

Statutory Report on Corporate Social Responsibility, cf. Section 99a of the Danish Financial Statements Act

This statutory report on corporate social responsibility for Brødrene A & O Johansen A/S (hereinafter called AO) is part of the Management's Review in the Annual Report for 2018 and covers the accounting period from 1 January to 31 December 2018.

AO is a knowledge-based IT and logistics enterprise. Our customers are primarily in Denmark, and most of our purchases are made in Europe.

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 in the countries, where we operate.

AO complies with current legislation and international conventions in the countries and communities where we operate.

We want to be a responsible company that, on a general level, observes the UN Global Compact's ten principles on human rights, labour standards, the environment and anti-corruption.

In our work with corporate social responsibility we have chosen to focus primarily on the **environment and climate**, and **social conditions and working conditions** as the most significant areas.

This choice has been made on the basis of an analysis of CSR related risks and our social impact in the local communities in which we operate. In our opinion, all the countries in which we operate are well-regulated in relation to environment, social conditions, working conditions, human rights, and anti-corruption.

On the basis of our analysis, we have concluded that we can make a positive difference, both internally and externally, primarily by working with environmental and climate issues.

Social conditions and working conditions are the obvious choice due to the fact that we consider our employees our greatest asset and the reason for our success and results.

The CSR policies are controlled by AO's Board of Directors who, once a year, follow up on financial and non-financial key figures.

AO's Business Model

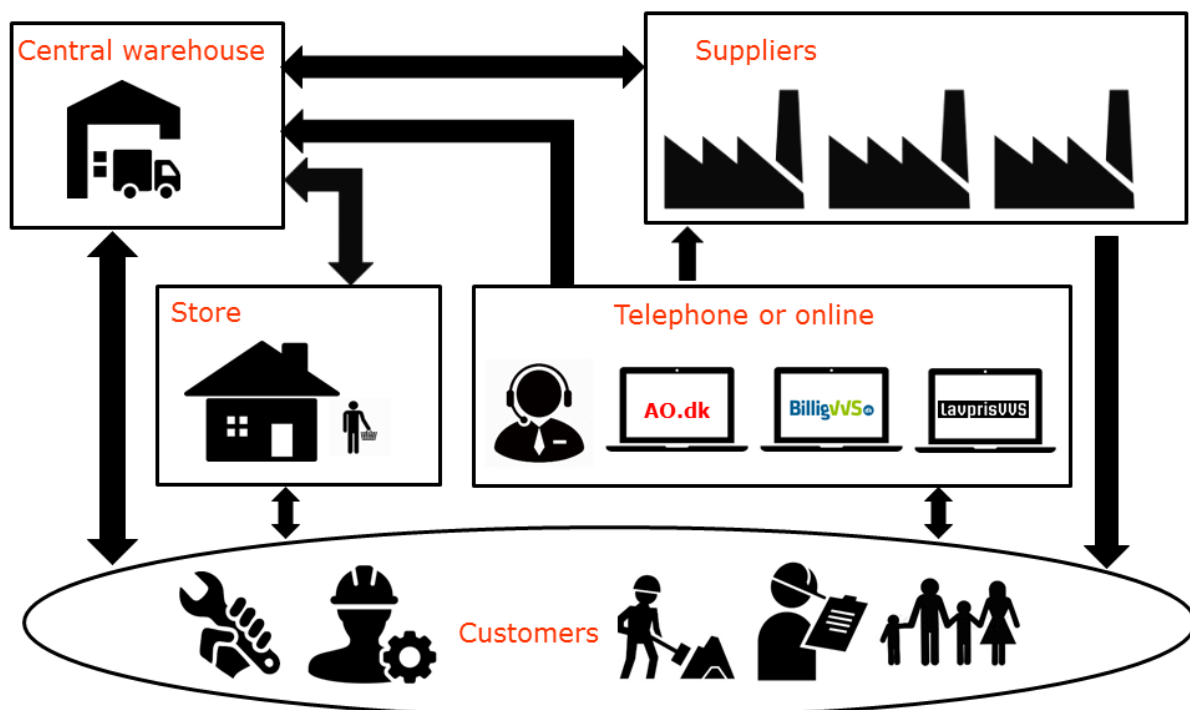
AO is a knowledge-based IT and logistics enterprise with a wide technical range of heating, plumbing and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

The key concept is one-stop shopping where our customers are offered a complete product range as part of a collection and delivery system, which is supported by strong IT and online trading systems.

