

CSR

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



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CSR 2020

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Rørvang 3 - 2620 Albertslund
CVR No 58 21 06 17

03	STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY
04	AO'S BUSINESS MODEL
05	AO'S CHOICES AND PRIORITISING OF FOCUS AREAS
06	ENVIRONMENT AND CLIMATE
06	Policies
06	Environment and climate measures and actions
07	Waste and recycling
07	Energy consumption
08	Transport
09	Due diligence and risks
09	Keyfigures and results for 2020 for environment and climate
13	Expectations for our efforts and targets for 2021
15	SOCIAL ASPECTS AND EMPLOYEE ASPECTS
15	Policies
16	Social and employee-related measures and actions, including risks
19	Key figures and results for 2020 for social aspects and employee aspects
23	Expectations for our efforts and targets for 2021
24	SUPPLIERS AND BUSINESS ASSOCIATES
24	Trading with suppliers
25	Anti-corruption and bribery

**“AO IS A RESPONSIBLE
COMPANY”**

This statutory report on CSR for Brødrene A & O Johansen A/S (hereinafter AO) is part of the management’s review in the financial statements for 2020, and covers accounting period 1 January – 31 December 2020.

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

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

AO is a responsible company. Responsibility is an integral part of our culture and is 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 respect the ten principles in the UN’s Global Compact on human rights, workers’ rights, the environment and anti-corruption in all parts of our business.

In 2020, we also strove to ensure our policies, actions and targets for CSR are anchored in the UN’s Global Goals.

AO'S BUSINESS MODEL

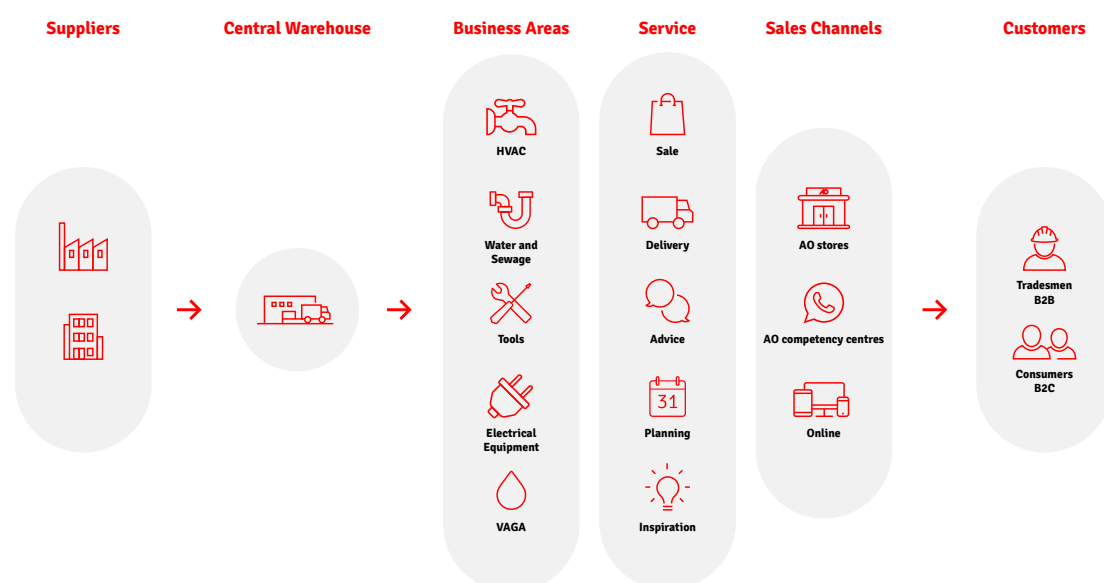
AO sells a wide range of technical goods, including plumbing, heating and sanitary ware products, electrical equipment and components, water supply and drainage products, and tools.

Our main concept is one-stop shopping, digitally and in stores, where customers are offered a complete range in a collect and delivery system supported by advanced IT and e-commerce 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, utilities, 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 mean that our customers can shop 24/7 in our physical stores and online.

Our business model is illustrated below:



We have developed a range of IT concepts and e-commerce solutions to support the competitiveness of our customers and to streamline their procedures via AO.dk, smartphone apps and self-service solutions in our 50 stores in Denmark and 5 stores in Sweden.

Most recently, we have developed AO365, a concept via which the customer can shop 24/7 in AO's stores, which are unmanned outside normal opening hours. By the end of 2020, it was possible to physically shop 24/7 in 25% of our stores in Denmark. By the end of 2021, it will be possible at all our stores in Denmark.

The COVID-19 outbreak partially shut down Denmark for most of 2020. The pandemic and the feeling of uncertainty it caused have had a major impact on Danish industry.

Right from the start of lockdown in Denmark, we set up procedures and protective measures designed to ensure that our stores could remain open in a way that would enable our employees and customers to feel safe.

Despite the restrictions, we experienced a high level of activity in 2020 with an increase in turnover of 14%, resulting in a rise in online sales, which now account for 45% compared to 40% in 2019, and a sharp increase in the number of physical customer transactions to over 7,000 a day in the fourth quarter.

