



Sustainability Report 2023

Brødrene A & O Johansen A/S
Rørvang 3, DK-2620 Albertslund, Denmark
CVR-no. 58 21 06 17

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

AO's sustainability report for 2023

In line with our commitment to create a positive change in the construction and installation industry, we help our customers to achieve sustainable growth.

At AO, we believe it can be done by setting a good example ourselves, by working with the value chain to reduce negative ESG impacts, and most importantly, by making it easy for our customers to choose the sustainable path forward.

In recent years, we have made progress towards integrating ESG further into AO's business strategy, and we are now at a stage where requirements from the EU, national governments and customers have been defined, and where we find ourselves able to deliver on their requirements and our own goals for a sustainable development of our company and value chain.

In recent years, AO has proactively pursued the integration of our ESG strategy with our business strategy. We have carefully contemplated both a "sustainable business strategy" and a "business-centric sustainability strategy", but our present strategy represents a combination of the two, where business and sustainability are interlinked.

AO's sustainability efforts are grounded in many years of working with the environment, social issues and governance in our own operations that are based on core values like integrity and fairness. This work has left AO with a solid data foundation, enabling us not only to deliver relevant information but also to make a change in our value chain where our customers are at the centre of our efforts.

2023 was a busy year, where resources across our business units were allocated to strengthen our commitment and make sustainability one of the core drivers of our growth in the coming years.

- AO's scope 1 and 2 goals of reducing CO₂ emissions by 50% by 2025 compared with 2020 and reaching CO₂ neutrality by 2030 are on track. We have intensified our efforts to eliminate all fossil fuels in our business. As a result 74% of our car fleet end 2023 have been converted into electric vehicles, almost all existing gas boilers have been replaced by heat pumps or district heating, and replacements of all gas forklifts have been ordered.

- We have concluded our first double materiality assessment to be ready for CSRD reporting from 1 January 2024 and strengthened our focus on ESG efforts.
- We have conducted our first scope 1, 2 and 3 CO₂ emissions report covering the entire AO Group. We have committed ourselves to the Science Based Targets initiative (SBTi), and in 2024 we expect SBTi to approve our 1.5° near-term target and our net zero target by 2045.
- Finally, we have increased our efforts to meet our customers' demands for environmental data, which will continue to be a key priority in the years to come.

AO's sustainability report for 2023 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 2023 and covers the accounting period 1 January – 31 December 2023.

From 2024 and going forward, AO will be disclosing ESG information as an integrated part of the Annual Report based on the requirements in the Corporate Sustainability Reporting Directive (hereinafter CSRD).

Responsibility and integrity are an integrated part of the AO culture and are expressed in our dealings with customers, suppliers, and other business associates, in the daily management of our employees and our cooperation with the society that we are a part of.

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 eight of the UN Global Goals.

Our policy for corporate social responsibility has been approved by the Board of Directors and can be viewed and downloaded at:

→ CSR policy

<https://ao.dk/globalassets/investor-relations/2023-corporate-social-responsibility-policy-final.pdf>

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A coherent framework for AO and our customers' ESG efforts

For AO it is not about communication, but about creating value for our customers in connection with their work with ESG.



AO welcomes EU's efforts to align ESG reporting across companies. In 2023, AO worked intensively on becoming compliant with the CSRD from 1 January 2024. This journey showed us that CSRD is about much more than compliance. It is about defining a sharp strategy and creating a positive impact, where it matters the most.



AO has reported on the EU Taxonomy since 2022. Unfortunately, AO's core business is not eligible for EU Taxonomy. The activities of our suppliers and customers are, however, often included in the EU Taxonomy. AO will play an important role in providing our customers with important information about products relevant for their reporting.



The EU is currently negotiating the new corporate sustainability due diligence directive commonly known as CS3D. Even though the regulation is not expected to apply to AO in the next years, we have already initiated a screening of all suppliers through an ESG Supplier Survey first issued in the fall of 2023. Once a year, AO will ask our suppliers about their ESG efforts and use this information to ensure risk management and further enhance our due diligence process.



AO has for the first time established a scope 3 CO₂ emissions baseline for our operations and value chain. Based on a 2022 baseline, we committed to the Science Based Targets initiative (SBTi) in 2023, and we are currently awaiting SBTi's approval of both our near-term and net zero targets. We are committed to work with suppliers to reduce CO₂ from all phases of the products' lifecycle and provide customers with products that reduce CO₂ footprint in order to reach net zero by 2045.

