

ESG

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

The future is created in the present

20
22

ESG 2022

Brødrene A & O Johansen A/S
Rørvang 3 - 2620 Albertslund
CVR-nr. 58 21 06 17

AO'S SUSTAINABILITY REPORT FOR 2022

AO wishes to help promote a sustainable world by supporting and contributing to a sustainable society by focusing on climate and the environment, social issues and governance based on integrity and fairness.

At AO, we believe that everyone has a duty to manage available resources and opportunities in a responsible way, ensuring the best possible conditions for the next generation to build on.

AO's sustainability report for 2022 includes the statutory report on corporate social responsibility for Brødrene A & O Johansen A/S (hereinafter AO) in accordance with Section 99a of the Danish Financial Statements Act, which forms part of the Management's Review in the Annual Report for 2022, and covers the accounting period 1 January – 31 December 2022.

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 our cooperation with the society that 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.

Our policy for corporate social responsibility 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-2023>.

Future

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*This sustainability report is available in Danish and English.
In case of doubt, the Danish version shall apply.*

AO'S 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.

We have expanded the Group's business areas to include brackets thanks to the 2022 acquisition of EA Værktøj Engros A/S and EA Værktøj Ejendomme A/S.

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

Our main concept is one-stop shopping, digitally and at our 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.

AO's business model is illustrated below:





We make a range of IT concepts and online trading solutions available to our customers with a view to enhancing their competitiveness and streamlining their procedures via AO.dk, smartphone apps and self-service solutions in our 58 Danish stores, two B2C stores, Greenline and CompletVVS, and five stores in Sweden.

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.

The AO365 concept, where customers can use an AO365 app on their smartphone to shop freely in our stores 24 hours a day, 7 days a week, was implemented at all Danish AO stores in 2021, and we are expecting the concept to be implemented at all EA stores in 2023.

“We are considering all kinds of aspects, both big and small. Sustainability is always on the agenda in the stores and at Board meetings, so people are keeping an eye on us to make sure we are doing what we say we are doing” says Per Toelstang.



THROUGH ACQUISITIONS AO MAKES THE WORLD A BIT GREENER

Seven new stores have become part of major ambitions for a green and sustainable future thanks to the purchase of EA Værktøj in 2022.

It is not necessarily a good idea to buy a company that has made little progress towards going green if all you want to do is maintain your green image. But if you genuinely want our world to head in a sustainable direction, this is precisely where you can make all the difference.

These were some of the considerations that were borne in mind when AO bought EA Værktøj in 2022. The company was a family-owned business and ran seven stores in Jutland, Funen and Zealand, and it is particularly renowned for its carpentry range.

EA Værktøj became part of the AO family on 1 April 2022, and immediately we started considering how EA Værktøj could become part of AO's green transformation.

"EA Værktøj had not been working with sustainability as long as AO, so of course we did consider what this would mean for our green profile. But as we are focusing on reducing our overall carbon footprint, we are absolutely certain we can make a difference in this regard. In fact, we already have done just that in 2022," says Per Toelstang, CFO at AO.

AO has held accreditation to the ISO 14001 environmental management standard for many years. EA Værktøj stores will also be certified in ISO14001 by 2023. Specifically, this will involve more separation of waste, for example: AO has set itself the ambitious target of 90 per cent. And just like we sort waste at home, the first 50 per cent is easy. To achieve a 90 per cent rate, you have to consider all the little things we do day-to-day.

AO's goal is to become carbon neutral by 2030 – and EA Værktøj has become part of that goal when joining the company. But there is no time to waste if the company is to achieve that goal in less than seven years.

"One of the first things we did was to look at our fleet of cars. We have to phase out fossil fuels entirely, and so we have been investing in new EVs. People do need to change their ingrained habits, but this is something you get to grips with quickly – I certainly did,"

says Per Toelstang, adding that the company is also working on replacing gas boilers with heat pumps or district heating, and also considering where it would be technically possible to install solar panels on the roofs, for instance.



As of 2023, EA will be included in the AO Group's ISO 14001 environmental management certification



Like AO, EA is to be scope 1 and 2 carbon neutral by 2030



EA will phase out all fossil fuels



EA's goal is to achieve 90% sorting of waste

RISK ASSESSMENT AND PRIORITISING INITIATIVES

With reference to the UN Global Compact, we analysed ESG-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).



The general areas are all embedded in our CSR policy, which you can view here: <https://ao.dk/om-ao/investor-relations/in-english/company-profile/policy-for-csr-2023>.

We take our responsibilities seriously – including the responsibilities beyond our own direct business. We do our best to remain at the leading edge and implement specific ESG initiatives when consuming and investing.

We believe we have a strong platform to make a positive contribution via our cooperation with our customers and suppliers.

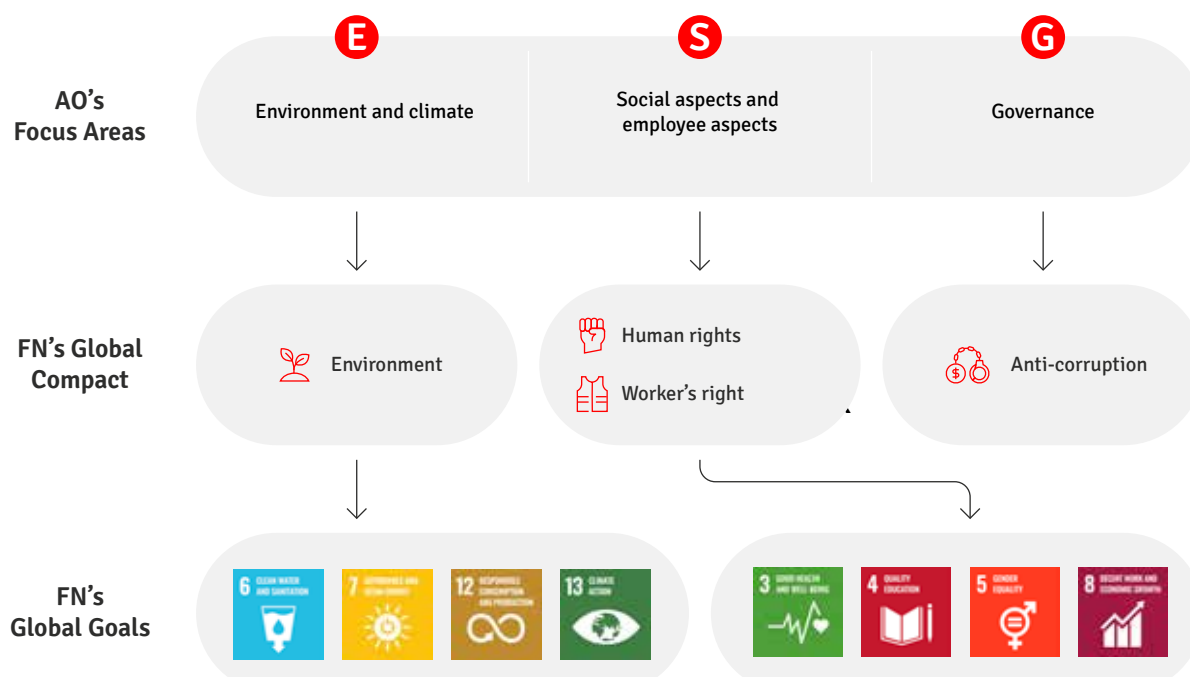
We require our suppliers, via our Code of Ethics, to observe the principles of the Global Compact, so we can contribute to achieving the UN's Global Goals.

We are ready to work with and support our suppliers in their efforts to ensure sustainable products so that we can work together and have a positive influence on the sustainability agenda. We want to help our customers in their efforts to achieve sustainability and implement greener solutions. We want to make it easy for our customers to select products on the basis of environmental data, for instance.

We want to focus on our staff and secure a safe environment for them in which they can evolve, where there is room for all their skills, development and desires for a good professional career.

It is important for us to run our business responsibly, in a manner that ensures integrity and fairness, and transparently so that the wider community knows where we stand.

Our focus areas and objectives contribute positively to the UN Global Compact and the UN's Global Goals and can be illustrated as shown below:



ENVIRONMENT AND CLIMATE



POLICIES

We have a specific environmental policy which forms an integral part of our overall policy on corporate social responsibility.