AO'S CHOICES AND PRIORITISING OF FOCUS AREAS

With reference to the UN's 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.

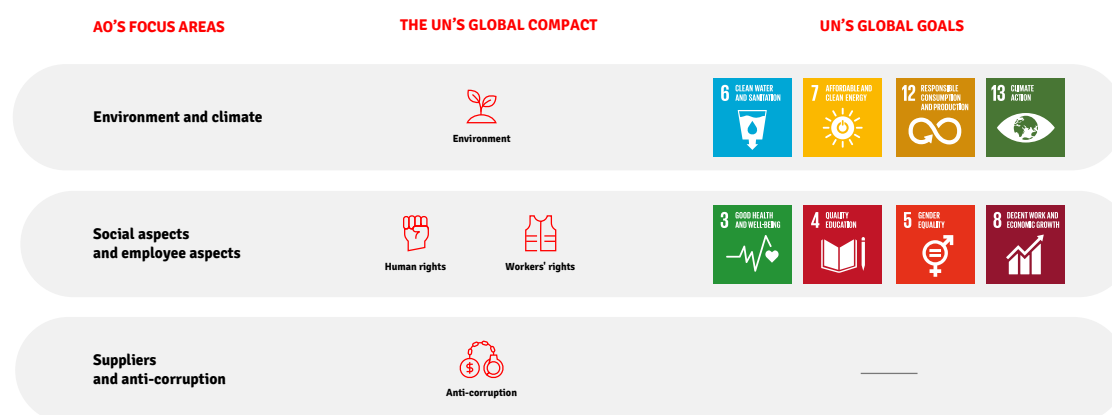
We believe that the countries in which we operate are all well-regulated in relation to the environment, social aspects and employee rights, human rights and anti-corruption.

We also worked to anchor our policies and objectives for CSR in the UN's Global Goals in 2020. Working with the Global Goals gave us greater understanding of the expectations and ambitions of our internal stakeholders, and the ways we can contribute to their fulfilment as a business.

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, and on social aspects and employee aspects as the most important.

We believe that we have a strong platform to make a positive contribution to the CSR agenda via partnering with our customers and suppliers. We are prepared to guide and help our customers to fulfil their own ambitions for sustainability and green solutions. And via our ethical rules, we require our suppliers to observe the principles of the Global Compact, so as to contribute to achievement of the UN's Global Goals.

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



Policies and objectives for CSR have been adopted by AO's board of directors, which reviews financial and non-financial key figures annually.

ENVIRONMENT AND CLIMATE

As an IT and logistics business selling goods such as plumbing, heating and sanitary ware products, electrical equipment and components, water supply and drainage products, along with tools and a small in-house production via our activities in Vaga Horsens, our direct environment and climate impact is small. But we do also have an indirect impact on the environment and climate, as a result of transporting goods to our customers, from our suppliers, and their production.

We want to help reduce direct and indirect impact, and have therefore decided to concentrate actively on our overall impact on the environment and climate.

In 2021 and beyond, we will partner even more with our customers, suppliers and business associates on focusing on sustainability and green solutions. We believe that we can make a difference in the long run by taking the lead whenever we have the opportunity.

We are environmentally certified in accordance with DS/EN ISO 14001:2015 in Denmark and Sweden, and expect to be re-certified again in early 2021.

POLICIES

As a business, we want to protect the environment. We have an environmental policy focusing on continuous improvement of our environmental effort and strive to continuously keep up with trends within those areas we have prioritised as our focus areas.

Through purchasing, investment, processes and the general way we run our business, we will help protect our environment, so that society can continue to develop on a sustainable basis.

We will focus on reducing our main environmental and climate impacts, and have identified:

- waste – reduction and recycling
- energy consumption – electricity and heating
- transport – larger consignments and less transportation of goods, along with less distance driven on company business (in company vehicles).

We will also help our customers to make ‘green choices’ when buying from us and we will encourage our suppliers to work with the environment and climate.

ENVIRONMENT AND CLIMATE MEASURES AND ACTIONS

As we sell tools, plumbing, heating and sanitary ware products, electrical equipment and components, water supply and drainage products, we have solid ground on which to guide our customers and give them sound advice on sustainable products in relation to the consumption of heat, electricity and water.

We hold regular meetings for our customers, to which we invite suppliers to present and answer questions on their products. Naturally, such activities were at a low level in 2020 as a result of COVID-19 restrictions.

The enshrinement of our efforts within environment and energy in our management system along with improved communication concerning the fields of environment and energy in 2020 has resulted in greater visibility within the organisation and greater awareness for individual AO employees.



Getting the message across to the entire organisation concerning our environment and climate efforts was enhanced in 2020 through newsletters to all employees, posters proclaiming our environmental targets, and putting the environment and energy on the agenda at meetings within the organisation.

We have continued to encourage our suppliers to cut their impact on the environment and climate. Prior to entering into or renewing contracts, we conduct an overall environmental assessment of the supplier, based on a simple questionnaire, and lay down requirements that suppliers must fulfil AO's Supplier Code of Conduct, based on the UN's Global Compact. The Supplier Code of Conduct can be seen at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2021.

