we have continued to work towards achieving AO's environment and climate targets for 2021.

RESULTS FOR 2021:



Waste

- Our target for the year was to recycle more than 90% of the total amount of waste at our central warehouses in Albertslund and Horsens. We achieved a total of 87% and therefore failed to meet our target for 2021.
- Our target for the AO stores was to recycle over 50% of the total amount of waste at our stores in Denmark, and more than 80% in Sweden. We have met our target of a 51% recycling rate in Denmark and 89% in Sweden by 2021.
- Targets for average fill rate have been minimum 30 kg/m³ for cardboard and 55 kg/m³ for waste suitable for incineration at our stores in Denmark. For cardboard, we have achieved a fill rate of 22 kg/m³ and a fill rate of 50 kg/m³ for waste suitable for incineration. Both are below our targets for the year.
- One of our targets has been to reduce our packaging consumption so that the trend in the consumption of packaging (cardboard, measured in kg) at the central warehouses in Albertslund and Horsens is in line with or falls below the trend in the number of orders. Packaging consumption for 2021 stands at index 119, while the number of orders stands at index 125, thereby achieving our target for 2021.

“AO has initiated a replacement of its fleet of vehicles to more environmentally friendly electric and hybrid vehicles.”







Energy consumption

- We were aiming for a 10% reduction in remotely read power consumption at our stores in Denmark over a two-year period, starting in 2020. The major increase in activity in 2021 and the implementation of our AO365 concept offering our customers 24-hour access has led to a 7% increase in power consumption. Energy consumption is expected to be reduced in 2022, while a specific action plan will be established for reducing energy consumption annually as we approach 2025 and 2030.
- One of our targets for 2021 has been to link AO Sweden to MinEnergi2. However, this has not been possible due to the supply situation of the necessary hardware.



Transport

- The target for the number of drops made to B2B customers via AO stores in Denmark and Sweden was to achieve a share of at least 25% of delivery orders from AO's central warehouse. We have achieved a 23% share in 2021 (up on 2020), but we have failed to reach our target for 2022.
- We have regularly discussed in 2021 how our carriers must focus on minimising the impact of their fleets on the environment, and we have received regular reports on the agreed parts of our operations throughout the year.
- In 2021, one of our targets has been to reduce the distance driven on company business by 5-10% by reducing fuel consumption in 2021 compared with 2019 (which was not affected by COVID-19). We have managed to reduce consumption by 17%, thereby achieving our target.



Other areas

- We have introduced the Grønt Forbrug eco-label, thereby achieving our aim of extending our product information by adding an eco-label.
- One of our targets was to integrate non-financial KPIs in respect of the environment into local financial reporting. A report with selected KPIs relating to the environment has been tested in 2021 and was then put into operation at the end of the year, thereby achieving our target.
- We have prepared an analysis of our direct and indirect CO₂ emissions (scope 1 and 2) in 2021 using 2020 as a baseline, and we have started to identify our options for influencing this so as to integrate it into our climate and environmental work. Our target is thus achieved.
- We have continued and reinforced our cooperation with customers and suppliers in 2021 so as to focus more closely on sustainability and green solutions, thereby meeting our target in this regard.

SELECTED KPIs IN RESPECT OF CLIMATE AND THE ENVIRONMENT:

Indsatsområder	2019	2020	2021
Recycling at the central warehouse and logistics centre ¹	90%	86%	87%
Recycling at AO stores in Denmark ¹	36%	47%	51%
Recycling at AO stores in Sweden ¹	-	-	89%
Packaging index in relation to order index	-	100%	95%
Evolution of total energy consumption in Denmark ²	-5%	-3%	7%
No. of collection orders ³	22%	22%	23%
Development of fuel consumption in company cars ⁴	-	-	17%

¹ Calculated as recyclable waste in relation to total waste

² Remotely-read actual consumption in MinEnergi2 in AO (Denmark) of heat and electricity in kWh for the current year in relation to AO Denmark's total consumption of heat and electricity in kWh the previous year.

³ The number of online orders collected in our stores for the current year, measured in relation to the total number of delivery orders.

⁴ Fuel consumption for company cars for the current year measured in relation to the fuel consumption in 2019

We have achieved a number of our targets at AO, but there are also areas where we need to focus more closely on meeting our environmental and climate targets. We will be focusing a lot more closely on climate and sustainability overall in 2022, so our targets will be detailed and realised by 2025 and 2030.



“AO has focus on sorting of waste.”

EXPECTATIONS FOR OUR EFFORTS AND TARGETS FOR 2022

We will continue to focus on waste and recycling, energy consumption (heat and electricity) and transport in 2022, with the aim of minimising our impact on the environment and climate, and also continue working on our CO₂ emissions with a view to halving them by 2025.

We will be launching renovation projects in our stores in 2022 on the basis of our analysis of both CO₂ emissions and energy consumption.

We expect to extend internal non-financial reporting still further in 2022, making it easier to monitor our own environment and climate KPIs locally.

In 2022, we will be focusing on increasing the percentage of green products in our range when buying from our suppliers, so as to benefit our customers. We want to help our customers to focus more closely on green products by prioritising our range and engaging with customers.

We will also try to inspire and influence our partners to consider green solutions, and we will seek to exert an influence via industry associations, our employers' association and other public authorities.

We believe that working in partnership with our customers and suppliers provides us with a strong platform so that we can focus on sustainability and green solutions throughout the value chain.

We have improved the data for our environmental and climate initiatives over a number of years while also achieving specific results. Besides our climate targets of halving CO₂ emissions by 2025 and being carbon neutral by 2030, we are continuing to work towards specific environmental and climate targets for 2022.