Our business is directed toward the professional market and the private market. Through an efficient storage and distribution system we are able to effect prompt deliveries to professional tradesmen, installers, private individuals, municipalities, utilities and public institutions.

Sales are channelled through AO's stores and competency centres, where customers may place orders and get advice and direction as well as offers over the phone and through various webshops.

AO's business model is illustrated below:



In addition, we have developed a number of IT concepts and online trading solutions that strengthen our customers' ability to compete, and through AO.dk, smartphone apps and self-service solutions in our 50 stores they are able to streamline their business procedures.

Environment and climate

As an IT and logistics enterprise selling plumbing, heating and sanitary ware products, electrical equipment and components, water supply and drainage products, as well as tools, and having only a very limited own production through our activities in Vaga, our direct social impact on the environment and climate is limited. Nevertheless, we have chosen to work actively to make a positive difference and reduce our negative impact on the environment.

In Denmark, we are environmentally certified according to DS/EN ISO 14001. In 2018, we were once again audited by DNV, and our environmental certificate is now in accordance with DS/EN ISO 14001:2015.

Policy

We have an environmental policy, which focuses on the continued improvement of the company's environmental performance. AO acknowledges that an active consideration for the environment is important, and through our purchases, investments and other operations we will help to protect the environment, so that the development of society may take place in a sustainable way.

We focus on reducing our most **significant** environmental and climate impacts and have identified

- waste – reduction and recycling
- energy consumption – electricity and heat
- transport – bigger consignments, less haulage and fewer number of kilometres driven in the service of the company (driving in company cars and mileage allowance)

as the most significant.

Read more in the company's environmental policy at AO.dk: <https://ao.dk/om-ao/fakta-om-ao/csr/miljopolitik/>. (In Danish only).

Environmental initiatives and actions, including risks

At the end of 2016, a nationwide agreement on waste collection was concluded. It has been implemented in all AO stores, the logistics centre and, in 2018, at the central warehouse in Albertslund.

The new agreement makes it possible to differentiate various type of waste at all AO locations and to optimise the number of emptyings by monitoring the fill levels of waste containers. Thus, the number of transports to and from the stores in connection with the disposal of waste is reduced. Small quantities of specific waste types generated at the locations are no longer being collected. Instead, this waste is being disposed of by being sent to the central warehouse together with returns that are to be returned anyway. From here the waste is disposed of with all relevant waste from the central warehouse

In 2017 and 2018, we have been working on establishing remote reading of the energy consumption at all AO locations. At the end of 2018, remote reading of heat and electricity has been established in more than 95% of our locations. In the remaining stores it has not been possible to install remote reading units, and they will therefore continue doing manual readings. In 2018, remote reading of the energy consumption has been applied in order to obtain a more detailed overview of the local consumption and to identify opportunities for reducing it.

We have also carried out several energy projects, i.a., the replacement of outdated lighting fixtures with modern and energy-saving LED lights and an extensive renovation of our remote warehouse at Herstedvang 6.

In 2018, we have continuously focused on increasing the number of deliveries to our stores. Instead of delivering goods directly to our customers, we aim at delivering large consignments containing many orders to our stores, thus saving transport costs, when possible, and reducing our environmental impact.

We have chosen to have energy friendly company cars with efficiency class ratings. To the greatest extent possible, we encourage our employees to use carpooling in connection with in-house meetings, and we have launched a project aimed at increasing the number

of Skype meetings. We hope both initiatives will help to reduce driving in the company's service.

On a regular basis, we try to encourage our suppliers to reduce their environmental and climate impacts. Prior to the conclusion or renewal of a business agreement we make an environmental assessment of each individual supplier based on a simple questionnaire. We also require that our suppliers observe AO's Supplier Conduct for Suppliers, which is available at <https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct>. In addition, see below under "CSR and business partners".

In our stores we advise our customers on the choice of environmentally friendly products and encourage them, among other things, to use the "WUPPI" scheme for the recycling of PVC products, and our customers can hand in spent light sources and batteries when they buy replacements.

Through energy optimisation in our stores we will lead the way in the efforts to save energy, and at the same time we will make our customers aware of the new opportunities for energy efficiency.

Through our magazine "Worker" we try to make our customers aware of environmentally sound choices and good environmental solutions. We do not have any formalised processes for "due diligence" regarding the environment, but we evaluate potential environmental consequences in connection with all new major investments, changes in work processes, new locations, new transport methods or new transport patterns, etc., and include them as an integral part of our basis for decision.