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, and thus reduction of 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 return goods. The central warehouse will dispose of the waste 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. The Swedish stores do not send small amounts of waste to the AO central warehouse, but 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 constantly seek to use thinner cardboard boxes for deliveries, and our clingfilm is the thinnest it is possible to use.

We used to use bubble plastic as filling. We opted to switch to recycled paper in 2020. Finding an alternative that is easy for our customers to dispose of and that will not harm nature or the seas was important to us. Another important aspect was that the packaging we use can protect our products as well as plastic did. Apart from the environmental aspect, it has also turned out to be faster and more pleasant for our employees to use, compared to plastic.

We saved 3 tonnes of bubble plastic packaging in 2020 alone.

We now use paper filling at all workstations, and expect most of the remaining plastic packaging we use to be phased-out completely in early 2021.

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. This has resulted in growing local awareness of energy consumption.

We can also remotely read water meters at over 80% 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 water loss in 2020.

All our online stores are CO₂-neutral. That means that CO₂ emissions from hosting and use of our B2C and B2B online stores are neutralised through measurable CO₂ reductions. Those reductions are achieved by

using new, sustainable energy sources (e.g. wind turbines) and taking part in controlled, CO₂-reducing projects regularly verified by UN-accredited controllers.

We have phased out all diesel forklifts from our warehouses and replaced them with electrical models.

We continued the replacement of outdated lighting with modern, energy-saving LED lights at several of our locations in 2020.

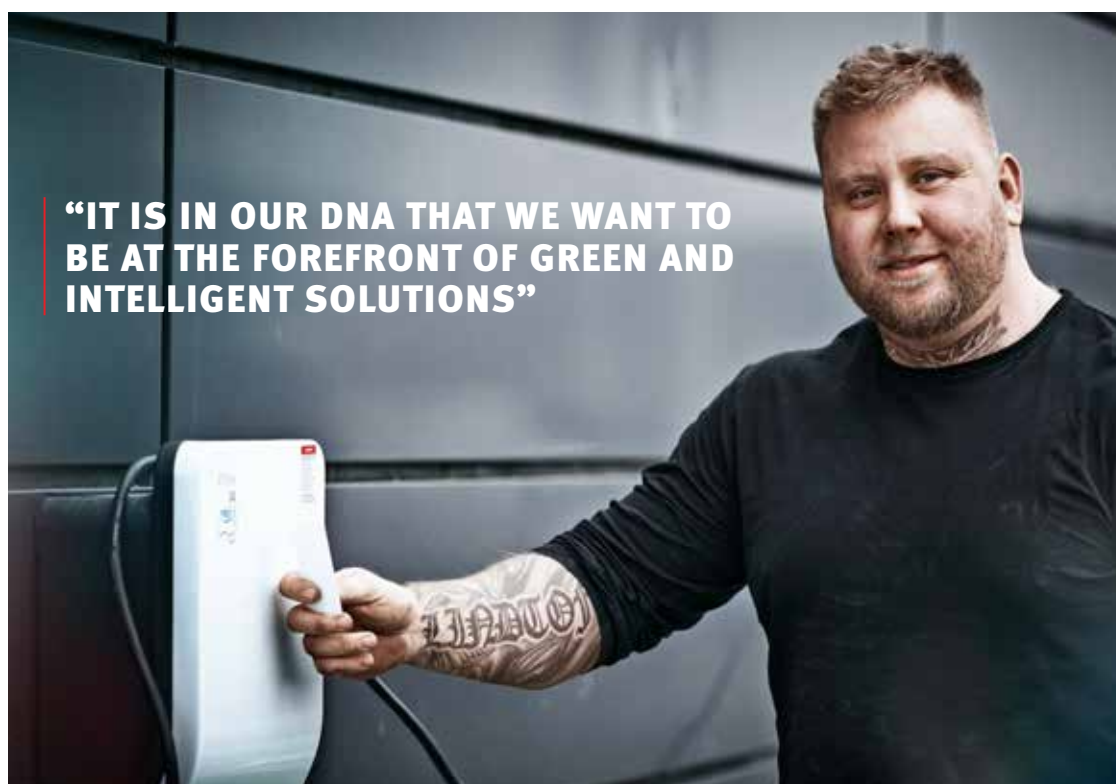
TRANSPORT

The introduction of AO365 in 2020 made it even easier for our customers to shop with us. The AO365 stores are open 24/7, and our customers can therefore decide themselves when it suits them to shop.

We expect that cars and vans will also run on green electricity in the future. We therefore expanded our range in 2020 to include a wide selection of charging stations for electric cars, as we expect this to be a major business area for our customers. We set up our first charging stations in 2020 at our store in Albertslund, so that our customers can charge while they shop. We will install more chargers at 8 other stores around Denmark in 2021. This may seem modest, but is one of the ways we can help our customers and the environment.

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 annually. There are no electric HGVs currently able to carry the heavy loads we need. But we do expect that they will be able to at least run on green fuel in the future.

We are in regular dialogue with our carriers to ensure that they are focused on minimising the impact their fleets have on the environment and that they use eco-friendly fuels as much as possible.