TARGETS FOR 2022:



Affald

- Our target is to increase our recycling percentage from the current 87% by 2022, and our ambition is to achieve a recycling percentage of at least 90% by 2030.
Objective: To reduce our waste of resources.
- Our target for 2022 is to increase the percentage of total waste recycled at AO stores in Denmark and Sweden, and we will be looking more closely at how we calculate recycling percentages across locations.
Objective: To reduce our waste of resources.
- An average fill rate in 2022 of over 30 kg/m³ for cardboard and 55 kg/m³ for combustible waste at AO stores in Denmark.
Objective: To reduce our waste of resources and reduce transport.
- The trend in the consumption of packaging (cardboard, measured in kg) in 2022 at the central warehouses in Albertslund and Horsens is in line with or falls below the trend in the number of orders.
Objective: To minimise our consumption of resources as much as possible.



Energy consumption

- To stabilise and reduce energy consumption at our stores and devise a specific action plan for an annual reduction in AO's energy consumption as we head towards 2025 and 2030.
Objective: To reduce our consumption of resources and halve CO₂ emissions by 2025³.
- Link AO Sweden to MinEnergi2 so that its energy consumption can also be monitored locally and at group level for benchmarking with other locations.
Objective: To reduce our consumption of resources (reduce CO₂ emissions).



Transport

- The number of drops made to B2B customers via AO stores in Denmark and Sweden comprises at least 25% of delivery orders from AO's central warehouses.
Objective: To reduce transport, with associated benefits in terms of CO₂ emissions and the environment.
- In 2022, we will be working on our transport and defining targets for reducing our CO₂ emissions as part of the mapping of AO's scope 3 emissions.
Objective: To reduce our indirect CO₂ emissions.



Andre områder

- To increase the number of eco-labelled products and provide guidance to our customers on how to make eco-friendly choices so as to prop up sales to consumers with climate and environmental awareness. .
Objective: To reduce our indirect CO₂ emissions (scope 3) and contribute to a greener construction and installation industry.
- To continue to develop internal reporting using non-financial KPIs for the climate and the environmental impact.
Objective: To increase local awareness of environmental impact and ensure focus on financial and non-financial KPIs.
- To devise specific action plans for achieving the CO₂ targets for 2025 and 2030 and analyse AO's scope 3 emissions so that we can begin to reduce them.
Objective: to work actively on our carbon footprint.

³ Compared with our baseline CO₂ statement for 2020.

“AO lends a hand and has installed electric charging points for customers at several of our stores.”





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SOCIAL ASPECTS AND EMPLOYEE ASPECTS



Our employees are our biggest asset, and the reason for our success and results. We believe in being a socially-responsible business, and to ensure that our employees are content and have the best working conditions.

It has always been natural for us to work with social aspects and employee aspects.

AO complies with applicable legislation and international conventions on human rights in the countries and areas we conduct our business in. We maintain a zero tolerance approach towards human rights abuses. We believe that we only trade in countries where human rights are an integrated part of their national legislation, and where they are acknowledged and respected by industry and the public.

We believe that our main risk of human rights violations lies in the supply chain. We have developed a Supplier Code of Conduct that includes requirements to uphold human rights, which we expect our suppliers to comply with. We have recorded no breaches or instances of non-observance of our Supplier Code of Conduct in 2021.

Apart from the provisions contained in the Supplier Code of Conduct for suppliers, there are no separate targets, activities completed in 2021 or planned activities in 2022 in relation to human rights, but we regularly assess the need for such things.

POLICIES

AO's social and employee relations policy is an integral part of AO's CSR (Corporate Social Responsibility) policy.

AO wants to be a socially-responsible business, focusing on competent and respectful management in a safe, healthy and responsible working environment, where employees are content and encouraged to continuously improve their personal and vocational skills, to meet the changing needs of the labour market.

Ensuring good social conditions for our staff, and therefore for their families as well, is one of our priorities. We want to be able to accommodate staff throughout their lives and follow them safely into old age.

We maintain a zero tolerance approach towards abuse and discrimination, regardless of whether people have actively offended, or failed to take action when needed. Everyone at AO has shared responsibility for the prevention of offensive behaviour. We view equality, diversity and gender diversity as a natural element of our business – in both human and competitive terms.

We wish to ensure that AO is a popular and open workplace, where career advancement is possible regardless of gender, age, ethnic background, religion or political beliefs. This applies when recruiting and to internal promotion. We believe that it is the human and vocational skills that matter.

We want the gender composition of the business to be reflected in its management at board level and all other management levels, as we are convinced this will be to the benefit of the business in the short and long term. The Board of Directors consequently approved a policy for diversity within the company's management team on 9 December 2021. This policy can be viewed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2022.

In accordance with Section 139a of the Companies Act, we have set targets for the gender composition of the senior management organ and devised a policy for increasing the number of the under-represented gender at the other levels of management within the company in Denmark.

The statutory report on gender composition for the management under Section 99b of the Financial Statements Act can be found at https://ao.dk/globalassets/download/regnskabsdata/2022/diversity_2021_report.pdf, along with AO's policy to increase the number of the under-represented gender within the other levels of management within the company at https://ao.dk/globalassets/download/regnskabsdata/2022/gender_composition_of_management_2021_report.pdf.

SOCIAL AND EMPLOYEE-RELATED MEASURES AND ACTIONS, INCLUDING RISKS

We focus continuously on the progress and welfare of individual employees, providing the basis on which those individuals can do their job to the best of their ability. This is achieved through daily and attentive management, and annual employee performance review interviews. Personal and vocational performance are discussed at such interviews, including job content, development and welfare.

We take staff development very seriously, and we view it as our social responsibility to educate our trainees and get them off to a good start in their careers.

That is why we regularly employ new trainees within sales, HR, accounts, IT warehousing and logistics to ensure that we always have the right skills mix.