In AO we have identified the most significant risks related to the environmental impact of our business activities as being waste and recycling, energy consumption in the form of electricity and heat, and transport. It is therefore not surprising that these three areas have priority in our work to minimise environmental risks.

Environmental and climate key figures and results for 2018

On the basis of AO's environmental policy, we have continued to work on environmental performance measurement in order to achieve AO's environmental and climate goals for 2018.

In 2018, we obtained the following results:

Waste

- With the new agreement on waste collection, focus on recycling more than 70% of the total amount of waste generated at AO's central warehouse and logistics centre continued in 2018. 87% of the total amount of waste was recycled (2017: 86% at the central warehouse in Albertslund and the logistics centre in Horsens). Our goal for 2018 was therefore achieved.
- It was an objective to recycle more than 40% of the waste volumes in AO's stores. In 2018 we have recycled 38% of the waste volumes in AO's stores. Our goal is therefore not achieved. The reason for the low recycling rate is that some stores in 2018 have accepted receipt of used sanitary ware that is not recyclable. Adjusted for this, the recycling rate for our stores is 41%.
- The agreement on waste collection is now fully implemented in all locations, and in 2019 it will provide a full overview for 2019 and enable a more detailed follow-up on local consumption. The goal for 2018 was to reduce the number of emptyings by more

than 10%. As 2018 has been used as a running-in period for all locations, it has not been possible to measure the effect in 2018 in isolation. The goal is therefore not achieved.

Energy consumption

- The objective was to reduce the total energy consumption in AO's administration building and central warehouse (electricity and heat) by a minimum of 5% compared to 2017. The total energy consumption in AO's administration building and central warehouse decreased by just over 5%, and the goal for 2018 is therefore achieved.

In 2018, it was an objective to establish a database for electricity and heat measurements in the individual stores and in sub-sections of the central warehouse and the administration building. At the end of 2018, remote reading of heat and electricity was established in 95% of all locations. In the remaining stores it has not been possible to install remote reading units, and they will therefore continue doing manual readings. Our data for 2019 will provide a benchmark for this year's consumption across locations and to a certain extent a comparison with historical data.

Transport

- In 2018, we continued having focus on using AO's stores as a focal point for the customers to collect pick-up orders, thus enabling us to use our transport capacity more effectively and to reduce the number of direct transports to the customers. The objective was that the growth in pick-up orders had to be equal to or larger than the growth in revenue. In 2018, the number of pick-up orders increased by 8% compared with 2017. Revenue increased by 4%, so the objective for 2018 was achieved.
- In 2018, total transport costs increased by 3% compared with 2017. This must be seen in relation to a revenue growth of 4%. The objective was that the growth in transport costs had to be equal to or less than the growth in revenue. The objective for 2018 was therefore achieved.

We are generally satisfied with the results achieved in 2018.

Work expectations for 2019

In 2019, we will continue to focus on waste and recycling, energy consumption (heat and electricity), and transport in order to minimise our environmental and climate impact.

In 2019 we will work determinedly to benchmark our stores against each other regarding waste sorting and the number of kilos of waste per m³, and we will endeavour to share knowledge stemming from local activities that can contribute to increasing the fill levels of waste containers. We expect that our increased focus on waste will strengthen the local initiatives on waste sorting, recycling and reducing the number of emptyings.

Through local follow-up on energy consumption, comparisons between our stores and against historical data, we will try to reduce our energy consumption (electricity and heat) as much as possible in 2019. We expect that this will enhance the individual employee's awareness of AO's resource consumption, thus leading to a reduction in energy consumption both locally and overall.

Finally, in connection with the renegotiation of several of our transport agreements in 2019, we will focus on ensuring that as many environmentally sustainable solutions as possible are used. By focusing on Skype meetings and carpooling we will also work on reducing the number of kilometres driven in the service of the company. Our environmental and climate objectives for 2019 are the following:

Waste:

- A recycling rate of more than 75% of the total waste generated at our central warehouse in Albertslund and our logistics centre in Horsens.
- A recycling rate of more than 40% of the total waste volumes in AO's stores.
- Optimising fill levels of waste containers in the stores, thus reducing the number of emptyings by more than 10%.
- An increase in the recycling and sale of disposable pallets by 10%, so that as few usable pallets as possible are disposed of as waste.

Energy consumption:

- The total energy consumption (electricity and heat) is to be reduced by 15% in the period from 2018 to 2020.
- The implementation of five major energy-saving projects in AO.