Efforts to reduce unnecessary distance driven on company business by switching to virtual meetings continued in 2020.

COVID-19 overtook us, making the transition to virtual meetings and workplaces since 12 March 2020 a necessity to be able to run the business under the COVID-19 restrictions. This has meant that administrative personnel have been working together and holding meetings virtually, while physically isolated from each other. All customer and supplier meetings have been affected since 12 March 2020.

We are convinced that the methods and virtual tools we have deployed under the COVID-19 restrictions will actually become a major integral part of the way we work with each other in the future. But they can never fully replace a physical meeting with our customers and business associates, which is the focal point of our business.

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 same areas in which we prioritise our environmental efforts to minimise the risks related to these three areas.

KEY FIGURES AND RESULTS FOR 2020 FOR ENVIRONMENT AND CLIMATE

Based on our environment policy, we have continued to work towards achieving AO’s environment and climate targets for 2020.



WASTE

IN 2020, WE ACHIEVED THE FOLLOWING RESULTS:

Our target for the year was to recycle over 85% of the total amount of waste at our central warehouses in Albertslund and Horsens. We achieved 86% and therefore met our target for 2020.

Our target for the stores was to recycle over 40% of the total amount of waste. We met the target with a recycling percentage of 47%.

The target for 2020 was to optimise the capacity of waste containers at our stores, measured as a reduction of minimum 10% in the number of collections. We did not reach that target, as the number of collections in 2020 remained the same as in 2019.

Given growth in turnover of 14%, we are satisfied that the number of collections did not rise in 2020.

Disposable pallets were previously thrown out as combustible waste. This was something we focused on, and set a target to increase reuse and the sale of disposable pallets in 2020 by 10%, to ensure that as few pallets as possible end up as waste.

We met this target in full, as the sale of disposable pallets more than doubled.



ENERGY CONSUMPTION

IN 2020, WE ACHIEVED THE FOLLOWING RESULTS:

Our overall target for 2018-2020 was to reduce total energy consumption at AO Denmark by 15%.

We realised a reduction in both 2018 and 2019 of around 5%. The same level of reduction was not achieved in 2020. Consequently, a reduction of 3% was realised in 2020, meaning that we failed to reach our 2018-2020 target of reducing total energy consumption by 15%. One of the reasons for the slightly lower reduction in 2020 was longer opening hours at the central warehouse to cope with growth in 2020.

Implementing five major energy-saving projects in 2020 was a target. It was met, primarily in the form of replacing old lighting with LED at a number of locations.



TRANSPORT

IN 2020, WE ACHIEVED THE FOLLOWING RESULTS:

We focused on using the stores as hubs for customer collection orders in 2020, to utilise transport capacity as efficiently as possible and to reduce transport directly to customers. Our target was for collection orders to align with or exceed turnover growth.

The number of collection orders in 2020 rose by 22% compared to 2019. This must be seen in relation to an increase in turnover of 14%. The target for 2020 was therefore met.

Our target for 2020 was the rise in the number of drops (physical deliveries) from AO's central warehouses to stay below the increase in turnover. The target was reflected in our desire to reduce the number of delivery runs, so that customers would combine their purchases into larger orders, reducing physical transportation.

The number of drops in 2020 was strongly influenced by the merger with Greenline A/S and integration of LampeGuru ApS into the group's warehousing systems. The number of drops actually rose by 54% compared to 2019, but that year did not include drops for Greenline and LampeGuru. We could not exclude the drops for those two companies in 2020, and therefore cannot determine whether the target was met.

We continued to work on reducing business travel in 2020 by providing Teams and Skype solutions, and introducing a policy for car-sharing. The COVID-19 restrictions meant that the transition to virtual meetings and workplaces since lockdown on 12 March 2020 was a necessity to be able to run the business. Internal and external meetings have been held online since the lockdown in March 2020.

Naturally, this meant a reduction in distance driven on company business, and given that turnover rose in 2020, we have met our target of the use of company vehicles being lower than the increase in turnover.



Table showing key figures for the environment and climate:

FOCUS AREAS	2018	2019	2020
Recycling at central warehouse and logistics centre ¹	87%	90%	86%
Recycling at stores in Denmark ¹	38%	36%	47%
Overall reduction of energy consumption in Denmark ²	-5%	-5%	-3%
No. of collection orders ³	8%	22%	22%
Growth in consolidated turnover	4%	6%	14%

See notes page 25

We are overall satisfied with the results achieved in 2020 within waste and transport, but will focus in particular on initiatives designed to reduce our energy consumption in 2021.

EXPECTATIONS FOR OUR EFFORTS AND TARGETS FOR 2021

We will continue to focus on waste and recycling, energy consumption (heat and electricity) and transport in 2021, with the aim of minimising our impact on the environment and climate.

We will focus on waste sorting and container capacity throughout our business, and will seek to share our local awareness of best practice more widely.

We will put more focus on energy consumption by providing decision-makers with data on local energy consumption and benchmarking in relation to property renovations and new build. We expect this will allow us to concentrate our efforts where they will give the best return on investment.