CSRD readiness

The adoption of CSRD is a step forward towards getting relevant, useful and value-creating ESG reporting. AO welcomes CSRD as this has not only been a compliance exercise for us, but a process where the sustainability and commercial potentials of working with sustainability have unfolded in new ways.

CSRD will strengthen the strategic work with sustainability and enhance the quality of decision making going forward towards sustainable growth for our business, the industry and society in general.

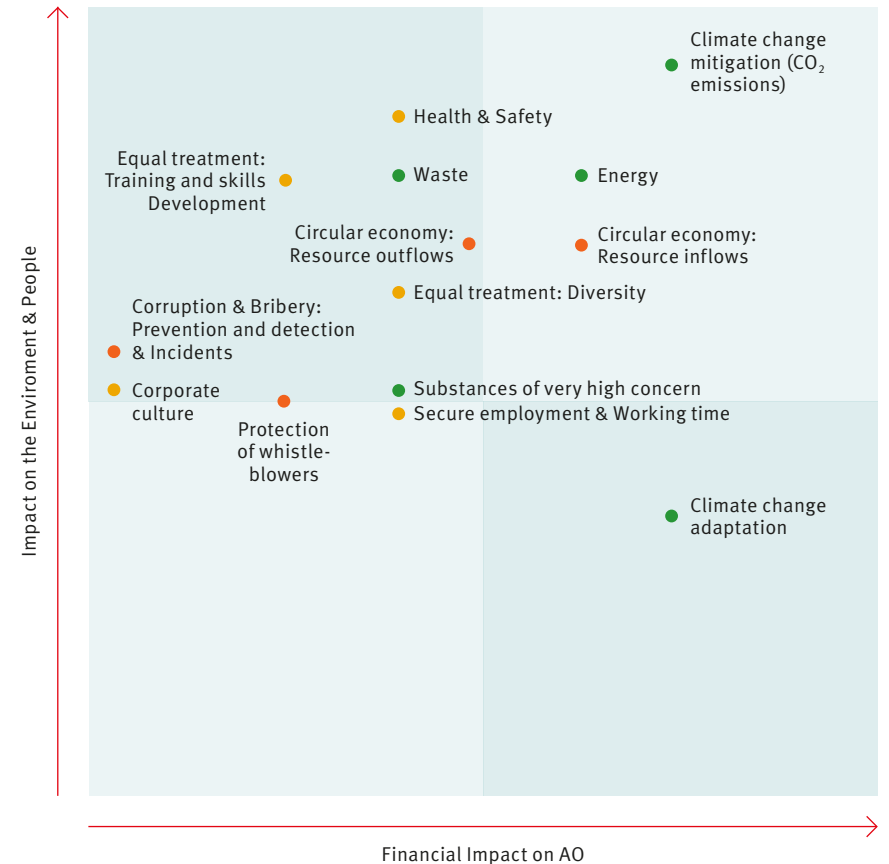
AO is ready for CSRD. This is due to a great collaborative effort involving several business units in AO this year and made possible by a solid foundation gained through many years of working actively with ESG, driven by valid data-gathering and a strong commitment. A preliminary double materiality assessment has been conducted, and the GAP analysis shows that we are ready to comply with the CSRD requirements from 1

January 2024. The double materiality assessment will guide our efforts in the coming years and should be seen as an ever-evolving strategic tool that will change as we gain further knowledge about impacts on the environment and society as well as impact on our financial performance.

AO's preliminary double materiality assessment sets the direction for AO's ESG efforts and shows the material impacts on AO.

Preliminary double materiality assessment

● Environment ● Social ● Governance



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. As AO's core business is wholesaling, the manufacturing of goods is in our value chain.

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

AO's main concept as an omni-channel company is one-stop shopping, digitally and at our stores, where customers are offered a complete range of products in a collect and delivery system supported by advanced IT and online trading solutions.