Transport:

- The development of product deliveries to customers via our stores is equal to or larger than the development in revenue.
- The development in the number of drops (physical deliveries) is less than the development in revenue.
- A 10% reduction in the number of driven kilometres in the service of the company (driving in company cars and mileage allowance).

Social conditions and working conditions

Policy

AO wants to be a socially responsible business focusing on competent and respectful management, motivation, development, training and education, and work environment.

The employees are our most important asset and vital to our success and results. It is therefore important for AO to provide a responsible, safe and healthy work environment, where our employees can thrive, and where there is focus on continuous development of our employees' personal and professional skills, so that they are able to meet the changing market needs.

We attach great importance to diversity at all levels. It is company policy to secure that AO is a good and versatile workplace that promotes equal career opportunities regardless of gender, age, ethnic origin, religion, sexual orientation or political opinion. This applies both in connection with recruitment and promotion. What matters the most to us is skills, both human and professional.

AO also wants that the gender composition at the company's management levels shall reflect the overall gender composition of the workforce, both at Board level and at other management levels. In our opinion, it will strengthen our business and its results in the short run as well as the long run. Therefore, on 6th December 2018, the Board of Directors

approved a policy for diversity in the company's management. The policy is available at: https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2019.

In accordance with section 139a of the Danish Companies Act, we have also set target figures for the supreme management body and prepared a policy for increasing the proportion of the underrepresented gender at the company's other management levels in Denmark.

AO has no written comprehensive policy regarding social conditions and working conditions. Management believes that AO's intentions and policies are communicated to each individual employee through the daily management, the employee handbook and the policies contained herein, and the work of the Working Environment Committee.

Our Statutory Report on Gender Composition of Management according to section 99b of the Danish Financial Statements Act is available at https://ao.dk/globalassets/download/regnskabsdata/2018/gender_composition_of_management_report_2018.pdf, and AO's policy for increasing the proportion of the underrepresented gender at the company's other management levels in Denmark is available at <https://ao.dk/om-ao/investor-relations/in-english/company-profile/target-figures-and-policies-for-the-gender-composition-of-management>.

Social and employee-related initiatives and actions, including risks

Every day we have great focus on the individual employee's development and well-being. It is provided through attentive day-to-day management and annual staff development interviews, where development on both the personal and professional level, job content and advancement, and the employee's relation to and well-being in AO are discussed. On basis of the above, an individual plan for the individual employee is prepared.

We are aware of the fact that not all have equal opportunities, and we seek to rectify this through the creation of flex-jobs and jobs on special terms and by offering work ability testing in cooperation with the local authorities. This makes sense both in relation to our role in the local community and in relation to those of our employees who no longer have the opportunity to work on the same terms as before. For the same reason, we have a senior policy that gives our employees the opportunity, in good time, to plan their retirement and the content of their last years at work, so that the job is adapted to the possibilities and wishes of the individual employee.

The Working Environment Committee has strong focus on employee safety and health. As a result, there is follow-up on occupational injuries and sickness absence, and the inspection reports of the Danish Working Environment Authority are examined closely. When needed, action plans are prepared to comply with enforcement notices, if any.

In 2018, a stress policy was implemented by AO. Courses have been attended by most of our managers and the working environment organisation in order to raise the level of information regarding the prevention of stress, the identification of symptoms, and the handling of stress-affected employees. We expect to arrange similar courses for the remaining managers in 2019.

As the employees are AO's most important asset and vital to the success and growth of the company, the most important risks are naturally associated with working conditions. AO considers the risk of being unable to retain competent employees and the risk of being unable to recruit competent resources and develop necessary skills as the largest risks.

AO seeks to respond to this by having strong focus on the development and well-being of the employees and, as one of the largest distributors in this line of business, by being well-known and visible in the industry.

Annually, we employ new trainees in order to make sure that we, at any time, have skilled employees trained within the industry. In 2018, we took on 13 new trainees (2017: 22 trainees). The smaller number of trainees in 2018 can be attributed to a lack of qualified applications with regard to AO's wishes and needs.

Key figures and results for social conditions and working conditions in 2018

In 2018, we worked on many fronts with social conditions and working conditions. It has not been possible to measure many of the initiatives, but all have contributed to securing good working conditions and the well-being of the individual at the workplace.