We plan to replace outdated lighting with LED in the remaining stores in Denmark. We will also investigate options for switching to partial use of green electricity.

“WE HAVE A STRONG PLATFORM TO MAKE A POSITIVE CONTRIBUTION TO THE CSR AGENDA VIA PARTNERING WITH OUR CUSTOMERS AND SUPPLIERS”

Finally, when renegotiating several contracts with carriers in 2021, we will seek to ensure that the most eco-friendly solutions possible are used.

We expect to be able to implement local reporting in 2021 on financial and non-financial results, including key figures for waste, energy consumption and transport. We believe this will ensure focus on local results for the environment and climate.

We believe that we have a strong platform to make a positive contribution to the CSR agenda via partnering with our customers and suppliers. In 2021 and beyond, we will partner even more with our customers and suppliers on focusing on sustainability and green solutions.

We will seek to identify ways of increasing labelling of our products to include environmental labels, to make it easier for our customers to make the right environmental choice.

ENVIRONMENT AND CLIMATE TARGETS FOR 2021:

WASTE:

Recycling of over 90% of the total amount of waste at our central warehouses in Albertslund and Horsens.
Objective: Reduce waste of resources.

Recycling over 50% of the total amount of waste at stores in Denmark, and over 80% of the total amount of waste at stores in Sweden. Objective: Reduce waste of resources.

Average capacity filled of over 30 kg/m³ for cardboard and 55 kg/m³ for combustible waste at stores in Denmark.
Objective: Reduce the number of collections made by our waste collection supplier (to reduce CO₂ emissions).

Trends for the consumption of packaging (cardboard, measured in kg) at the central warehouses in Albertslund and Horsens to align with or be less than the trends in number of orders. Objective: Minimise our resource consumption as much as possible.

ENERGY CONSUMPTION:

Reduction of remotely-read electricity consumption at stores in Denmark by 10% over a two-year period.
Objective: Reduce our resource consumption (reduce CO₂ emissions).

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: Reduce our resource consumption (reduce CO₂ emissions).

TRANSPORT:

The number of drops made to customers via stores in Denmark and Sweden to comprise minimum 25% of delivery orders from AO's central warehouses. Objective: To send as many goods as possible direct to our stores with our usual daily loads instead of sending them direct to the customer (reduce indirect CO₂ emissions).

Set requirements via renegotiation/new contracts with carriers to ensure that

- they are focused on minimising the impact their fleets have on the environment, and that they use eco-friendly fuels as much as possible.
- We must receive regular reports on environmental data for our deliveries.

Objective: To monitor our indirect CO₂ emissions.

Reduce the distance driven on company business by 5-10% by reducing fuel consumption in 2021 in relation to 2019 (which was not affected by COVID-19). Objective: To monitor our fuel consumption (reduce CO₂ emissions).

OTHER AREAS:

Identify opportunities to increase product details with environmental labelling. Objective: To guide our customers on the most eco-friendly products, and to make it easier for them to make right environmental choice.

Integrate non-financial key figures for the environmental area into local financial reporting. Objective: To increase local awareness of environmental impact, and to ensure focus on financial and non-financial key figures.

Start analysis of our direct and indirect CO₂ emissions, including identifying ways of influencing them, and devising a plan for implementation of the results as part of working with the environment and energy.
Objective: To actively work on our CO₂ emissions.

To partner with our customers and suppliers on focusing on sustainability and green solutions.
Objective: To promote common understanding of sustainability and green solutions.

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.

That's why it is natural for us to work with social aspects and employee aspects.

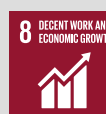
AO complies with applicable legislation and international conventions on human rights in the countries and areas we conduct our business in. We believe that we only trade in countries where human rights are an integrated part of their national legislation, and where they are acknowledged and respected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

POLICIES

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 professional skills, to meet the changing needs of the labour market.

We believe strongly in diversity at all levels. The company's policy is 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 professional skills that matter.

For the same reason, we practise zero tolerance for offensive behaviour in the form of bullying, sexual harassment, etc. And this is regardless of whether such behaviour is active or the failure to react. Everyone at AO has a shared responsibility for the prevention of offensive behaviour.



“MARLENE IS STORE MANAGER AT AO VESTERBRO, AND JONATAN IS TRAINEE”

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 on 8 December 2020.

The policy can be seen at https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2021.

In accordance with Section 139a of the Danish 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 management in accordance with Section 99b of the Danish Financial Statements Act can be found at https://ao.dk/globalassets/download/regnskabsdata/2020/gender_composition_of_management_2020_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/om-ao/investor-relations/in-english/company-profile/target-figures-and-policies-for-the-gender-composition-of-management_2021.

AO has no overall written comprehensive policy for social aspects and employee aspects. The management believe that the company's intentions and policies within this area have been communicated to individual employees via the general management, the employee handbook and the policies it contains, and through the work of the health and safety organisation, and that the current policies and practice within the employee area support observance of locally and internationally recognised human rights.

We believe that our main risk of violations of human rights lies in the supply chain. We have therefore drawn up a Supplier Code of Conduct, in which we set out requirements our suppliers are expected to fulfil.