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

1. Suppliers

More than 1,000 suppliers provide the widest product range in the wholesale business

2. Central Warehouse

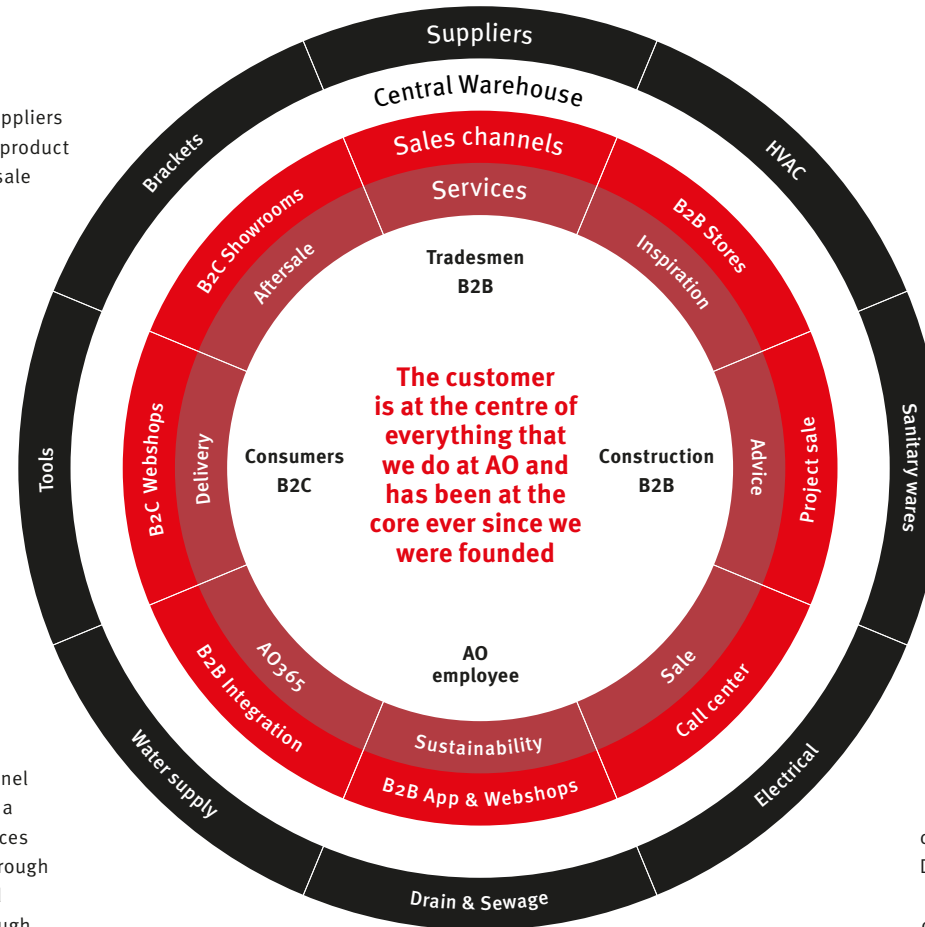
Automated warehouse solution ready to serve growth. 600,000 SKUs available for sale

4. Services

As a true omnichannel business AO offers a wide range of services from selfservice through AO365 to advanced project advice through our competency centres

3. Sales channels

Omnichannel business with 57 physical stores in Denmark and five in Sweden enabling 8,000 daily customer interactions. Digital share of sales makes up 50% of revenue. B2C customers are served out of 10 unique webshops



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 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 57 Danish B2B stores, our two B2C stores Greenline and CompletVVS, our showroom BoBedreBedst, our lock and locksmith services DK Låseteknik, and our five B2B stores in Sweden.

The many options and digital forms of shopping mean that customers can choose to shop in the way that suit them best at any one time.

The AO365 concept, where customers can use the AO365 app on their smartphones to shop freely in our stores 24 hours a day, 7 days a week, is implemented in all Danish AO stores.

To create positive sustainable change in our industry, we need to put the customer at the centre of our sustainability efforts. In 2023, we have increasingly worked with getting the platform in place to make AO the preferred partner in certified projects like DGNB, Nordic Swan-labelled buildings and CO₂ accounting for new buildings. In 2024, we will intensify our efforts and create customer-centric solutions that will enable our customers to choose a more sustainable path in new projects.

We cannot, however, do it on our own. We need our suppliers to participate by creating products with less negative environmental impacts in the products' lifecycle, including extraction of raw materials, product manufacturing, energy-efficient design and end-of-life treatment. In 2023 we sent our first ESG survey to all suppliers, and in 2024 we will analyse the results and begin our work with suppliers to create high quality products that meet new environmental standards.