The following results have been achieved in connection with the measurable initiatives in 2018:

Training and gender composition:

- In 2018, our objective was that each employee, on average, should have 2.2 course days. This objective has been reached, as the average number of course days per employee was 2.4 days in 2018.
- In 2018, our objective was to have a number of trainees corresponding to 3% of AO's workforce. In 2018 we employed 13 new trainees corresponding to 2% of the workforce at the end of the year. The goal has not been reached due to a lack of qualified applications.
- In 2018, AO's gender composition at other management levels, not including the Board of Directors, constituted 11% women and 89% men (2017: 9% women and 91 % men) against an overall gender composition in AO of 19% women and 81% men (2017: 19% women and 81% men). Our objective for 2018 was to achieve a distribution of 11% women and 89% men at other management levels and an unchanged overall gender composition in AO. Both were achieved in 2018. The Executive Board still consists of two women corresponding to 40% (2017: 2 women = 40%) and three men corresponding to 60% (2017: 3 men = 60%).

In 2018, we assessed whether the actions and activities undertaken are sufficient to achieve our objective for the proportion of women managers at other management levels. It is still our assessment that the implemented initiatives will have a positive effect in the long run.

In 2018, the average proportion of women participating in management courses was 10% (2017: 12%), which is marginally lower than in 2017.

Working environment:

- In 2018, the number of occupational injuries per 100 employees constituted 3.6 occupational injuries, hereof 55% involving a day's absence or less (2017: 2.5 occupational injuries per 100 employees, hereof 38% involving a day's absence or less). The objective for 2018 was to reduce the number of occupational injuries by at least 10% til a maximum of 2.3 occupational injuries per 100 employees. The goal for 2018 was not achieved. The reason for this is primarily to be found in increased activity and fewer employees in our stores. In 2019, we will focus on safety in our stores to ensure that the frequency of occupational injuries is brought down.
- The objective for 2018 was a sickness absence of a maximum of 3%. In 2018 we changed the method of measuring sickness absence, so that the rate of sickness absence is based on actual figures per employee instead of an average. It has resulted

in an increase in the measured sickness absence rate. In 2018, the sickness absence rate therefore totalled 4.3% (2017: 3.4% and when using the new measuring method 3.8%). The goal for 2018 is therefore not achieved. The reason for the higher sickness absence level is to be found in the adjustment of the workforce which took place in 2018. We expect that the level of sickness absence will fall again in 2019.

- We have obtained green “Smileys” from the Danish Working Environment Authority at all locations. The objective was not to receive any enforcement notices from the Danish Working Environment Authority.

In 2018, we did not meet our important goals regarding the number of occupational injuries and the level of sickness absence, primarily due to the transformation of AO. We are not satisfied with this and will increase our focus on occupational injuries and the level of sickness absence in 2019.

Work expectations for 2019

In 2019, our focus on the employees’ well-being and development will continue, and our objectives are the following:

Training and gender composition:

- Average number of course days per employee: 2.2 days. In 2019, there will be continued focus on individual competency development, so that AO’s high level of training activities is maintained.
- Trainees will constitute approximately 3% of AO’s workforce. We have chosen to maintain the objective for 2019, as we believe that it is important to add new talents and skills to AO on a regular basis and to make sure that we at any time have competent employees trained within the industry.
- For 2019, we have chosen to set an objective of a minimum of 11% for the proportion of women managers at other management levels.

Working environment:

- The level of sickness absence is reassessed according to a new measuring method, and the objective for the level of sickness absence is set at a maximum of 3.5%. In 2019, we will monitor the development in the level of sickness closely, and further initiatives to reduce the level of sickness absence will be implemented, if the expected reduction is not realised, among other things, by means of a quick and close follow-up on employee absenteeism.
- The number of occupational injuries is to be reduced by 30% to a normal level of approximately 2.5 occupational injuries per 100 employees.
- Green “Smileys” from the Danish Working Environment Authority at all locations. No enforcement notices. AO’s working environment is close to our heart. It is therefore important to us that we comply with the Danish Working Environment Authority’s rules and guidelines and do not receive any enforcement notices.

Respect for human rights

Policy

AO complies with current legislation and international conventions regarding human rights in the countries and local communities where we operate.

We have assessed that we only operate in countries where human rights are an integral part of the countries' local legislation, and where this legislation is recognised and respected by both businesses and the civilian populations.

We have therefore chosen not to have an actual policy for human rights and, in our view, we do not encounter any direct risks related to human rights.

In our opinion, our present policies and practices regarding working conditions are in compliance with locally and internationally recognised human rights, and we refer to the above-mentioned paragraph regarding social conditions and working conditions, where our policies, values, actions, objectives, risks and results are described in detail.