We have not registered any breaches or non-observance of our Supplier Code of Conduct in 2020.

Apart from the provisions contained in our Supplier Code of Conduct, there are no separate targets, activities completed in 2020 or planned activities in 2021 in relation to human rights, but we regularly assess the need for the same.

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 professional performance are discussed at such interviews, including job content, development and welfare.

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.



**“THE EMPLOYEES ARE
OUR BIGGEST ASSET”**

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

We improved communications within the business in 2020. Individual functions regularly publish online newsletters to the entire organisation, with their news and details of focus areas. We also hold short virtual presentations of special topics, such as financial results, data security, new digital tools, etc. All parts help bring the organisation closer together and boost understanding of the business as a whole, and how individuals and functions can add value for everyone.

The health and safety organisation concentrates on employee health and safety. 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 to comply with any orders.

The number of occupational accidents rose in 2020, due to the large growth of order lines and more employees. Fortunately, the vast majority of injuries were minor. We are highly aware of this trend and have launched initiatives specifically to bring down the number of accidents in 2021.

We regularly hold first aid courses, where the Falck rescue service comes to train any employee who wants to take part. The latest course was held in early 2020, with 15 participants. A feeling of reassurance is generated within the organisation when there are several people able to operate a heart defibrillator or to give first aid to a colleague, customer or associate if and when necessary.

Minor refurbishment work has created better ergonomic conditions at the central warehouse, and projects were run in 2020 in relation to noise, dust and clearing up, facilitating more thorough cleaning.

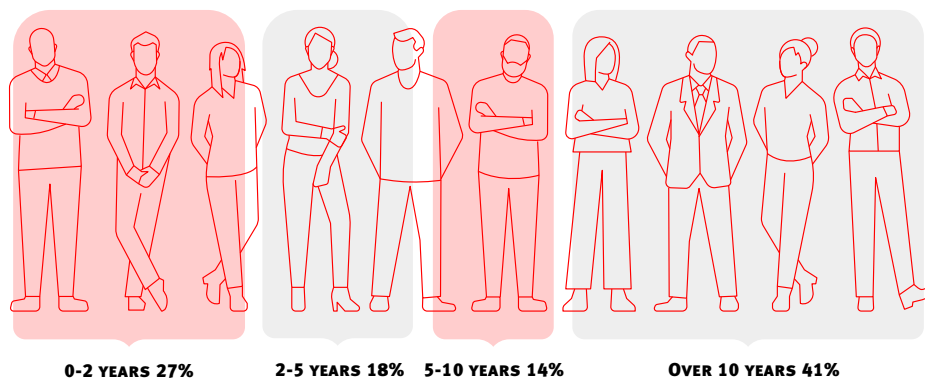
At management level, the health and safety organisation spent more time integrating health and safety procedures into operational management. An external health and safety consultant was contracted to help strengthen the link between the environment and health and safety.

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 88% and average seniority of 9.4 years at AO Denmark in 2020. We are proud of that, as it shows how strong the AO culture is.

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

At year-end 2020, our seniority breakdown is as follows:



“THE AVERAGE SENIORITY IS 9.4 YEARS”

THE COVID-19 PANDEMIC

2020 was heavily affected by the COVID-19 outbreak and the subsequent restrictions that partially shut Denmark down for most of the year. It affected our business, and in particular the employees, who were subjected to strict precautionary measures and had to work under exceptional circumstances.

Our ability to manage came under pressure, along with the ability of our employees to work in new ways and under changed conditions. We have been very aware that apart from the actual risk of infection, the new situation has meant an increased risk for 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 are aware that employees react differently to long-term working from home in isolation, and we try to engage in job-related and

human discussions with them through personal management. The management has kept in close contact with everyone, to ensure no one feels they have been left to themselves.

We believe that we mainly succeeded in upholding our high standards of welfare and efficiency despite the restrictions, working from home, new ways of working and the lack of social contact for most of 2020.

The experience has also shown us how strong the organisation's determination is to make things work in difficult times, with new tools and methods, and how strong the bond has remained despite distance and having to work from home. In some areas, it has helped cut the distance between our locations at least mentally.

We believe that we go into 2021 strengthened as management, employees and organisation.

When the first lockdown was applied from 12 March 2020, we immediately implemented procedures designed to ensure we could continue to run our business safely and responsibly.

We sent home all administrative employees able to work there in March. We set up physical and digital tools for them to use. All meetings with anyone outside the company were cancelled. Internal meetings were conducted on digital platforms.

Rules concerning distancing, hand disinfectant, face masks and movement restrictions between locations were introduced for the employees physically present at the workplace. Zones were defined in our stores and at the central warehouse, screens set up and extra cleaning introduced so that customers and employees alike would feel safe.

As the restrictions were relaxed and our employees could physically attend work again, we kept all the rules on distancing, disinfectant, zoning and movement restrictions between locations, and the rules on meetings with anyone outside the company.

We also continued working in digital rooms and holding virtual meetings. The outcome was that when the autumn and later winter restrictions hit us, we were ready and could immediately send the administrative employees home to work.