Our new double materiality assessment is not static but evolves from year to year as new knowledge about our value chain and impacts arises. The ESG report for 2023 will be based on the well-known format that has characterised our ESG reports in past years. However, when we are CSRD compliant from 2024, the reporting format will change to meet the new requirements and support our intentions of providing our shareholders and the public in general with relevant information about our ESG efforts.



Risk assessment and our prioritisation of initiatives

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

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.

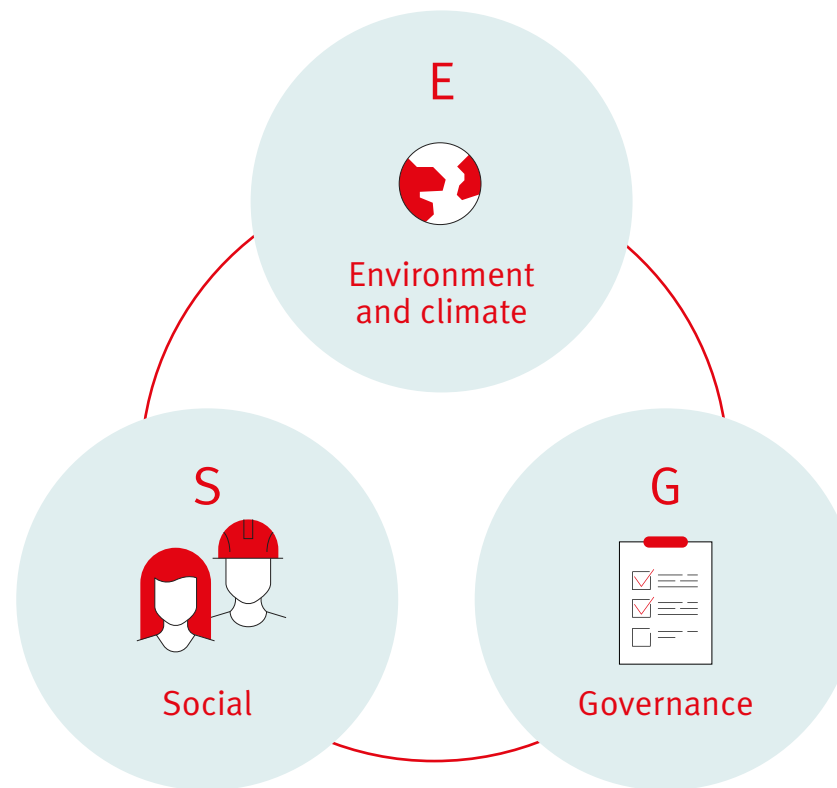
Based on a desire to make a difference and our belief that we can make a positive contribution, we work dedicatedly on all three sustainability areas: Environment and climate (E), Social aspects and employee aspects (S) and Governance (G).

The general areas are all embedded in our CSR policy, which can be viewed here:

→ CSR policy 2023

<https://ao.dk/globalassets/investor-relations/2023-corporate-social-responsibility-policy-final.pdf>

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.