AO offers a wide range of courses and training for those employees who want to develop and gain new qualifications. We offer management courses, trade qualifications (e.g. pipelayer, warehouse and logistics), courses on digital tools, languages, etc.

They provide everyone with the chance to improve their skills within their existing functions, and as a means to move to new functions within AO.

We are aware that not everyone has equal opportunities, and seek to compensate by providing flexible and sheltered jobs, and working with the local authorities to conduct work trials within the business.

This makes a lot of sense in relation to our standing in the local community in relation to those employees no longer able to work under the same conditions as before. For the same reason, we have a 'senior policy', designed to give employees the chance to plan for their retirement and the content of their last few years at work well in advance, so that their job can be adapted to their capabilities and what they want.

On average we have had around 6% of our staff, on reduced working hours in the form of senior staff schemes, light duties and part-time work.



“Our employees are our biggest asset, and AO has a strong focus on staff development, health and well-being.”

We continued to increase communication throughout the company in 2021 by means of newsletters and short virtual presentations on matters such as financial results, data security, new digital tools, etc. Both of these bring the organisation closer together and boost our understanding of the business as a whole.

As a workplace, we focus on the working environment, health and safety. We are committed to reducing occupational accidents, and we are focusing on illness and prevention of illness.

Occupational accidents and sick leave are closely monitored, reports from the Danish Working Environment Authority's inspections are reviewed, and when necessary, action plans are drawn up.

We saw an increase in the number of occupational accidents over the first six months of 2021 due to higher activity and major new construction and renovation on our sites. This prompted us to implement a number of measures to create better space and visibility and reduce traffic.

We had a conveyor belt installed between the central warehouse and the store in Albertslund, which in itself eliminated around 300 trips a day between the warehouse and the store.

The number of occupational accidents then fell significantly over the second six months of the year, so numbers overall were down on 2020. We are very keen to maintain this great trend and will be continuing to implement specific initiatives in 2022 with a view to reducing the number of occupational accidents.

Sick leave in 2021 was down on 2020. This is due to continued efforts by HR; and moreover, we

believe that the option of working from home during the COVID-19 pandemic has had an impact, with employees with mild symptoms choosing to work from home rather than taking sick leave.

We value the right to privacy and make every effort to ensure that only necessary information is recorded and used for legitimate purposes. As an extension of our development of responsible data use in society, we have decided to supplement our efforts with regard to information security and personal data protection by focusing specifically on data ethics. We established a data ethics task force in late 2021 which has been tasked with making recommendations to the IT Security Council on data ethics policy, data ethics principles and data ethics controls in relation to the policy.

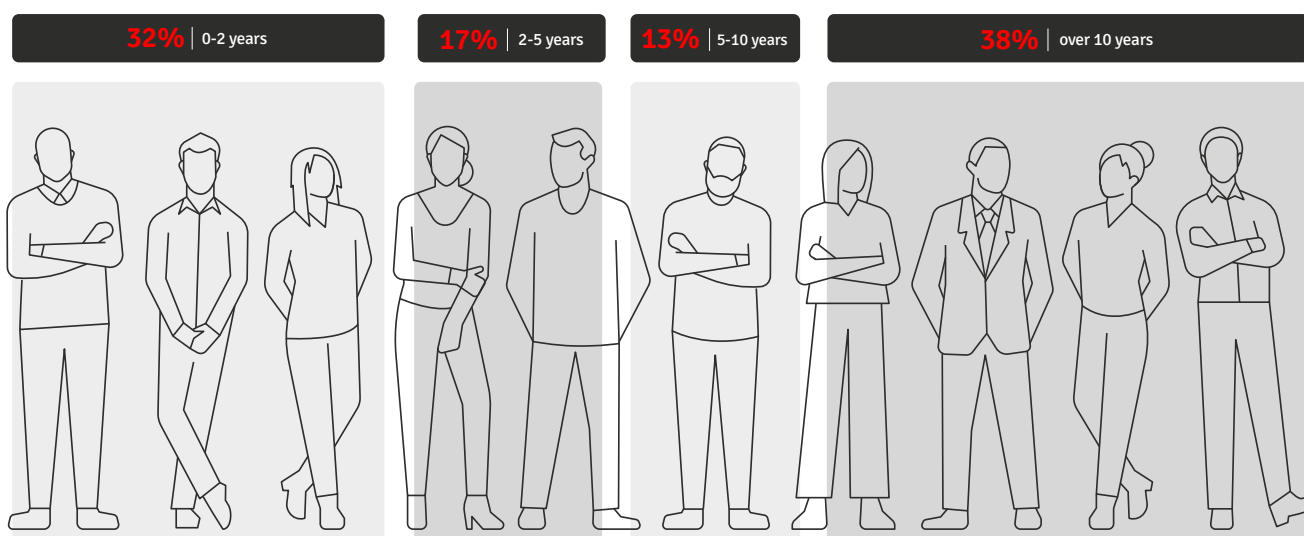
When the data ethics policy and principles have been approved, the task force will be making recommendations to the IT Security Council on data ethics assessments. This will include looking at any specific dilemmas in respect of data ethics so that the IT Security Council can discuss such matters and make decisions on them.

The data ethics task force held its first meeting on 5 January 2022.

Our employees are crucial to the success of the business and its results, which is why there is considerable risk associated with their welfare. We therefore focus hard on countering the risk of losing skilled employees, and the risk of not being able to recruit and develop the necessary resources and skills. We do so by prioritising employee development and welfare, and by being highly visible and present in the industry.

The results are clearly reflected in the seniority of our employees. We had a retention percentage of 86% and average seniority of 9.3 years at AO Denmark in 2021. We are proud of this, as it shows how strong the AO culture is.