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.

At AO, we are focusing on reducing our main environmental and climate impact and, on the basis of a risk assessment, have decided to focus on:

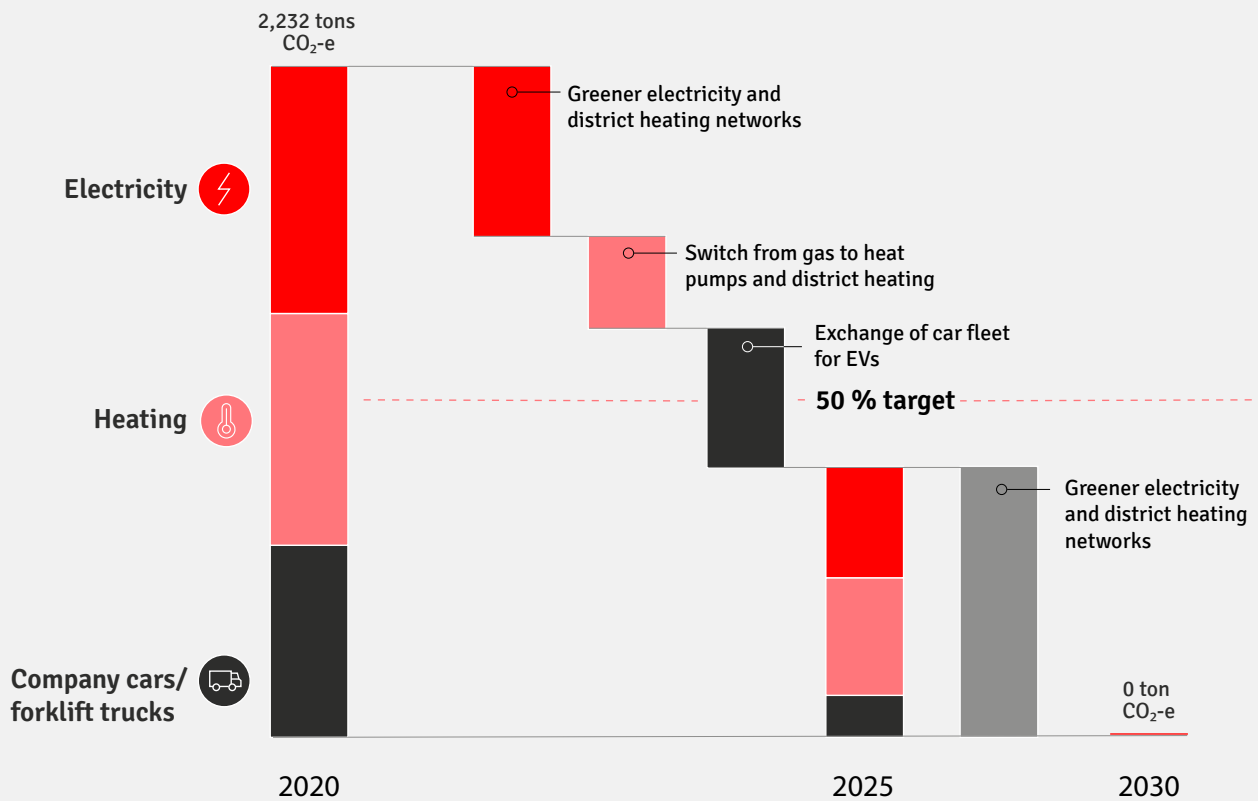
- waste – reduction and recycling
- energy consumption – reducing our consumption of electricity and heating and the use of fossil fuels
- transport – reducing its volume and environmental impact.

We are constantly focusing on enhancing our environmental and climate initiatives and doing our best to be at the leading edge of development in the three primary focus areas.

AO TO BE CARBON NEUTRAL BY 2030

As an IT and logistics company selling a variety of goods to professional tradesmen and installers, and with very limited in-house production via our activities at Vaga Teknik, our direct carbon footprint is limited (scope 1 and 2).

Our roadmap to becoming carbon neutral by 2023 in terms of scope 1 and 2 emissions is shown below:



Most of AO's total carbon footprint is based on indirect emissions (scope 3): emissions from the production of AO's purchases, the transportation of goods from manufacturers to AO and on to customers, and emissions from customer use and disposal of AO goods.

We will be mapping AO's scope 3 emissions in 2023 so that we can establish a roadmap for a carbon neutral AO for scope 1, 2 and 3.

AO HAS LAUNCHED SCOPE 3 CARBON ACCOUNTING

We cannot and will not wait for others when our climate is in crisis. We must lead by example, in partnership with our customers and suppliers.

At AO, we consider our businesses to be an important key to restricting man-made climate change. That is why we take responsibility through our climate goals: to reduce CO₂ by 50% by 2025 in compliance with GHG Protocol scope 1 and 2, and to make AO carbon neutral by 2030.

But considering our own direct emissions is not enough for AO. We will take joint responsibility for CO₂ emissions throughout our value chain and define goals for a carbon neutral AO in respect of scope 1, 2 and 3.

This is why we have chosen to enter into alliances with some of the world's leading climate reporting experts, who will be helping to map AO's scope 3 carbon emissions over the first six months of 2023.

Working on the basis of these scope 3 accounts, we will define ambitious goals for our value chain in compliance with the approach adopted by the Science Based Targets Initiative (SBTi) and thereby apply for membership to the SBTi. This will result in strong partnership with our suppliers when it comes to reducing CO₂ emissions throughout the AO value chain.

This will not be easy, but if AO and our suppliers work in partnership to define ambitious goals and support specific action plans, we can move the entire construction and installation industry towards the net zero goal for the whole value chain.

We cannot and will not wait for others when our climate is in crisis. We must lead by example, in partnership with our customers and suppliers.

The future is created in the present

AO'S CO₂ GOALS FOR SCOPE 1 AND 2

AO has defined an ambitious goal: to reduce our carbon emissions by at least 50% by 2025, and to be carbon neutral in respect of scope 1 and 2 emissions by 2030. AO will also be defining goals in 2023 for reducing scope 3 emissions towards net zero.

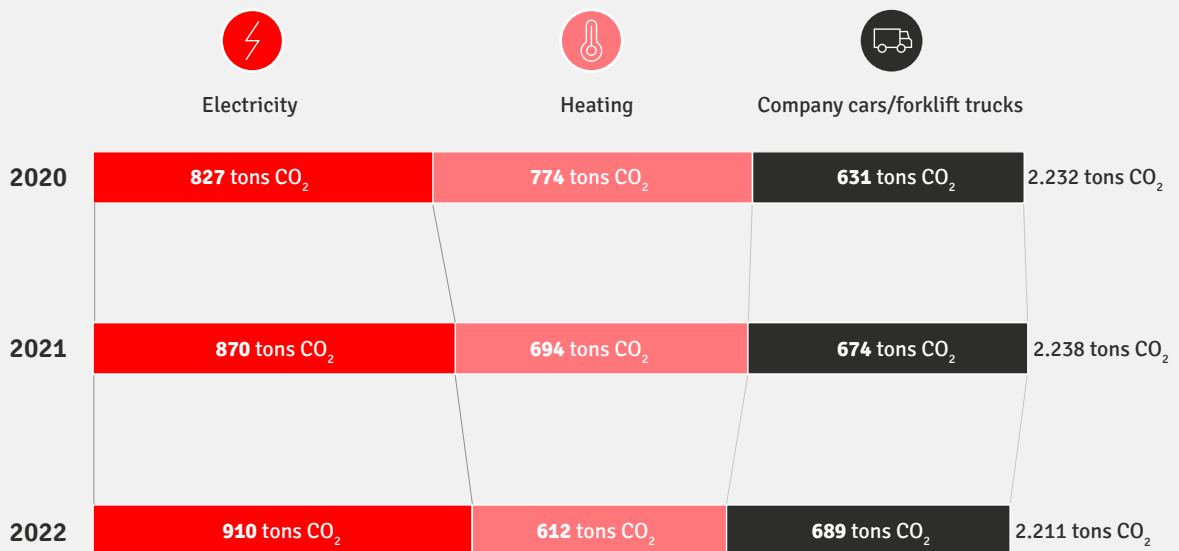
Our carbon footprint for scope 1 and 2 emissions, which constitutes our baseline, is calculated to amount to 2,232 tonnes of CO₂ emissions for 2020.