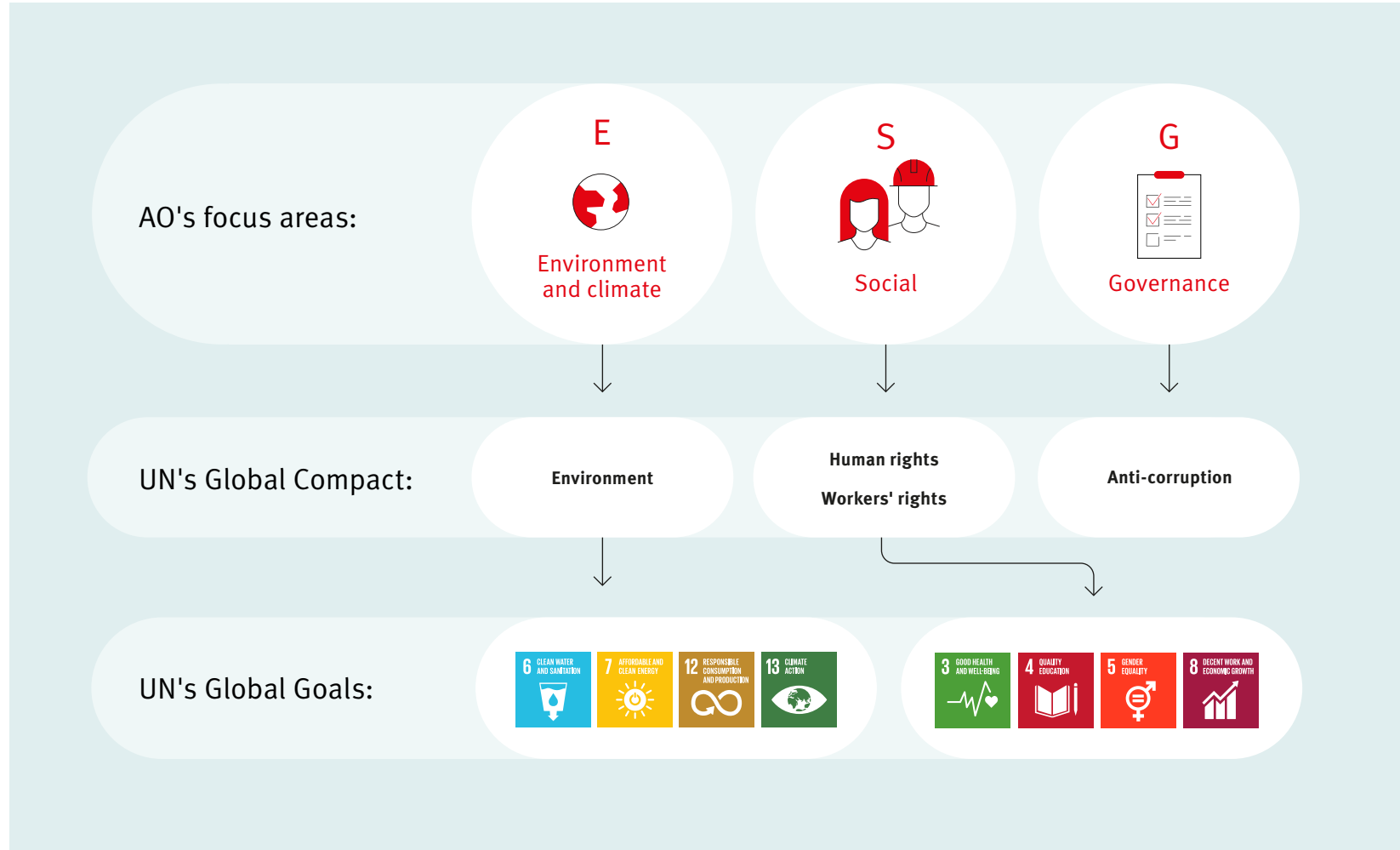
AO has a strong platform to make a positive contribution via our cooperation with our customers and suppliers.

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

AO wants to help our customers in their efforts to be sustainable and to be able to offer sustainable solutions to their customers. By making it easy for our customers to select products based on environmental data, we hope to add value to their businesses. We want to focus on our staff and secure a safe and motivating environment for them in which they can thrive and evolve, where there is room for all their skills, development, and desires for a good professional career.

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

AO's focus areas and objectives contribute positively to the UN Global Compact and the UN's Global Goals and can be illustrated as shown.



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Policies

AO has a specific environmental policy which forms an integral part of our overall CSR policy.

AO would like to help bring about a sustainable society, and we have chosen to pursue high environmental management standards throughout the Group, from our central warehouse at Albertslund to our stores in Denmark and Sweden.

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

- Waste – reduction and recycling.
- Energy consumption – fossil-fuel phase-out and reduction in our consumption of electricity and heating.
- 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.