Our seniority breakdown is as follows:



THE COVID-19 PANDEMIC

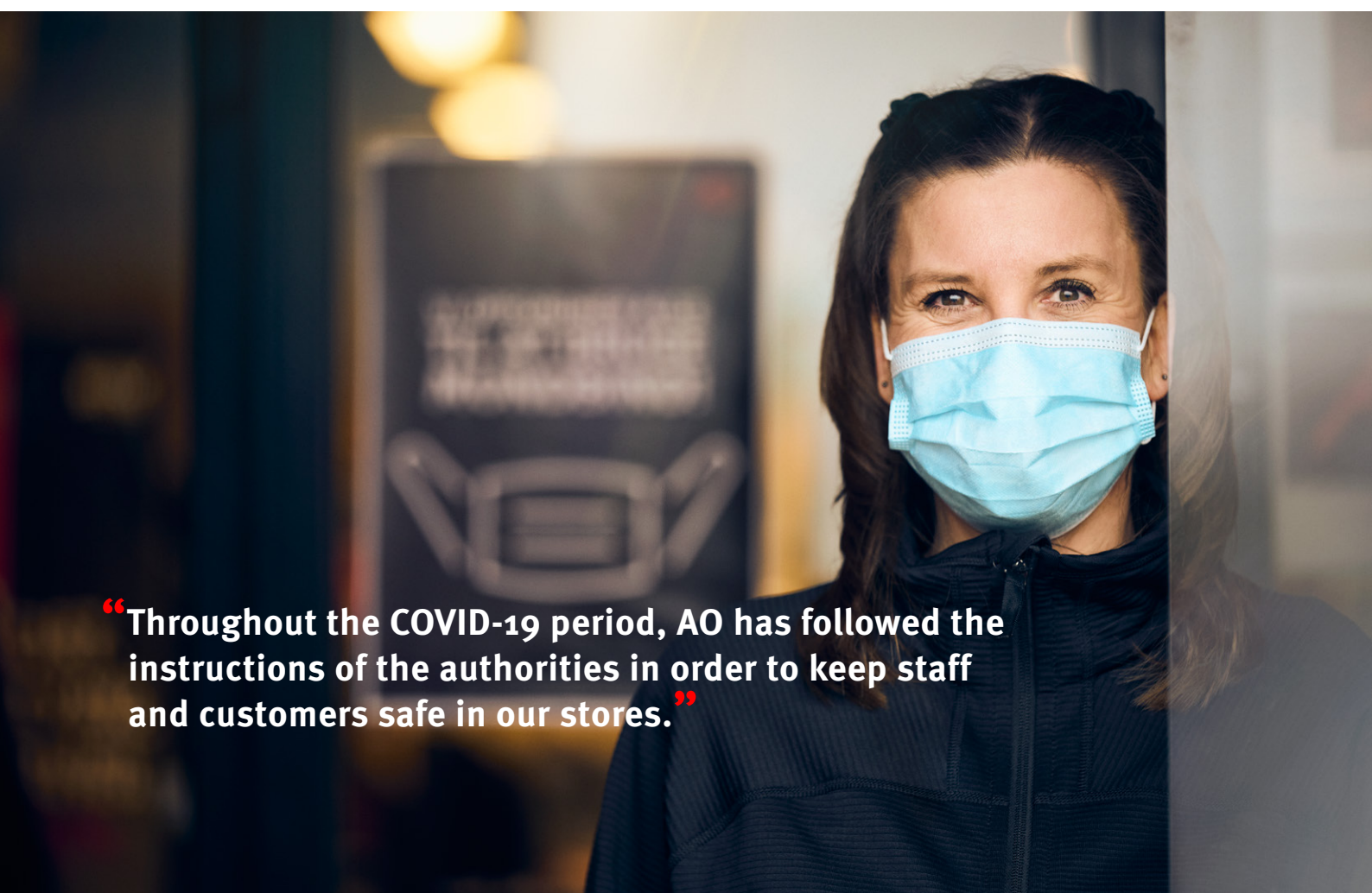
2021 has been another year affected by the COVID-19 pandemic and the resulting restrictions; particularly in the first quarter of 2021, when Denmark was on lockdown for much of the year. Fortunately, we had good experiences in 2020 and were able to take the necessary precautions to protect our customers, staff, suppliers and partners throughout 2021.

In 2021, too, we have been very aware that apart from the actual risk of infection, the new situation has meant an increased risk to the mental wellbeing of all our employees, regardless of whether they have been sent home or are physically at work.

Considerable demands are made of management when the majority of administrative employees have to work from home. We have worked hard to ensure close contact despite physical distance, by holding online meetings and virtual workplaces on a one-to-one and group basis. We have been aware that staff react differently to working from home, and we have tried to ensure our managers maintain a presence. The management has kept in close contact with everyone, to ensure no one feels they have been left to themselves.

We believe we have largely succeeded in maintaining both welfare and efficiency in 2021 despite the restrictions. Once again, we have received confirmation of how strong the organisation's determination is to make things work in difficult times, and how strong the bond has remained despite the distances involved and having to work from home.

Working from home and the use of virtual tools makes heavy demands on the IT infrastructure and its security. Consequently, we have focused heavily on data security.



“Throughout the COVID-19 period, AO has followed the instructions of the authorities in order to keep staff and customers safe in our stores.”

KPIs AND RESULTS FOR 2021 – SOCIAL ASPECTS AND EMPLOYEE ASPECTS

We worked on many fronts with social and employee aspects in 2021. Many of the measures and activities could not be weighed and measured, but they all contributed to ensuring good working conditions and welfare for the individual at work.