As a business, we have been spared, and only a few employees have been infected by COVID-19.

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

Having a knowledge-based IT and logistics business that is highly digitised, used to digital interaction and communication with our customers, suppliers and between employees has been a major advantage.

KEY FIGURES AND RESULTS FOR 2020 FOR SOCIAL ASPECTS AND EMPLOYEE ASPECTS

We worked on a number of fronts with social and employee aspects in 2020. 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.

TRAINING AND GENDER COMPOSITION

IN 2020, WE ACHIEVED THE FOLLOWING RESULTS:

We set a target in 2020 of all employees having an average of 2.5 training days. Because of the COVID-19 pandemic, this was an unachievable goal, as most courses were cancelled during the year. The average number of training days per employee only reached 0.9.

We set a target in 2020 of new trainees accounting for 3% of the workforce at AO Denmark. We engaged 17 new trainees, equivalent to 2.7% of the workforce by the end of the year, which means we did not meet this target. The total number of trainees at AO Denmark in 2020 was 4.5% compared to 2.9% in 2019.

Gender breakdown for AO Denmark at management level (excluding the board of directors) was 10% women and 90% men in 2020, compared to 19% women and 81% men in the company as a whole.

Our target for 2020 was to achieve 11% women and 89% men at management level (excluding the board of directors). The breakdown is marginally below target, which has therefore not been met.

The executive board still consists of two women and three men, equivalent to 40% and 60% respectively.

The average proportion of women on management courses in 2020 was 15%. This is a much higher figure than in 2019, when it was 10%.

The logo for AO 365 is located in the bottom right corner of the page. It features the letters 'AO' in a large, bold, orange font, followed by '365' in a smaller, white font. Below this, the slogan 'NÅR DET PASSER DIG!' is written in a white, sans-serif font. The background of the entire page is a photograph of a man and a woman, with the woman in the foreground wearing a black t-shirt with the AO 365 logo.

WORKING ENVIRONMENT

IN 2020, WE ACHIEVED THE FOLLOWING RESULTS:

The target for sick leave in 2020 was a maximum of 3.5%. The figure was actually 3.7%, which is a reduction compared to 2019, but the target for 2020 was unfortunately not met. The reduction in sick leave was due to better contact with absent employees, as long-term sick leave levels remained the same. The amount of sick leave due to COVID-19 was very low, and did not have any noteworthy effect on sick leave levels.

The number of occupational accidents at AO Denmark including the temps in 2020 was 3.6 occupational accidents per 100 employees, of which 56% implied one day's absence and 44% over 1 day. The target for 2020 was to reduce the number of occupational accidents by 10% to 2.25 occupational accidents per 100 employees. The target was not met, and focus will continue to be applied to reducing the number of accidents in 2021.

We have green smileys from the Danish Working Environment Authority at all locations. The target of no enforcement notices from the Danish Working Environment Authority in 2020 was met.



Table showing key figures for social aspects and employee aspects:

FOCUS AREAS	2018	2019	2020
No. of training days per employee ¹	2,4 days	2,9 days	0,9 days
No. of trainees employed as a % of employees ²	2,0%	2,4%	2,7%
No. of trainees as a whole for AO Denmark ³	3,8%	2,6%	4,1%
Gender diversity – number of women/men on the board of directors ⁴	0/5	0/5	0/5
Gender diversity – number of women/men on the executive board ⁴	2/3	2/3	2/3
Gender diversity, other management as a % ⁵	11%/89%	11%/89%	10%/90%
Sick leave ⁶	4,3%	3,9%	3,7%
No. of occupational accidents per 100 employees ⁷	3,6	2,5	3,6 ⁸

See notes page 25

Given the difficult conditions in 2020 due to the COVID-19 pandemic, we are overall satisfied with the results achieved in 2020 for training, gender composition and working environment, but will continue to focus on reducing the number of occupational accidents in 2021.

“EVERY YEAR AO TAKES ON A NEW TEAM OF TRAINEES”



EXPECTATIONS FOR OUR EFFORTS AND TARGETS FOR 2021

We will continue to focus on employee welfare and development in 2021. We plan to conduct an employee satisfaction survey to provide insight into the general level of welfare, and based on what we hope will be normal conditions in 2021.

The seniority of our employees is high, and we will continue to ensure that it remains that way. We therefore regularly monitor statistics for employees joining and leaving, to be able to quickly react if the need to do so is present.

There will be continued focus on training activities in 2021, to ensure that AO retains its high level of individual skills development. But we do expect that the scope of training activities will continue to be affected by COVID-19 well into 2021.

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

SOCIAL AND EMPLOYEE TARGETS FOR 2021:

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 the skills of our employees.

Total no. of trainees employed at AO Denmark will comprise around 4% of the total number of employees. Objective: Bring in new resources and skills, and ensure that we always have skilled employees trained within our field.

The proportion of female managers at AO Denmark's other management levels will be 11%. Objective: To ensure gender diversity at management level.

Retention percentage to be minimum 87% for group employees. Objective: To ensure retention of experienced employees and knowledge at AO.