The carbon footprint in 2022 amounts to 2,211 tonnes of CO₂ (excluding EA Værktøj activities), and hence remain at the same level as in 2020. This is mainly because of more driving, expansion of the central warehouse, and the fact that a lot of initiatives will not take effect until 2023 and 2024.

We expect to reduce CO₂ emissions for AO activities by 50% by 2025, compared to the 2020 baseline. Of course, the purchase of EA Værktøj increases AO's collective carbon footprint.

We will be analysing the carbon footprint of the EA business in greater detail in 2023 in order to implement additional activities aimed at reducing this footprint. We are as yet unsure as to whether we will be able to reduce EA's isolated carbon footprint to 50% by 2025, but our clear goal is still to be carbon neutral for all activities by 2030.

AO's carbon footprint for 2022 is made up of consumption types as follows:



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 2023, we will continue our dialogue and cooperation with our customers, suppliers and partners so as to focus even more closely on sustainability and greener solutions. We are absolutely certain we can make a difference when we all work together.

¹ Scope 1 and 2 CO₂ emissions are calculated on the basis of our consumption using the Danish Business Authority's "Climate Compass" ("Klimakompasset") determined in accordance with the environmental declaration. Calculated in accordance with the electricity declaration, our climate footprint amounts to 3,223 tons of CO₂.

ENVIRONMENT AND CLIMATE MEASURES AND ACTIONS

Support for our environmental and climate initiatives in our management system is consolidated in all corners of our organisation and has a great deal of attention at AO.

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

AO in its entirety, from the executive management to its stores, holds accreditation 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 meetings, Board of Directors meetings 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.

December 2022 saw the renewal of our environmental accreditation to DS/EN ISO 14001:2015 in both Denmark and Sweden, with no non-conformances.

EA Værktøj will also be included in the AO Group's ISO-14001 certification as of 2023.

Prior to entering into or renewing contracts, we conduct an overall environmental assessment of the supplier, based on a 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 viewed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2023 and was last approved by the Board of Directors in December 2022.

Our efforts to encourage our suppliers to cut their impact on the environment and climate have continued in 2022.

Our objective is for these discussions to help influence our suppliers, and consequently our customers, to make greener choices thanks to a wider range of greener products.

We have spent 2022 working on phasing out fossil fuels used for heating purposes. Most of our gas boilers have been replaced by heat pumps or district heating by the end of 2022.

As a result of long delivery times for heat pump or district heating suppliers we are expecting to replace the remaining gas systems in 2023.



Waste and recycling

We spent time in 2022 working on the implementation of the new Waste Framework Directive, which was enacted on 1 January 2023. This has resulted in a large number of constructive discussions with staff and customers, who have accepted the new rules positively.

We are also focusing on waste sorting in Sweden, so that the majority of our waste can be sent for recycling.

We strive continuously to optimise our packaging consumption, ensuring it is appropriate in terms of protecting the environment. We are constantly looking at alternatives to cardboard boxes for packaging purposes, and we always try to use the thinnest possible cardboard boxes with as much recycled cardboard as possible.

The new shuttle warehouse adjusts all boxes according to what is to be shipped in them. This will not necessarily result in reduced use of packaging, but it will prevent us from having to transport “air”. We only use plastics that can be recycled and are trying to optimise the use of plastic film in order to reduce our consumption of plastic to a minimum.

2022 saw the replacement of our old pallet wrap machines, which wrap our pallets in film. We expect this to reduce our plastic consumption by up to 50% going forward, compared to the consumption levels we saw with our old pallet wrap machines.

GREAT WASTE HABITS CONTAGIOUS IN KØGE

As much waste as possible will be sorted at AO stores going forward, and Køge has taken the lead by implementing a pilot project.

"I am pleased to work in a place that is aiming to go the extra mile for the green transition."

Lasse Kim Overgård Pedersen, AO's store manager in Køge, shows us around the store. This store is the first to take an important step towards sorting all the waste generated on a daily basis at AO stores.

Everything has to be sorted here, no matter how big or small it is – and that does not just include the things we sort in our own homes.

"Getting the staff to sort waste was easy enough. Everybody got involved right from the outset. We told customers on our Facebook page that we were now working on this waste sorting project. And straight away we noticed that we were receiving plenty of support from many of our customers, who often have a lot of different kinds of waste in their vehicles. But it goes without saying that some people will still need a bit of help,"

says Lasse Kim Overgård Pedersen from the Køge store.

Most waste is sorted behind the store: lots of packaging from goods on a normal working day, but also defective light bulbs, jerry cans, gas cylinders and other moderately hazardous waste, for instance.

Lasse shows us around behind the store, noting that everything is sorted in a way that would make any recycling centre "boss" proud.



"We have plenty of space, so sorting the waste has not presented us with a major challenge. It all makes perfect sense. Every day we talk to our customers about solutions that can help push the industry towards greener solutions. And in that case, this part of the supply chain has to be in place too" says Lasse Kim Overgård Pedersen

Energy consumption

2022 saw the development of a specific action plan for our buildings with a view to reducing energy consumption by 2025 and 2030.

Energy efficiency labelling has been implemented in all stores owned by AO. This has provided us with a decent overview of the opportunities we have to improve the energy efficiency at our own buildings and define priorities for our initiatives.

AO normally implements measures with a payback period of up to 15 years, reflecting our desire to make green investments even when doing so is not economically profitable in the short term.

Implementing AO365 at AO resulted in an increase in energy consumption on account of energy-intensive installations. We worked to make them less energy-intensive in 2022 and even though the effect of this work has not yet had a full impact on our electricity consumption, there have been double-digit reductions in energy consumption at several stores.

AO has reinforced its own facility initiative in 2022 by taking on an in-house facility coordinator who focuses on the stores. A checklist that includes energy initiatives and other measures has been compiled and is reviewed by facility in all stores at regular intervals, and energy improvements are automatically incorporated into all our projects.

We expect to have completed all obvious energy improvement projects by 2025, which means that any new projects after that will be based on enhanced technologies or technologies as yet unknown.

EVs – both cars and forklift trucks – will be a major driver when it comes to increasing electricity consumption. AO will do its best to buy the most energy-efficient cars and forklift trucks available, while also examining how to arrange consumption patterns in a manner optimising energy consumption; with more effective use of forklift trucks, more expedient warehouse layouts, etc., and fewer kilometres travelled by car.

We will also be installing solar panels in order to support renewable energy production as extensively as possible. Solar panels are expected to be installed on parts of the central warehouse and the administration building in 2023, potentially covering around 15% of the energy consumed by the central warehouse and main administration.

AO will go on making the most of opportunities to install solar panels on existing buildings, wherever expedient. When constructing new buildings, as a rule we will continuously explore the opportunities for creating structures where renewable energy can be produced.

We can remotely read heating and electricity meters at over 95% of our locations in Denmark and electricity consumption at all our stores in Sweden, enabling us to continuously track energy consumption, and via benchmarking between different stores, we can identify where intervention will have the greatest effect. We are currently installing remote heating reading at our last two stores in Sweden, but the supply situation has delayed the project.

We are in the process of deploying electric forklifts to replace all gas forklifts at our central warehouse sites and the few diesel forklifts we have left at some sites. Delivery times are long though, so completion of this initiative is not expected to take place until the end of 2023.

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 to use an open system to fill their lorries completely, avoiding runs with half-empty lorries when carrying AO goods. This saves the environment and climate many tonnes of CO₂ each year.

Going forward, our car policy will only allow EVs to be selected, except in exceptional cases. Charging points for EVs have been installed at several stores as a result, along with quite a few charging points at head office in Albertslund. These are available for use by both staff and customers.

In 2022, we have taken our first steps towards mapping AO's scope 3 emissions for transport. This work is expected to continue with greater intensity in 2023.



CIRCULAR ECONOMY BECOMES A KEY ELEMENT IN AO'S GREEN TRANSITION INITIATIVE

At AO, we perceive major potential in allowing the circular economy to provide a focal point for the development of new green transition initiatives.