RESULTS FOR 2021:



Social aspects

- We set a target in 2021 of all employees having an average of 2.5 training days. This was an unachievable target because of the COVID-19 pandemic, as most courses were cancelled in 2021. The average number of training days per employee in 2021 was just 0.8 days, and so we have not achieved our target for the year.
- Our target for 2021 is for the total number of trainees employed at AO Denmark to comprise 4% of the total AO Denmark workforce. We had a total of 39 trainees by the end of 2021, equivalent to 5.4% of the workforce and thereby achieving our target.
- AO Denmark employs 20% women and 80% men. Our target was to ensure that in 2021, 11% of managers for other management levels at AO Denmark were female. This target has been achieved as 11% of managers at other management levels are female.
- Our target retention rate for 2021 stood at a minimum of 87% for Group employees. We have achieved a retention rate of 86% in 2021. This figure is positive but stands one percentage point below our target, which has not been achieved. However, we want to improve even more; and in 2022 we will be doing more in respect of the onboarding process. We are anticipating that this will have a positive effect on the retention rate.
- The total percentage of AO staff who have worked for the company for more than five years stands at 51% in 2021. The 50% target for 2021 has therefore been achieved.



The working environment

- A maximum of 3.5% sick leave was our target for 2021. Sick leave in 2021 has declined on 2020 and stands at 3.3%. Our target is thus achieved.
- The number of occupational accidents at AO Denmark, including external temporary workers, was 2.8 occupational accidents per 100 employees, of which 48% of accidents resulted in absences of one day or less and 52% resulted in absences of more than one day. Our target for occupational accidents in 2021 has been to reduce the number of occupational accidents so that there were no more than 3.25 occupational accidents per 100 employees at AO Denmark, including temporary workers, in 2021. We have achieved our target, with 2.8 occupational accidents in 2021.
- The Danish Working Environment Authority has visited us on a number of occasions in 2021. We received one enforcement notification and complied with this immediately. We now have green smileys from the Danish Working Environment Authority at all locations once more. However, we have not achieved our target of no enforcement notifications in 2021.

UDVALGTE NØGLETAL FOR SOCIALE FORHOLD OG MEDARBEJDERFORHOLD:

Priority areas ¹	2019	2020	2021
No. of training days per employee	2.9 days	0.9 days	0.8 days
Number of trainees at AO Denmark	2,9%	4,5%	5,4%
Gender diversity at AO Denmark	19%/81%	19%/81%	20%/80%
Gender diversity, other management teams, % ²	11%/89%	10%/90%	11%/89%
Gender diversity – number of women/men on the Executive Board	2/3	2/3	2/3
Retention rate ³	-	88%	86%
Employees with more than five years of experience	-	55%	51%
Percentage on senior staff schemes, light duties and part-time work	-	7,4%	5,8%
Sick leave	3,9%	3,7%	3,3%
No. of occupational accidents per 100 employees ⁴	2,5 ⁵	3,6 ⁶	2,8 ⁶

1 KPIs compiled for AO Denmark.

2 Gender breakdown, other management types (Executive Board, function directors, store managers and middle managers at the functions).

3 Proportion of average number of employees for the year, who has not resigned

4 The number of occupational accidents is measured in relation to the total number of employees and calculated per 100 employees

5 KPIs calculated for AO Denmark, excluding external temporary workers.

6 KPIs calculated for AO Denmark, including external temporary workers.

All in all, we are pleased with the results achieved in 2021 in respect of training, retention and the working environment.

EXPECTATIONS FOR OUR EFFORTS AND TARGETS FOR 2022

We will continue to focus on employee welfare and development in 2022.

The length of service offered by our staff is high and we have a good retention rate, but we would like to be even better. That is why we will be continuing to work on the onboarding process in 2022 in anticipation of a positive impact on resignations and the retention rate.

We hope we will be able to focus on training activities in 2022 so that we can return to our pre-pandemic level.

We will also continue to employ trainees so as to ensure that we always have the necessary resources in the form of skilled employees trained within our field.

TARGETS FOR 2022:



Social aspects

- Average number of training days per employee is 2.5 over the full year, taking into account the uncertainty related to the COVID-19 restrictions.
Objective: To develop our employees' skills.
- Total no. of trainees employed at AO Denmark will comprise around 4.0% of the total number of employees.
Objective: To bring in new resources and skills and ensure that we always have skilled employees trained within our field.
- The proportion of female managers for other management at AO Denmark will be 11%.
Objective: To ensure gender diversity at management level.
- Retention percentage to be minimum 87% for group employees.
Objective: To ensure we retain experienced employees and expertise at AO.
- Employees with seniority of over five years should comprise at least 50% of the total number of group employees.
Objective: To ensure we retain experienced employees and expertise at AO.



The working environment

- Sick leave cannot exceed 3.5%.
Objective: To ensure employee welfare and security at work.
- Reduction in the number of occupational accidents by 10% compared with 2021, equivalent to a maximum of 2.5 occupational accidents per 100 employees at AO Denmark, including temporary workers.
Objective: To ensure a safe, secure environment.
- Green smileys from the Danish Working Environment Authority at all locations. No orders or reprimands.
Objective: To ensure that we fulfil the rules and guidelines of the Danish Working Environment Authority.

Johansen
1914 · 1-1 · 1939
one mirror photo



O. Johansen
1914 · 1-1 · 1964



H. J. Hansen
1919 · 1-12 · 1959



Marie Rasmussen
1920 · 1-11 · 1960

“AO’s employee photo wall displaying staff who have celebrated 25th and 40th work anniversaries tells the story behind AO’s success.”



GOVERNANCE

We manage and control our business in a responsible manner at AO, ensuring integrity and fairness in the way in which we do business.

We are committed to ensuring that we practise good corporate governance and are transparent about matters where our position may differ from the recommendations set out in “Recommendations on Corporate Governance” (Anbefalinger for god selskabsledelse).