We are, however, aware of the fact that our trade with suppliers may constitute a potential risk of abusing human rights primarily in connection with direct and indirect purchases made from countries where local legislation on the area is not clear, or where such legislation is not recognised, respected and enforced. On these grounds, we have drawn up a Supplier Code of Conduct which is described below under the paragraph headed "CSR and business partners".

In 2018, no goals regarding the above were set, and no activities were made. No activities are planned for 2019, but we regularly assess the need for it.

Anti-corruption and bribery

Policy

AO complies with current legislation and international conventions regarding sound business practice in the countries and local communities where the company operates

We have assessed that we only operate in countries where rules against corruption and bribery are an integral part of the countries' local legislation, and where this legislation is both recognised and respected by both businesses and the civilian populations. We have therefore chosen not to have an actual policy for anti-corruption and bribery and, in our view, we do not encounter any major risks related to corruption and bribery.

We do, however, recognise that the boundaries may be blurred even in a well-regulated country like Denmark. Consequently, we have internal rules and procedures to ensure independence from customers and suppliers and to regulate areas like supplier and customer events, including gifts, and to ensure the compliance with competition legislation in force.

We are aware of the fact that our trade with suppliers may constitute a potential risk in relation to the compliance with generally accepted rules on corruption and bribery, primarily in connection with direct and indirect purchases made from countries where local legislation on the area is not clear, or where such legislation is not recognised, respected and enforced. On these grounds, we have drawn up a Supplier Code of Conduct which is described below under the paragraph headed "CSR and business partners".

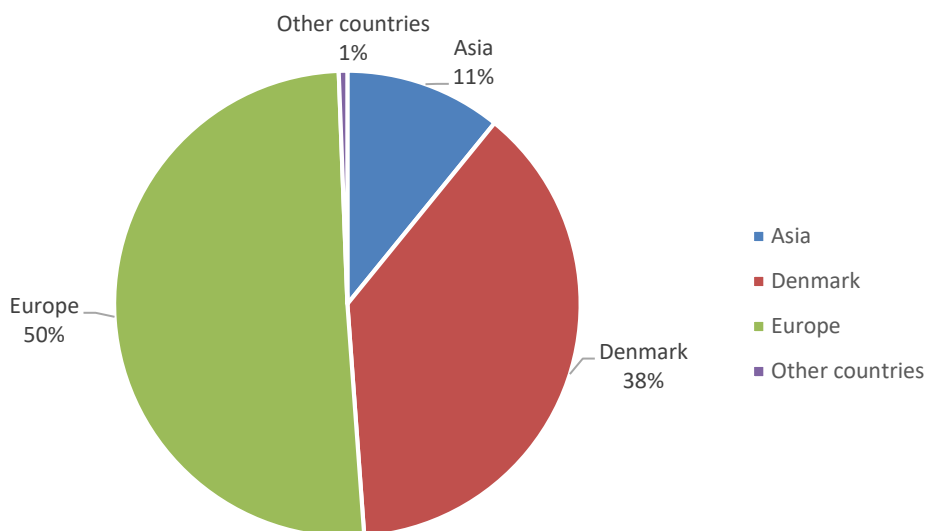
In 2018, no goals regarding the above were set, and no activities were made. No activities are planned for 2019, but we regularly assess the need for it.

CSR and business partners

When we trade with suppliers, we are aware of the fact that we may be challenged in connection with our wishes and policies regarding the environment, social conditions and working conditions, human rights, corruption and bribery.

In order to obtain an overall picture of AO's risk in relation to the procurement of goods, we track, on a regular basis, AO's purchases by country of origin.

In 2018, AO's purchases of goods were divided up by country of origin in the following way:



We assess that our overall risk is relatively limited and that it relates primarily to purchases from Asia and other countries outside of Europe, corresponding to approximately 12% of AO's purchasing of goods from all suppliers.

On these grounds, we have drawn up a Supplier Code of Conduct, which is discussed with the supplier prior to the conclusion of a business agreement or in connection with the renewal of an agreement, and which is an integral part of the business agreement.

The Code of Conduct contains provisions regarding the supplier's and the subcontractors' compliance with internationally recognised rules on labour standards, human rights, environment, and bribery and corruption. In 2019, the Code of Conduct was updated, and, inter alia, the provisions on bribery and anti-corruption were tightened.

The Code of Conduct is adopted by the Board of Directors and is available at: <https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct/>.

Through our discussions and our Code of Conduct we hope to inspire and motivate our suppliers to set objectives and work with CSR through their activities, but as of yet we do not require any reporting.

In 2019, we will continue to monitor and assess the need for further action in this area.