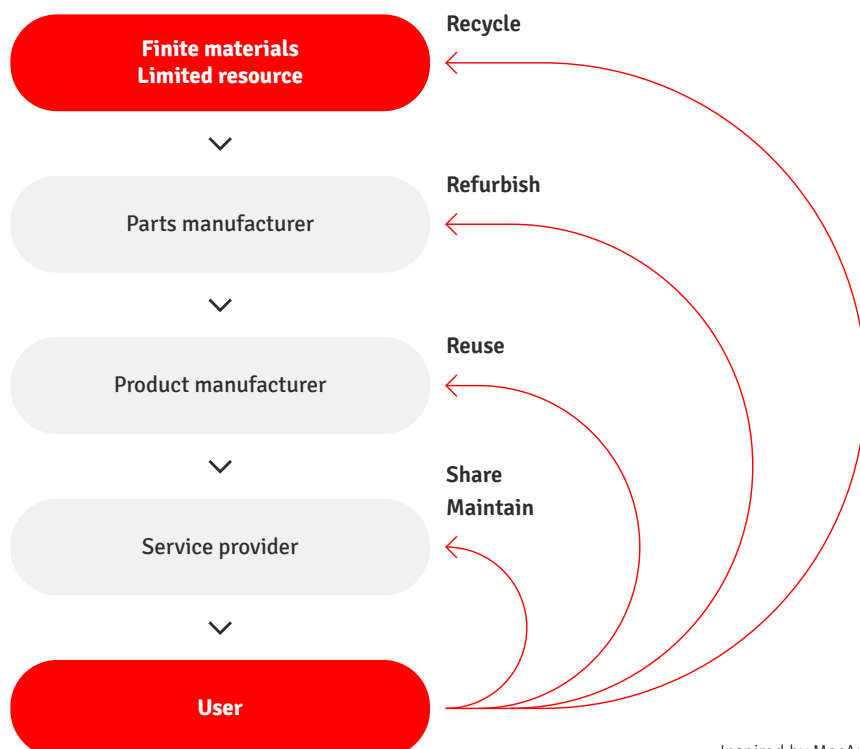
AO has been working ambitiously with waste sorting for a number of years now, aiming to sort 90% of waste at our central warehouse and logistics centre, but as of 2023 we will start working on analysing our business from a circular perspective.

This is not something we can do on our own. We have to encourage suppliers and customers to join in with our circular approach so that we make the best use of the Planet's resources wherever we can have an influence.

We are expecting our efforts regarding circular economy to offer environmental and business potential that will help to promote AO's development towards running a sustainable business with as little impact on the Planet as possible.

Our circular economy initiative will also support our work going forward in respect of the EU requirement for extended manufacturer responsibility for packaging: AO has been invited to join the VANA business panel in order to monitor implementation.

The way forward is unknown, and so we will be launching a major circular economy analysis and strategy initiative with suppliers and customers in 2023. We hope this initiative will be capable of developing new circular solutions for many years to come.



Inspired by MacArthur Foundation

DUE DILIGENCE

AO works with green due diligence. AO's ambitious green transformation objectives call for an in-depth insight into the green efforts of potential takeover targets, as well as AO's own initiatives.

The purpose of green due diligence is to identify how potential acquisitions could be as green as AO, or how AO can be as green as potential acquisitions; in short, it aims to identify how the companies can support the green transition by learning from one another.

We have performed an environmental and climate risk analysis and based this on AO's green due diligence.

We have identified risks and potential in AO's current business, and we are constantly assessing potential environmental and climate impact from major investments, changes in work processes, new locations and new transportation methods or patterns and include this as an integral part of our basis for decisions.

RESULTS FOR 2022 AND GOALS FOR 2023 – ENVIRONMENT AND CLIMATE

Based on AO's environment policy, we have continued to work on our environment and climate initiative with a view to achieving AO's environment and climate goals for 2022.

Our results and action plan for 2023 are set out below:

WASTE

Goals for 2022

To increase the sorting rate from 87% to at least 90% of total waste collected in the logistics center Horsens and at the central warehouse in Albertslund by 2030.

To increase sorting rates at our stores in Denmark and Sweden.

An average fill rate of over 30 kg/m³ for cardboard and 55 kg/m³ for combustible waste at our stores in Denmark.

The trend in the consumption of packaging (cardboard, measured in kg) at the central warehouse in Albertslund and the logistics center in Horsens is in line with or falls below the trend in the number of orders.

Results for 2022

The sorting rate stands at 91% overall for Horsens and the central warehouse in Albertslund.

The sorting rate in Denmark has fallen from 51% to 44%, while it has fallen from 89% to 79% in Sweden.

The cardboard fill rate stood at 22 kg/m³, and 50 kg/m³ for combustible waste.

Consumption of packaging has fallen to index 82, and the number of orders has increased to index 116. Hence the trend in consumption is smaller than the trend in the number of orders.

Action plan for 2023

To maintain a high sorting rate (90%) and to work on increasing the actual recycling rate.

We will be introducing a new sorting solution in all stores in mid-2023, and we expect this to result in significantly more sorting on a local level.

Our goals for fill rates will be maintained.

A new inventory methodology for measuring packaging consumption will be devised in 2023 due to AO's new shuttle warehouse, which will change the primary composition of packaging.

ENERGY CONSUMPTION

Goals for 2022	Results for 2022	Action plan for 2023
<p>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.</p>	<p>AO Denmark has reduced total energy consumption by 5% in 2022.</p>	<p>Reduction of AO Denmark's total energy consumption by 5% in accordance with the specific action plan compiled in 2022.</p>
<p>Link AO Sweden to MinEnergi2 so that its energy consumption can also be monitored locally and at Group level for benchmarking with other locations.</p>	<p>Remote reading of electricity consumption is being installed in all AO Sweden stores. Installation of remote heating reading is still pending in two stores.</p>	<p>This objective is discontinued. AO Sweden is included in general reporting for 2023, as for other locations.</p>

TRANSPORT

Goals for 2022	Results for 2022	Action plan for 2023
<p>The number of drops (orders for collection) made to B2B customers via stores in Denmark and Sweden comprises at least 25% of delivery orders from AO's central warehouse.</p>	<p>The number of orders for collection at stores in Denmark and Sweden stood at 23%.</p>	<p>We are maintaining this objective for 2022.</p>
<p>In 2022, we will be working on our transport and defining goals for reducing our CO₂ emissions as part of the mapping of AO's scope 3 emissions.</p>	<p>AO has initiated efforts to map AO's scope 3 emissions for transport and elsewhere.</p>	<p>AO's scope 3 carbon accounts will be completed in 2023, which includes goals for reducing CO₂ emissions resulting from transport.</p>

OTHER AREAS

Goals for 2022	Results for 2022	Action plan for 2023
<p>To increase the number of ecolabelled 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.</p>	<p>We have obtained more ecolabels from suppliers, so AO now has 1,473 products bearing official ecolabels. Moreover, 9,520 products have undergone life cycle analysis and 4,613 products have been approved for the Nordic Swan ecolabel for construction.</p>	<p>AO will go on working with suppliers to obtain more ecolabels and products that have undergone life cycle analysis.</p>
<p>To continue to develop internal reporting using non-financial KPIs for the climate and the environment.</p>	<p>AO has compiled a map of Denmark over the last year which allows stores to track their environmental and climate performance.</p>	<p>EA Værktøj will become part of AO's environmental and climate performance map of Denmark in 2023.</p>
<p>To devise specific action plans for achieving the CO₂ goals for 2025 and 2030 and analyse AO's scope 3 emissions so that we can begin to reduce them.</p>	<p>AO's CO₂ emissions have fallen marginally between 2020 and 2022, but AO has compiled a roadmap in 2022 showing that it expects to achieve its climate goals in 2025 and 2030. Preparation of scope 3 accounts has begun in 2022 and will be finished in 2023.</p>	<p>The company is focusing on phasing out fossil fuels and developing the scope 3 accounts in 2023.</p>

Focus areas ¹	2019	2020	2021	2022
Recycling at the central warehouse and logistics centre ¹	90%	86%	87%	90%
Recycling at stores in Denmark ¹	36%	47%	51%	44%
Recycling at stores in Sweden ¹	-	-	89%	79%
Packaging index in relation to order index ²	-	100	95	71
Evolution of total energy consumption in Denmark ³	-5%	-3%	17%	-4%
No. of collection orders ⁴	22%	22%	23%	23%
Development of fuel consumption in company cars ⁵	-	-	17%	-5%

¹ CALCULATED AS RECYCLABLE WASTE IN RELATION TO TOTAL WASTE.