RECOMMENDATIONS ON CORPORATE GOVERNANCE

The Board of Directors maintains engaged and active communication on compliance with “Recommendations on Corporate Governance” (Anbefalinger for god selskabsledelse), which leads to changes to the work of the Board of Directors as necessary. It is important for the Board of Directors to ensure that these recommendations add value for the company’s stakeholders.

In December 2021, the Board of Directors decided to establish both a Nomination Committee and a Remuneration Committee in accordance with “Recommendations on Corporate Governance”, sections 3.4.4. and 3.4.5.

The Board of Directors has since chosen to follow 32 out of 40 recommendations in 2021. Recommendations where the Board of Directors has chosen an approach other than “Recommendations on Corporate Governance” are presented below:

Recommendations on Corporate Governance	AO’s approach
1.3 Takeover attempts	
<p>1.3.1. The Committee recommends that the Company has a procedure in place in the event of takeover bids, containing a “road map” covering matters for the Board of Directors to consider in the event of a takeover bid, or if the Board of Directors obtains reasonable grounds to suspect that a takeover bid may be submitted. In addition, it is recommended that it appears from the procedure that the Board of Directors abstains from countering any takeover bids by taking actions that seek to prevent the shareholders from deciding on the takeover bid, without the approval of the general meeting.</p>	<p>The company has a special ownership structure in which ordinary shareholders hold more than 70% of the voting rights. Given the Company’s ownership structure, the Board of Directors reserves the right to reject takeover bids in certain instances without submission to other shareholders.</p>
2.2 Members of the Board of Directors	
<p>2.2.3. The Committee recommends that if the Board of Directors, in exceptional cases, requests a member of the Board of Directors to take on special duties for the company, for instance, for a short period to take part in the daily management of the company, the Board of Directors should approve this in order to ensure that the Board of Directors maintains its independent overall management and control function. It is recommended that the company publishes any decision on allowing a member of the Board of Directors to take part in the daily management, including the expected duration thereof.</p>	<p>Ordinary shareholders appoint four of the five Board members elected by the Annual General Meeting. The CEO is one of the Board members appointed by ordinary shareholders and has been in charge of the day-to-day management of the company since 1981, is a Member of the Board and holds more than 70% of voting rights in the company.</p>

Recommendations on Corporate Governance

AO's approach

3.2 Independence of the Board of Directors

3.2.1. The Committee recommends that at least half of the members of the Board of Directors elected in general meeting are independent in order for the Board of Directors to be able to act independently avoiding conflicts of interests.

The individual Board members are deemed to possess the necessary skills and experience and to be able to act independently of special interests. An overall assessment of the skills and experience of each candidate will be included during the annual evaluation of the Board of Directors and the nomination of candidates to the Board of Directors. Independence forms part of this assessment but is not the deciding factor, as it is felt that skills, experience and insight into the business are more important.

3.2.2. The Committee recommends that members of the Executive Management are not members of the Board of Directors and that members retiring from the Executive Management does not join the Board of Directors immediately thereafter.

Ordinary shareholders appoint four of the five Board members elected by the Annual General Meeting. The CEO is one of the Board members appointed by ordinary shareholders. Cf. section 2.2.3.

3.4 Management Committees

3.4.2. The Committee recommends that Board Committees solely consist of members of the Board of Directors and that the majority of the members of the Board Committees are independent.

The Board of Directors elects members to the Management Committees on the basis of a summary assessment of qualifications, including independence, the Board of Directors being of the opinion that insight into the company and the tasks of the Management Committees are more significant than independence. The Management Committees are made up solely of members of the company's Board of Directors. Cf. section 3.2.1.

3.4.3. The Committee recommends that the Board of Directors establishes an Audit Committee and appoints a Chairman of the Audit Committee, who is not the Chairman of the Board of Directors.

The Board of Directors will elect the members of the Audit Committee, including the Chairman, on the basis of a summary assessment of qualifications. The Board of Directors is of the opinion that qualifications are of the greatest significance when selecting the Chairman of the Audit Committee, and has therefore chosen to disregard the fact that he is also the Chairman of the company's Board of Directors.

3.5 Evaluation of the Board of Directors and Executive Board

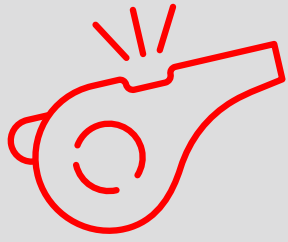
3.5.1. The Committee recommends that the Board of Directors once a year evaluates the Board of Directors and at least every three years engages external assistance in the evaluation. The Committee recommends that the evaluation focuses on the recommendations on the Board of Directors' work, efficiency, composition and organisation, cf. recommendations 3.1 to 3.4.

The usual procedure for evaluation of the Board of Directors will be applied for 2021. This procedure will follow the same structure as that recommended by the Committee.

5.1 Identification of risks and disclosure of further information of relevance

5.1.2. The Committee recommends that the Board of Directors establishes a whistleblower scheme, giving the employees and other stakeholders the opportunity to report serious violations or suspicion thereof in an expedient and confidential manner, and that a procedure is in place for handling such whistleblower cases.

The company operates in compliance with the legislation, which currently only requires an internal whistleblower scheme to be established. The established whistleblower scheme is currently available only to employees of the company. The need to extend this to other stakeholders will be reviewed at regular intervals.



AO HAS IMPLEMENTED AN INTERNAL WHISTLEBLOWER SCHEME.

WHISTLEBLOWER SCHEME

When the Whistleblower Protection Act was enacted, it became statutory for all companies employing 50 or more staff to have an internal whistleblower scheme as of 17 December 2021.