Employees with seniority of over 5 years should comprise at least 50% of the total number of group employees. Objective: To ensure retention of experienced employees and knowledge at AO.

WORKING ENVIRONMENT:

Sick leave cannot exceed 3.5%. Objective: To ensure that employees are content and secure at work.

Reduction in the number of occupational accidents by 10% in 2021 equivalent to 3.25 occupational accidents per 100 employees at AO Denmark including temps: Objective: To ensure a safe, secure working environment.

Green smileys from the Danish Working Environment Authority at all locations. No enforcement notices. Objective: To ensure that we fulfil the rules and guidelines of the Danish Working Environment Authority.

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 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.

But we are aware of the fact that our dealings with suppliers may constitute a potential risk of violation in such areas, primarily from direct and indirect purchasing from countries where local legislation on the area is not clear, or where such legislation is not acknowledged, respected and enforced.

TRADING WITH SUPPLIERS

We have drawn up a Supplier Code of Conduct, 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 rules are intended for use as a means of reconciling expectations between AO and our suppliers.

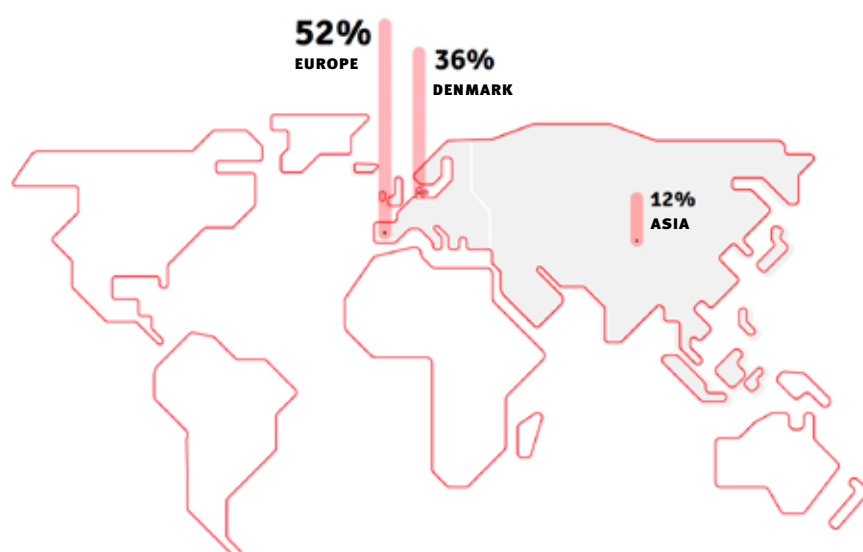
The Supplier Code of Conduct contains provisions on compliance by suppliers and their subcontractors of internationally-recognised rules for workers' rights, human rights, the environment, bribery and corruption.

Through our discussions and our Supplier 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.

The Supplier Code of Conduct has been approved by the board of directors and is available at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2021.

We regularly monitor purchasing patterns and the origin of our goods to ascertain the risk of non-compliance with our Supplier Code of Conduct. We have not registered any breaches or non-observance of our Supplier Code of Conduct in 2020.

Breakdown of our purchases by country of origin for 2020:



“88% OF OUR PURCHASES ORIGINATE FROM DENMARK OR EUROPE”

Based on the current breakdown, we believe that the risk of non-observance of our Supplier Code of Conduct is relatively limited and primarily relates to purchasing in Asia and non-European countries, equivalent to 12% of total purchases (2019: 16%).

We will continue to monitor and ascertain the need for additional measures within this area in 2021.

ANTI-CORRUPTION AND BRIBERY

We also acknowledge that the boundaries for corruption and bribery can be fluid, even in a well-regulated country such as Denmark. We therefore have internal rules and procedures designed to ensure observance of our independence from customers and suppliers, and that regulate areas such as supplier and customer events, including gifts.

On that basis, we have decided to not have specific written policies for anti-corruption and bribery, and do not believe that we are subject to major risks in relation to such areas. Apart from the provisions contained in our Supplier Code of Conduct, there are no targets, specific activities completed in 2020 or planned activities in 2021 in relation to human rights, but we regularly assess the need for the same.

Notes page 13: Table showing key figures for the environment and climate

- 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 Increase in number of online orders collected in our stores for the current year measured in relation to the previous year.

Notes page 22: Table showing key figures for social aspects and employee aspects

- 1 No. of training days in relation to total no. of employees at AO.
- 2 No. of new trainees employed at AO Denmark in relation to total number of employees.
- 3 Total no. of trainees employed at AO Denmark in relation to total number of employees.
- 4 Only applies to those members of the board of directors elected by the general meeting.
- 5 Gender breakdown, other management (executive board, function directors, store managers and middle managers in the functions).
- 6 Sick leave at AO Denmark in relation to total number of employees.
- 7 No. of occupational accidents in relation to total no. of employees at AO Denmark.
- 8 Figure includes temps.

CSR

STATUTORY REPORT ON CORPORATE SOCIAL RESPONSIBILITY

CF. SECTION 99a OF THE DANISH
FINANCIAL STATEMENTS ACT.

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