² USED PACKAGING PER ORDER IN RELATION TO USED PACKAGING PER ORDER IN 2020 (INDEX 100).

³ REMOTELY-READ ACTUAL CONSUMPTION IN MINENERGI2 AT AO DENMARK (EXCL. EA ACTIVITIES) 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.

⁴ THE NUMBER OF ONLINE ORDERS COLLECTED FROM OUR STORES FOR THE CURRENT YEAR IN RELATION TO THE TOTAL NUMBER OF DELIVERY ORDERS.

⁵ FUEL CONSUMPTION BY AO DENMARK COMPANY CARS (EXCLUDING EA ACTIVITIES) MEASURED AGAINST FUEL CONSUMPTION IN 2019 (PRIOR TO THE COVID-19 PANDEMIC).

We have achieved a number of our goals at AO, but there are also areas where we need to focus more closely.

EXPECTATIONS FOR ENVIRONMENTAL AND CLIMATE WORK IN 2023

AO has worked more intensively on its climate and environmental work in 2022 to ensure that it is leading the way when it comes to the green transition. This intensified effort builds on our many years of work on the data for our environmental and climate initiative. Besides our climate goals of halving CO₂ emissions by 2025 and being carbon neutral by 2030 (scope 1 and 2), we are continuing to work towards specific environmental goals.

All our initiatives are described in action plans, which are evaluated regularly by AO's team of executive officers in accordance with our environmental management system (ISO 14001). EA Værktøj will become part of our environmental management certification in 2023.

AO will reinforce its efforts towards the green transition in 2023 by deploying additional resources. AO will be introducing a new waste sorting system in 2023 that will bring us closer to our target of sorting 90% waste.

We will also be initiating a major initiative in partnership with our suppliers to identify and reduce AO's scope 3 CO₂ emissions.

Environmental data for AO customers will be a top priority so as to allow AO to be the construction and installation industry's preferred green knowledge partner.

We will be continuing our efforts to improve energy efficiency in 2023, working on the basis of a specific action plan that includes energy efficiency labelling calculations for all buildings, as well as a major survey involving all stores.

Finally, we will be launching a major circular economy initiative that is capable of supporting new circular solutions where AO, customers and suppliers work in partnership.

SOCIAL ASPECTS AND EMPLOYEE ASPECTS



POLICIES

AO's social and employee relations policy is an integral part of AO's policy on corporate social responsibility.

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.

At AO, we are focusing on our most important social and employee relations issues and, on the basis of a risk assessment, have decided to focus on:

- welfare and retention
- development and training
- sick leave and occupational accidents.

Our staff are absolutely critical to our success and outcomes, and so the primary risks do of course relate to addressing the possibility of being unable to retain talented staff and the possibility of being unable to recruit and develop the requisite resources and expertise.

SOCIAL AND EMPLOYEE-RELATED MEASURES AND ACTIONS

Welfare and retention

We are a socially responsible company and try to create the best environment and conditions to promote welfare and development among our staff.

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 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.

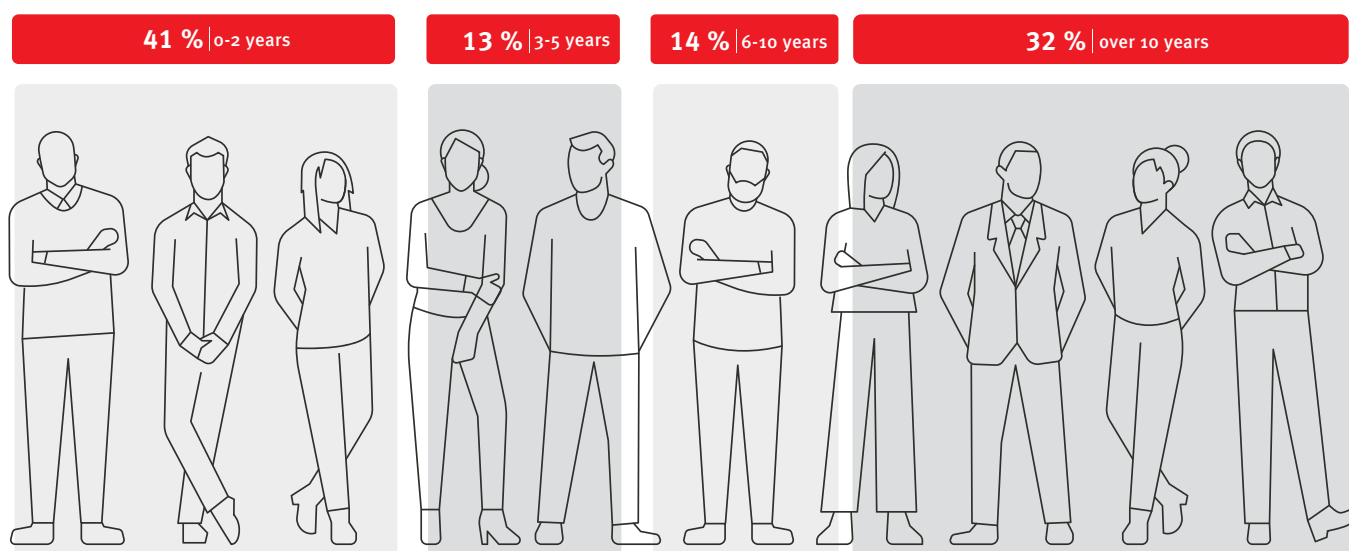
This makes a lot of sense in relation to our standing in the local community in relation to those employees who is no longer able to work under the same conditions as before. For the same reason, we have a 'senior policy', designed to give employees the chance to plan for their retirement and the content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

41 employees on average in 2022, equivalent to around 5% of our staff, have been on reduced working hours in the form of senior staff schemes, light duties and part-time work.

We continued to prioritise communication throughout the company in 2022 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, boost our understanding of the business as a whole and reinforce our culture.

We worked on our onboarding process in 2022 with a view to achieving a positive impact on resignation and retention rates.

The Group’s retention rate stands at 86% and 46% of our staff have worked for the company for more than five years, with the average employee working for the Group for 8 years. We are proud of this, as it shows how strong the AO culture is.



“46% of our staff have been employed by the company for more than 5 years.”

We view equality, diversity and gender diversity as a natural element of our business – in both human and competitive terms.

We focus on welfare and maintain a zero tolerance approach to 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 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 professional skills that matter.



As an extension of this, the Board of Directors approved a diversity policy for the company's management on 8 December 2022. This policy can be viewed at https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2023.

The statutory report on diversity in the company's management can be viewed at: https://ao.dk/globalassets/download/regnskabsdata/2022/diversity_2022_report.pdf.

The Group's overall gender balance stands at 19% women, 81% men. Our aim is to ensure that the overall gender balance within the Group is reflected at Group management levels over time as well, as we are convinced that this will reinforce our business and hence our results in both the short and the long term.

In accordance with Section 139c of the Danish Companies Act, we have defined goals 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.

We have also defined targets in respect of gender balance for other management levels for 2023 in accordance with the new provisions of Section 139c of the Danish Companies Act, which will be enacted on 1 January 2023.

The statutory report on gender composition of management, cf. Section 99b of the Danish Financial Statements Act, can be found at https://ao.dk/globalassets/download/regnskabsdata/2022/gender_composition_of_management_2022_report.pdf.

AO's policy for increasing the underrepresented gender at the company's other management levels can be found at https://ao.dk/om-ao/investor-relations/in-english/company-profile/target-figures-and-policies-for-the-gender-composition-of-management_2023.

Development and training

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, the option of job rotation, professional and personal development and welfare.

We are always recruiting talented staff for the future as trainees within sales, HR, accounts, IT warehousing and logistics to ensure that we always have the right skills mix. We had 41 trainees in 2022, which means that 5% of Group staff are trainees.

As far as we are concerned, taking on trainees and training them so that they can get off to a good start in their careers is all part of being socially responsible.

AO offers a wide range of courses and training for staff who want to go on developing and gain further qualifications, including management courses, professional training in trades (e.g. pipefitting, 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.

Sick leave and occupational accidents

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.