Integrity and fairness are key to everything we do, and that is why we have welcomed the new whistleblower scheme.

We have chosen to establish an internal whistleblower scheme that allows our employees, Executive Board and Board of Directors to report any reasonable suspicion of serious matters or offences in the workplace.

Fundamental trust, transparency and good dialogue have always been an essential element of the AO culture, and we view the new whistleblower scheme as a complement to this.

The scheme is administered externally, and our HR Director bears overall responsibility in-house for any reports which are passed on for further investigation following an assessment by our external party.

The scheme is so new that we have not accrued any experience with it as yet. However, we will assess at least once a year whether the scheme is working as intended, and whether we should extend it so as also to include external partners, citizens, etc.

RISK MANAGEMENT

The most significant risks to the company are managed on an ongoing basis and presented in the company's annual report.

We are generally seeing greater volatility in society and industry, economic fluctuations appearing to occur at an ever-increasing pace. This increases the need for the company to maintain effective management of its risks and threats.

The threats facing businesses have also altered in the last few years. Digital risks and threats are also becoming increasingly apparent as digitisation becomes more widespread in society and industry.

This increases the need for contingency plans to be defined and implemented in case the company falls victim to incidents or attacks, including hacking.

We discuss the development of risks and threats on a regular basis and try to ensure that we are best equipped to deal with current threats.

RELATIONSHIPS WITH STAKEHOLDERS, INCLUDING SHAREHOLDERS

AO conducts an annual assessment of relationships with the company's stakeholders.

There has been a significant increase in trading in the company's shares in recent years: these are listed on Nasdaq.

Specific initiatives have been implemented with a view to improving transparency and the informative value of the company's affairs and performance. The following decisions have been made as part of this:

- A quarterly webcast presentation of the company's annual report and interim financial report will be made at the time of publication, starting with the annual report for 2021.
- That there will be a further description of segment information and reporting on the same in the company's annual report, starting with the 2021 annual report.

The Board of Directors will propose to the Annual General Meeting that a share split take place, whereby the unit size of preference shares will be changed from DKK 10 per share to DKK 1 per share. The aim of this will be to stimulate trading in the company's shares on Nasdaq and ensure the most accurate pricing possible.

It will also propose a change in the name of the shares to the Annual General Meeting, so that the current share classes, ordinary shares and preference shares, will be changed to class A and class B shares.

The aim of this is to increase liquidity in AO shares and to secure trading in class B shares from investors in countries where there is no tradition of investing in preference shares.

SUPPLIERS AND BUSINESS ASSOCIATES

AO complies with applicable legislation and international conventions for best business practice, including anti-corruption and bribery in the countries and areas we conduct our business in. We maintain a zero tolerance approach towards corruption. We believe that the countries in which we operate are all well-regulated in relation to the environment, social aspects and employee rights, human rights, anti-corruption and bribery.

However, we are aware that our dealings with suppliers can represent a potential risk of violation in such areas, primarily from direct and indirect purchasing from countries where local legislation is lax within this area, or where it is not acknowledged, respected and enforced.

TRADING WITH SUPPLIERS

We have compiled a Supplier Code of Conduct for suppliers, which we discuss with the supplier before signing or renewing a contract, and which is an integral part of the trading contract between AO and the supplier. The aim of the Code is to act as a means of reconciling expectations between AO and our suppliers.

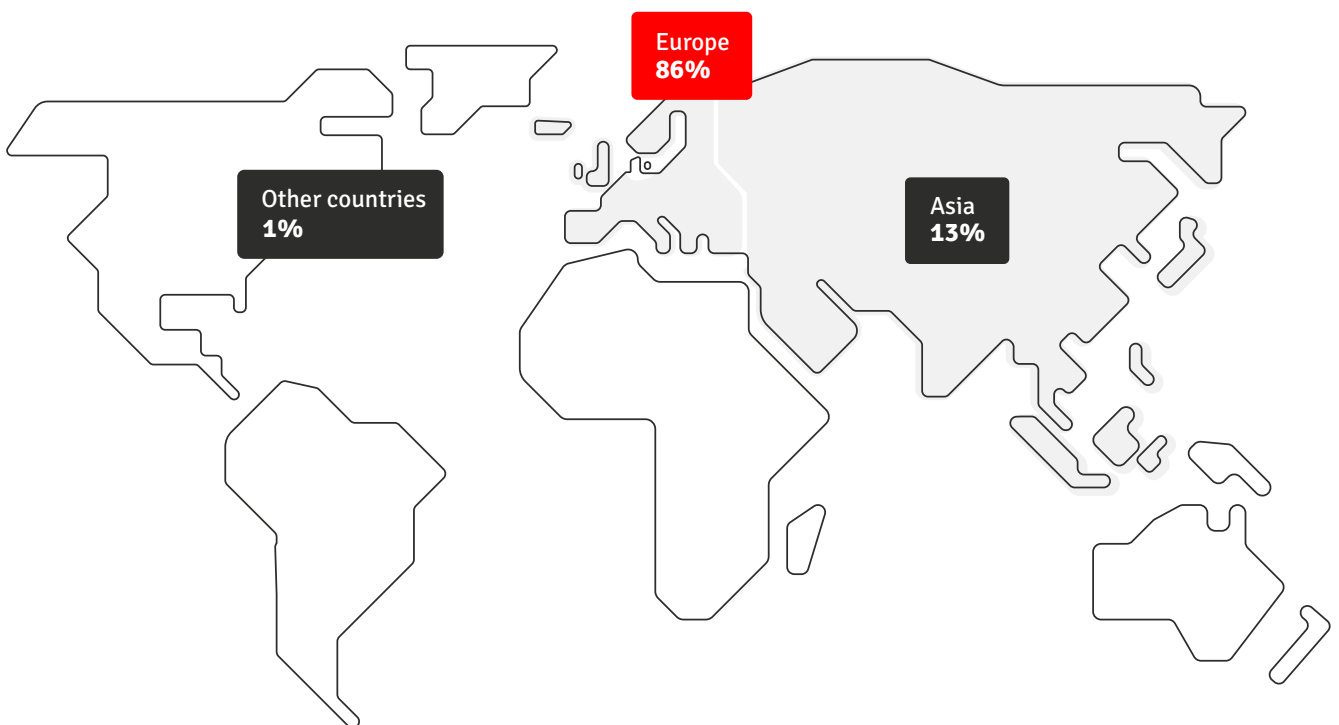
The Supplier Code of Conduct contains provisions on compliance by suppliers and their subcontractors of internationally recognised rules for workers' rights, human rights, the environment, bribery and corruption.