The sick leave rate in 2022 was marginally higher than in 2021. Sick leave amounted to 3.9%, as opposed to 3.3% in 2021. This was mainly due to an outbreak of influenza and COVID-19 in the autumn.

We drew on previous experience from the COVID-19 pandemic in 2022 so that the necessary precautions to protect staff, customers, suppliers and partners could be implemented with ease. Once again, we have received confirmation of how strong the organisation's determination is to make things work, and how strong the bond has remained despite having to work from home.

2022 saw an increase in the number of occupational accidents at AO Denmark. The rate has thus increased from 2.8 to 3.2 occupational accidents per 100 employees, and the proportion of occupational accidents resulting in absences of more than 1 day has risen accordingly.

We fully focus on the working environment, and in 2022 we have attempted to widen and shorten our routes for transporting of packaged goods. Moreover, we are working on ensuring that people are more alert when moving around inside vehicle zones or close to machinery. Managers have received training on occupational health and safety in order to support their work.

A waste conveyor belt will be installed at the new shuttle warehouse in 2023, allowing cardboard waste to be transported away and avoiding injuries caused by both driving and lifting.



DUE DILIGENCE

We have no formalised due diligence processes related to social matters, but regularly assess the potential social consequences for staff in the event of major investments, changes in working processes, new sites and organisational changes, using the results as an integrated part of our decision data.

RESULTS FOR 2022 AND GOALS FOR 2023 – SOCIAL ASPECTS AND EMPLOYEE ASPECTS

We worked on many fronts with social and employee aspects in 2022. A major renovation initiative at our administration in Albertslund has allowed us to focus on ensuring that our staff have the physical environment they need to cope with busy days.

There has also been major emphasis on the social integration of staff from EA Værktøj Engros A/S and EA Værktøj Ejendomme A/S, which we took over in 2022. We have held integration workshops with both companies, provided systems training and held a wide range of organisational meetings so as to ensure the best possible integration.

Our results and action plan for 2023 are shown below:

STAFF RELATIONS

Goals for 2022	Results for 2022	Action plan for 2023
Average number of training days per employee is 2.5 over the full year, taking into account any COVID-19 restrictions.	Average number of training days is 0.7 days.	To increase the average number of training days per Group employee to 2.5 days in 2023.
The total number of trainees employed at AO Denmark will comprise around 4.0% of the total number of employees.	Trainees represent 5.2% of AO Denmark staff and 5.0% at Group level.	Trainee numbers will increase to 6.5% of Group staff.
The proportion of female managers of other management levels at AO Denmark will be 11%.	The gender distribution is 14.9% at other management levels, defined in 2022 as all managers at the first or second management level under the Board of Directors.	The percentage of female managers at other management levels will be maintained at 15%
Retention rate to be at least 87% for Group employees.	The retention rate stands at 86%.	The retention rate will be increased to at least 87% for Group employees.
Employees who have worked for the company for more than five years should make up at least 50% of the total number of Group employees.	The proportion of employees who have worked for the company for more than 5 years has fallen from 51% to 46%. This is mainly due to the integration with EA Værktøj.	To ensure that 50% of Group employees work for the company for more than five years.

OCCUPATIONAL HEALTH

Goals for 2022	Results for 2022	Action plan for 2023
Sick leave cannot exceed 3.5%.	Sick leave accounts for 3.9%	To reduce the overall Group sick leave rate to no more than 3.5%.
Reduction in the number of occupational accidents by 10% compared with 2021, equivalent to 2.5 occupational accidents per 100 employees at AO Denmark, including temporary workers.	There were 3.2 occupational accidents per 100 employees in 2022.	To reduce the number of occupational accidents by 2.5% per 100 employees at AO Denmark including temps.
Green smileys from the Danish Working Environment Authority at all locations. No orders or reprimands.	No orders or reprimands in 2022.	To retain green smileys from the Working Environment Authority at all locations. No orders or reprimands.

Selected KPIs for social aspects and employee aspects:

Priority areas ¹	2019	2020	2021	2022
No. of training days per employee	2.9 days	0.9 days	0.8 days	0.7 days
Number of trainees in AO Denmark	2.9%	4.5%	5.4%	5.0%
Gender diversity in AO Denmark	19%/81%	19%/81%	20%/80%	19%/81%
Gender diversity, other management levels, % ²	11%/89%	10%/90%	11%/89%	15%/85%
Gender diversity – number of women/men on the Executive Board	2/3	2/3	2/3	2/3
Retention rate ³	-	88%	86%	86%
Employees with more than five years of experience	-	55%	51%	46%
Percentage on senior staff schemes, light duties and part-time work ⁴	-	7.4%	5.8%	5.0%
Sick leave ⁵	3.9%	3.7%	3.3%	3.9%
No. of occupational accidents per 100 employee ⁶	2.5 ⁷	3.6	2.8	3.2

¹ Key figures compiled for the AO Group for 2022. Previous years include AO Denmark only.
² Gender breakdown, other management levels (Executive Board, functional managers, store managers and middle managers at the functions). For 2022, "other management levels" includes only staff who are one or two management levels below the Board of Directors.
³ Percentage of the average number of employees for the year who have not resigned, for the AO Group as a whole.
⁴ The proportion of senior staff, staff on light duties and part-time staff is based on the total number of Group employees, excluding external temporary staff.
⁵ Sick leave is calculated for AO Denmark (excluding EA activities).
⁶ Number of occupational accidents in relation to the total number of employees, including external temporary staff, calculated per 100 employees for AO Denmark (including EA activities).
⁷ Key figures calculated excluding external temporary staff.

All in all, we are pleased with the results achieved but will be working on development and the working environment in 2023.

EXPECTATIONS FOR INITIATIVES RELATING TO SOCIAL ASPECTS AND EMPLOYEE-RELATED ASPECTS IN 2023

We will be conducting a welfare survey in 2023, which will be used to find out more about where we can optimise staff welfare.

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 go on working with the onboarding process in 2023.

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

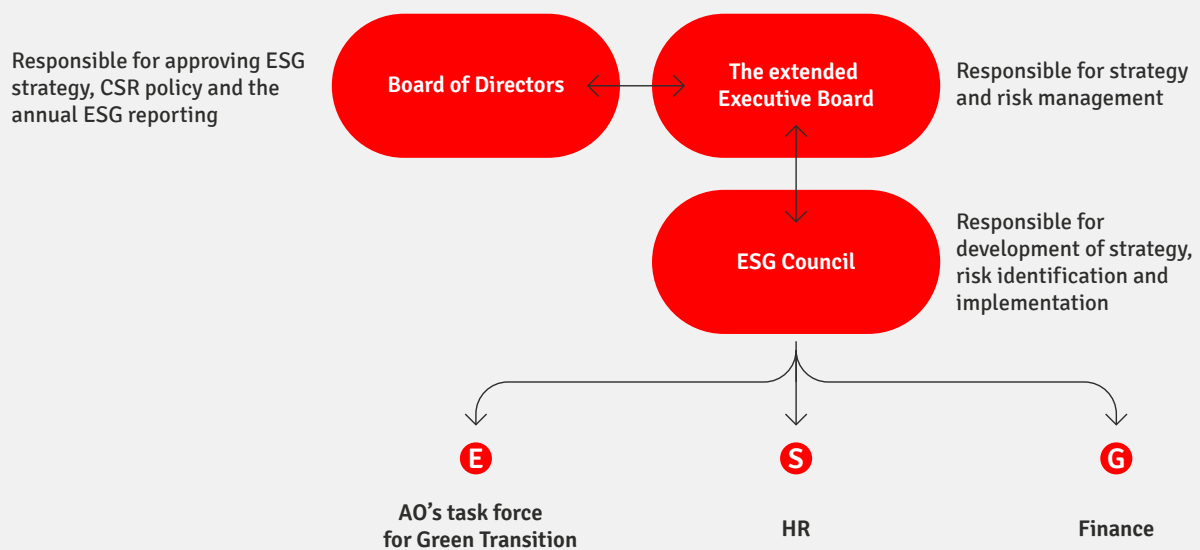
And we will focus on training activities so that we can return to our pre-pandemic level.



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.

As regards sustainability, this work is taking place through a well-defined governance structure to ensure it is rooted throughout the AO organisation. The ESG Council is made up of the executive officers of IT, HR and Finance, and the Head of Climate & Sustainability acts as the secretary for the ESG Council. Strategy and implementation of ESG initiatives are discussed at monthly meetings, after which significant decisions are presented to and discussed by the Executive Board and, where appropriate, the Board of Directors.



WHISTLEBLOWER SCHEME

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

We chose 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 communication have always been a key element in AO's culture. That is why we consider our whistleblower scheme to be an excellent complement.

The scheme is administered externally, and our HR officer bears overall responsibility in-house for any reports which are passed on for further investigation following an assessment by our external party. No whistleblower reports have been received in 2022.

The Board of Directors will assess once a year whether the scheme is working as intended, and whether we wish to extend it so as also to include external partners, citizens, etc.

The Board's annual review of the scheme has identified no need to make changes to the existing scheme.

RISK MANAGEMENT

The most significant risks to the company are constantly managed and reported in stock exchange announcements and the company's interim and annual reports.

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 close management of the risks and threats to the company.

The threats facing businesses have changed in the last few years. Digital risks and threats are also becoming increasingly apparent as globalisation and digitisation become 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 are monitoring the development of risks and threats on a regular basis and try to use contingency plans to ensure that we are best equipped to deal with current threats.

GREEN DUE DILIGENCE

AO works with green due diligence. AO's ambitious green transformation objectives call for an in-depth insight into the green efforts of potential takeover targets. The aim of this is to examine whether the takeover target's activities are capable of supporting AO's green transformation and, just as importantly, to define the action plan that is necessary in order to bring the company up to AO's level.

That is why we have devised a green due diligence method which aims to examine the work done by potential takeover targets on the green transition, looking at a series of parameters at both strategic and operational levels. A risk analysis capable of supporting negotiations when taking over companies is compiled on the basis of the answers to a number of questions.

In this way, going forward AO will weight the green transition in connection with takeovers on the basis of a "double materiality" approach, assessing both the impact of the green transition of the takeover target on AO's financial performance and the environmental impact on the surroundings.

SUSTAINABILITY PARTNERSHIP WITH CUSTOMERS, SUPPLIERS AND PARTNERS

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 greener solutions throughout the value chain.

At AO, the customer is king: that is fundamental. We want to make it easy for our customers to make green choices. In 2023, we will be focusing on increasing the percentage of greener 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 greener products by prioritising our range and engaging with customers.

Over the next few years, we will be trying to pass sustainability awareness from our suppliers to our customers by sharing information and providing expertise training to our staff.

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

THE ENTIRE AO VALUE CHAIN HAS TO JOIN IN AS WE HEAD TOWARDS SUSTAINABILITY

AO's sustainability ambitions do not stop at our own boundary. At AO, we want to map our value chain's sustainability efforts so as to identify any challenges, risks and potential among our suppliers, of which there are more than a thousand.

In 2023, we will be sending out an in-depth ESG survey to all suppliers and using it to analyse how we can help to reinforce sustainability efforts over a wide range of parameters.

This will support AO's compliance with the EU's anticipated new Corporate Sustainability Due Diligence Directive, which is expected to become more comprehensive as of 2026.

We are looking forward to working with our many suppliers on creating a more sustainable construction and installation industry for the benefit of our customers, society and our Planet.



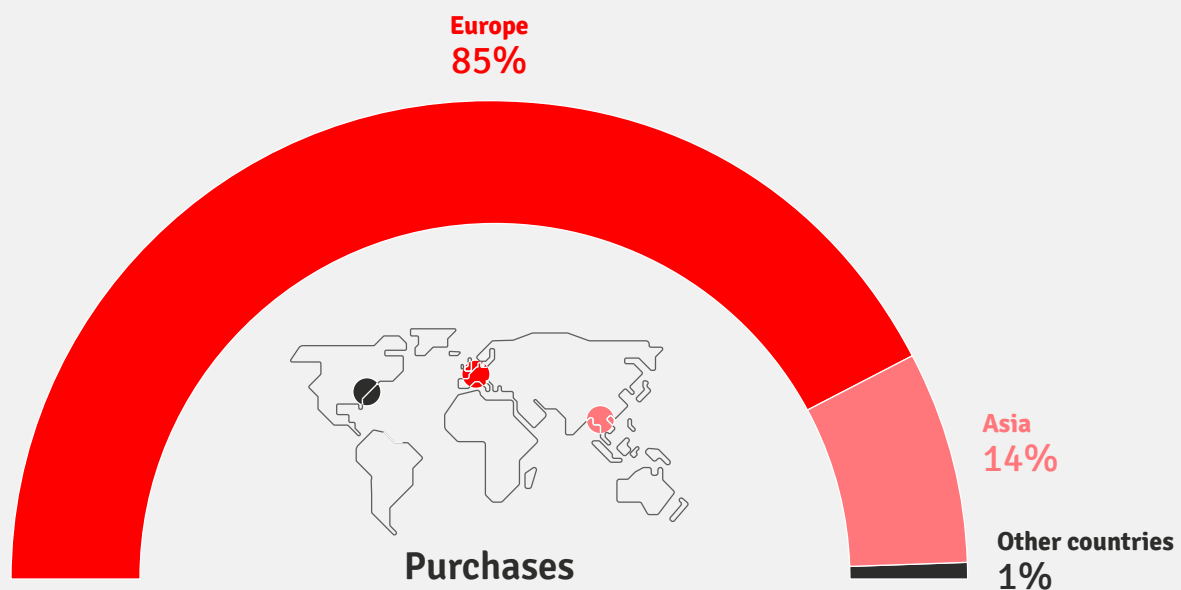
GOOD BUSINESS PRACTICE AND ETHICS

We comply with applicable legislation and international conventions on good business practice, including workers' rights, human rights, the environment and bribery and corruption in the countries in which we operate. We maintain a zero tolerance approach to violations of these conditions or breaches of rights.

We do not have an independent policy on workers' rights and human rights, although rules on anti-corruption and bribery are covered by our in-house rules and ethical guidelines. In our view, the countries in which we do business are all well-regulated in respect of these areas.

We are aware that our dealings with suppliers represent the most significant risk of infringement or 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.

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.



“85% of our purchases originates from Europe.”

Given the current distribution of our purchases, we are of the opinion that we are only at a limited risk of being indirectly involved in violations of workers' rights, human rights and rules on anticorruption and bribery, given that we operate only in well-regulated countries and that only at a small proportion of our purchases, 15% (2021: 15%), come from outside the EU.

We have devised a Supplier Code of Conduct in order to mitigate our risk, and this forms an integral part of the commercial contract between AO and its suppliers. The aim of the Code is to act as a means of reconciling expectations between AO and our suppliers in respect of business practices and ethics.

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 define their own goals and to work with the individual areas through their activities. Reporting on this is not required as yet.

We have recorded no breaches or instances of non-observance of our Supplier Code of Conduct in 2022. We will continue to monitor and ascertain the need for additional measures within this area in 2023.

Besides the provisions contained in the Supplier Code of Conduct, there are no separate goals, activities completed in 2022 or planned activities in 2023 in respect of workers' rights, human rights and bribery and corruption, but we will go on monitoring and assessing the need for further action.

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_2023.

DATA ETHICS

It is important for AO to ensure that customers, suppliers and other partners can rely on AO's data processing.

Data and the use of new technologies are crucial if we are to be able to support our customers and give them the best experience when they shop with us.

Data is also important when it comes to assessing the digital security of our suppliers and other partners.

“Customers, suppliers and employees must be able to trust the ways in which we process data.”

Finally, we want our staff to feel secure when it comes to AO's processing of their data, which includes ensuring that only necessary information is recorded and used for objective reasons.

We established a data ethics task force in late 2021, which was tasked with making recommendations to the IT Security Council regarding data ethics policy, data ethics principles and data ethics controls in relation to the policy.

The data ethics policy was approved by the Board of Directors on 27 October 2022.

The statutory report on data ethics in accordance with Section 99d of the Danish Financial Statements Act can be found here: https://ao.dk/globalassets/download/regnskabsdata/2022/data_ethics_2022_report.pdf.

In 2023, 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.

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.

We are transparent and open about matters where our position may differ from the recommendations set out in “Recommendations on Corporate Governance” (Anbefalinger for god selskabsledelse).