We hope that such discussions and the Supplier Code of Conduct will inspire and motivate our suppliers to set their own targets and to work with the individual areas through their activities, but we do not stipulate reporting to us as yet.

The Supplier Code of Conduct has been approved by the Board of Directors and can be accessed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2022

We regularly monitor purchasing patterns and the origin of our goods so as to ascertain the risk of non-compliance with our Supplier Code of Conduct. We have recorded no breaches or instances of non-observance of our Supplier Code of Conduct in 2021.

Breakdown of our purchasing by country of origin for 2021:



“86% of our purchases originate from Europe”

Based on the current distribution of our procurement, we estimate that the risk of non-compliance with our Supplier Code of Conduct is relatively limited and relates mainly to procurement in Asia and other countries outside Europe, representing 14% of total procurement (2020: 12%).

We will continue to monitor and ascertain the need for additional measures within this area in 2022.

ANTI-CORRUPTION AND BRIBERY

We acknowledge that the boundaries for corruption and bribery can be fluid, even in a well-regulated country such as Denmark. We have concluded that we are merely at limited risk of contributing to corruption and bribery as we only operate in well-regulated countries and as we only source a small proportion of our purchase from countries outside Europe. We do not have a separate policy for anti-corruption and bribery as this is covered by our internal rules and our Supplier Code of Conduct.

Internal rules ensure our independence of customers and suppliers including supplier and customer events and gifts. Most of our limited risk is in the supply chain and is regulated by our Supplier Code of Conduct, as described above.

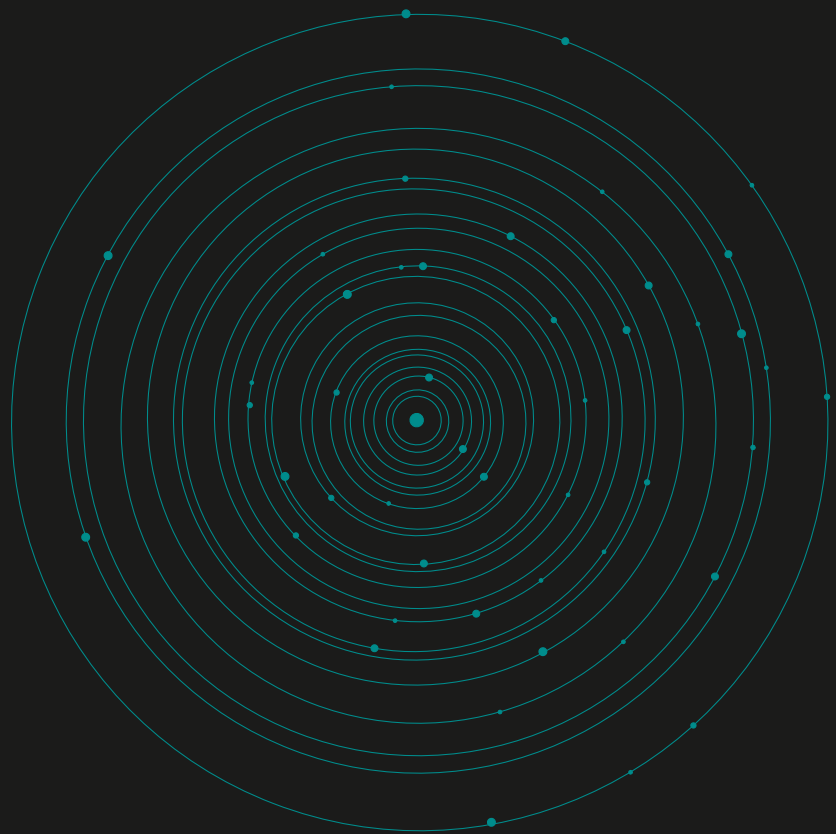
We have recorded no breaches or instances of non-observance of our Supplier Code of Conduct in 2021.

In connection with our monitoring of purchase patterns in 2021 no breaches or non-observance of our Supplier Code of Conduct have been recorded. No specific activities in relation to this area have been planned for 2022, but we regularly assess the need for this.

SELECTED KPIs IN RESPECT OF GOVERNANCE:

Focus areas	2020	2021
Gender diversity – number of women/men on the Board of Directors ¹	0/5	0/5
Attendance at Board meetings	97%	98%
Attendance at meetings of the Audit Committee	100%	100%
Number of provisions in “Recommendations on Corporate Governance” followed by AO	37/47	32/40
Number of provisions in “Recommendations on Corporate Governance” where AO has opted for a different approach	10/47	8/40
Number of whistleblower reports	-	0

¹ Board members elected by the Annual General Meeting – women/men.



ESG

**STATUTORY REPORT ON
CORPORATE SOCIAL
RESPONSIBILITY**
CF. SECTION 99a OF THE DANISH
FINANCIAL STATEMENTS ACT.

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