The Board of Directors has chosen to follow 32 out of 40 recommendations in 2022. 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 bids	
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.	The company has a special ownership structure where more than 70% of the voting rights are held by A shareholders. In the light of the company’s ownership structure the board of directors reserves the right, in certain cases, to reject takeover bids without them being submitted to other shareholders.
2.2 Members of the board of directors	
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.	The A shareholders appoint four out of five members of the board of directors elected by the general meeting. The CEO is one of the board members appointed by the A shareholders. The CEO, who has been in charge of the daily management of the company since 1981, is a member of the board of directors and holds more than 70% of the voting rights in the company.

3.2 The board of directors' independence

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.

The individual board members are assessed to possess necessary qualifications and experience and to be able to act independently of special interests. In connection with the annual evaluation of the board of directors and at the nomination of candidates for the board of directors an overall assessment of each candidate's qualifications and experience is made. Independence is part of this assessment, but it is not a decisive factor, as qualifications, experience and business insight are considered to be of greater importance.

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.

The A shareholders appoint four out of five members of the board of directors elected by the general meeting. The CEO is one of the board members appointed by the A shareholders. See also point 2.2.3.

3.4 Board 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 individual board members are assessed to possess necessary qualifications and experience and to be able to act independently of special interests. The board of directors appoints the members of the board committees on the basis of an overall assessment of qualifications, including independence. The board of directors considers that business insight and knowledge of the board committees' tasks are of greater importance than independence. The board committees consist solely of members of the board of directors of the company. See also point 3.2.1.

3.4.3. The Committee recommends that the board of directors establishes an audit committee and appoints a chairperson of the audit committee, who is not the chairperson of the board of directors

The board of directors appoints the members of the audit committee, including the chairperson, on the basis of an overall assessment of qualifications. Qualifications are essential, when the chairperson of the audit committee is appointed by the board of directors, and the board of directors has therefore chosen to disregard the fact that the chairperson of the audit committee is also the chairperson of the company's board of directors.

3.5. Evaluation of the board of directors and the executive management

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.-3.4.

In 2022, another procedure for evaluating the board of directors will be used. This procedure follows the structure recommended by the Committee.

5.1. Identification of risks and openness in respect of additional information

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 complies with Danish law, and at present there is only an obligation to establish an internal whistleblower scheme. At present, the established whistleblower scheme is only available to company employees. The need for an extension to include other stakeholders will be assessed on an ongoing basis.

Selected KPIs are presented below.

Priority areas ¹	2020	2021	2022
Gender diversity – number of women/men on the Board of Directors	0/5	0/5	0/4 ²
Attendance at Board meetings	97%	98%	100%
Attendance at meetings of the Audit Committee	100%	100%	100%
Number of provisions in “Recommendations on Corporate Governance” followed by AO	37/47	32/40	32/40
Number of provisions in “Recommendations on Corporate Governance” where AO has opted for a different approach	10/47	8/40	8/40
Number of whistleblower reports	-	0	0

¹ Board members elected by the Annual General Meeting.
² One Board member resigned during the year.

REPORTING UNDER THE EU TAXONOMY REGULATION 2021/2178 (ART. 8)

Under the EU Taxonomy Regulation, listed companies employing more than 500 people must disclose the share of their revenue, expenses and capital employed in 2022 that is defined as environmentally sustainable under the Taxonomy Regulation.

For the 2022 financial year, reporting is only required in relation to “Climate change mitigation” (Annex 1) and “Climate change adaption” (Annex 2).

AO is an environmentally aware and climate conscious company. As stated previously, AO’s direct carbon footprint is limited, as we are a wholesaler and conduct neither major production nor other activities that could potentially harm our environment and climate. That is why reporting on the environmental sustainability of our activities as defined in the EU Taxonomy Regulation is limited and does not present a true picture of our environmental and climate efforts, as this extends beyond our own activities. See section “Environment and climate” for more information.

That said, we are covered by the Regulation and so we have implemented an analysis of our activities in order to identify which ones are covered by Annexes 1 and 2 of the EU Taxonomy Regulation. The aim of this has been to identify whether AO has any activities, investments or expenses requiring us to submit a report for 2022.

Wholesale trading is not included as a separate activity in the EU Taxonomy Regulation. Hence the AO Group only has subactivities that are covered by the Regulation.

Reporting in accordance with the taxonomy

According to the classification system in the Regulation, AO is required to submit a report in relation to activity “6.5 Transport by motorbikes, passenger cars and commercial vehicles” and activity “7.7 Acquisition and ownership of buildings”. Both activities are deemed to have the potential to contribute to the environmental and climate objective “Climate change adaption”.

Taxonomy form for operating expenditure (OpEx) for 2022

Economic activities	Codes (2)	Substantial contribution criteria														DNSH criteria (Does Not Significantly Harm)				Taxonomy-aligned proportion of OpEx, year 2022 (18)	Taxonomy-aligned proportion of OpEx, year 2021 (19)	Category (enabling activity) (20)	Category (transitional activity) (21)
		Absolute OpEx (3)	Proportion of OpEx (4)	Climate change mitigation (5)	Climate change adaptation (6)	Water and marine resources (7)	Circular economy (8)	Pollution (9)	Biodiversity and ecosystems (10)	Climate change mitigation (11)	Climate change adaptation (12)	Water and marine resources (13)	Circular economy (14)	Pollution (15)	Biodiversity and ecosystems (16)	Minimum safeguards (17)							
		TDKK	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%	E	T			
A. TAXONOMY-ELIGIBLE ACTIVITIES																							
A.1. Environmentally sustainable activities (Taxonomy-aligned)																							
Activity	0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)	0	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
A.2 Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																							
Transport by motorbikes, passenger cars and commercial vehicles	6.5	10,015	3%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
Acquisition and ownership of buildings	7.7	14,347	5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		24,362	8%																				
Total (A.1 + A.2)		24,362	8%																				
B. TAXONOMY-NON-ELIGIBLE ACTIVITIES																							
OpEx of Taxonomy-non-eligible activities (B)		294,155	92%																				
Total (A + B)		318,517	100%																				

Accounting policies

All KPIs have been calculated in accordance with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 220/852 of the European Parliament and of the Council, Annex 1.

Capital expenditure for activity “6.5 Transport by motorbikes, passenger cars and commercial vehicles” has been calculated in compliance with the Commission Delegated Regulation and is calculated on the basis of Annex 1, section 1.1.2 and includes the purchase of the Group’s company cars and additions related to the acquisition of EA Værktøj Engros A/S. This is viewed in relation to the Group’s total operating equipment and leased operating equipment, as can be seen in notes 13 and 14 of AO’s Annual Report for 2022.

Operating expenses for activity “6.5 Transport by motorbikes, passenger cars and commercial vehicles” are calculated on the basis of Annex 1, section 1.1.3. and include all expenses associated with the Group’s company cars. The taxonomy remains open to interpretation, and at present all determinable items have been calculated. As a result, the calculated operating expenses are viewed in relation to the Group’s total external expenses, as shown in the income statement in AO’s Annual Report for 2022.

Revenue for activity “7.7 Acquisition and ownership of buildings” is calculated in compliance with Commission Delegated Regulation Annex 1, section 1.1.1. and includes all external revenue related to the rental of Group properties to external parties. This is viewed in relation to the Group’s total revenue, as shown in the income statement in AO’s Annual Report for 2022.

Capital expenditure for activity “7.7 Acquisition and ownership of buildings” is calculated on the basis of Annex 1, section 1.1.2 and includes all of the Group’s acquisitions of properties and additions of properties in connection with the acquisition of EA Værktøj Ejendomme A/S. This is viewed in relation to the Group’s total land and buildings, as can be seen in note 13 of AO’s Annual Report for 2022.

Operating expenses for activity 7.7 “Acquisition and ownership of buildings” are calculated on the basis of Annex 1, section 1.1.3. and include all expenses associated with the Group’s running of property. The taxonomy remains open to interpretation, and at present all determinable items have been calculated. As a result, the calculated operating expenses are viewed in relation to the Group’s total external expenses, as shown in the income statement in AO’s Annual Report for 2022.

Through cross checking with the Annual Report for 2022, it has been ensured that there is no duplication of the components included in the calculation of revenue, capital expenditure and operating expenses.

The future is created in the present

ESG

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

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