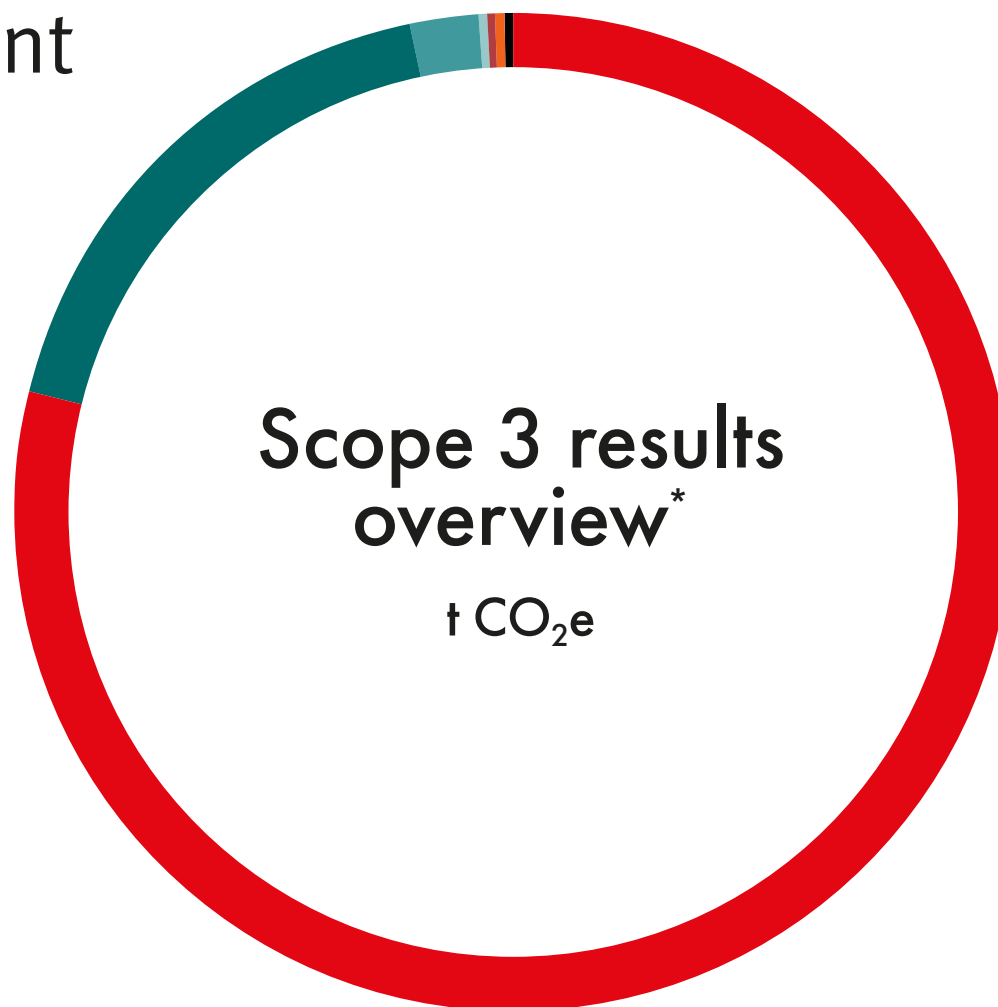
AO's carbon footprint

– committed to Science Based Targets initiative (Scope 3)

As an IT and logistics company selling a variety of goods to professional tradesmen and installers, and with very limited in-house production, our carbon footprint in own operations (scope 1 and 2) is limited compared to the size of our business. Therefore, in 2023 AO entered into a cooperation with leading climate reporting experts to map AO's entire scope 3 carbon emissions. This has led to an approved commitment to the Science Based Targets initiative (SBTi), and in 2024 we expect SBTi to approve our 1.5° near term target as well as our net zero target by 2045.

Composition of AO's scope 3 emissions for 2022:

Scope 3 Categories	t CO ₂ e	%
Cat 1 - Purchased Goods & Services	206,969	18%
Cat 4 - Upstream transportation	22,581	2%
Cat 11 - Use of Sold Products	916,518	79%
Other categories	12,270	1%
Total	1,158,338	100%



- 79,12%**
Cat 11 - Use of Sold Products
- 17,87%**
Cat 1 Purchased G&S
- 1,95%**
Cat 4 Upstream Transportation
- 0,52%**
Cat 9 - Downstream Transportation & Distribution
- 0,33%**
Cat 12 - End-of-Life Treatment of Sold Products
- 0,08%**
Cat 7 Employee Commuting
- 0,07%**
Cat 2 Capital Goods
- 0,06%**
Cat 5 Waste Disposal
- 0.00%**
Cat 3 Fuel- and Energy-related activities
- 0,00%**
Cat 13 - Downstream Leased Assets

* Scope 3 emissions have been calculated in accordance with the GHG Protocol for all categories except for category 8 Upstream leased assets (emissions are included in Scope 1 or 2), Category 10 Processing of Sold Products (N/A), category 14 Franchises (N/A) and category 15 Investments (N/A).

AO's first scope 3 results

Together with leading experts AO has conducted a scope 3 mapping of our whole operation and value chain in accordance with the GHG Protocol and SBTi guidelines. The results show that we can play an important role in reducing carbon emissions as the products bought by AO and sold to customers have the largest impact on the energy they consume while they are in use (category 11) and during the production process (category 1).

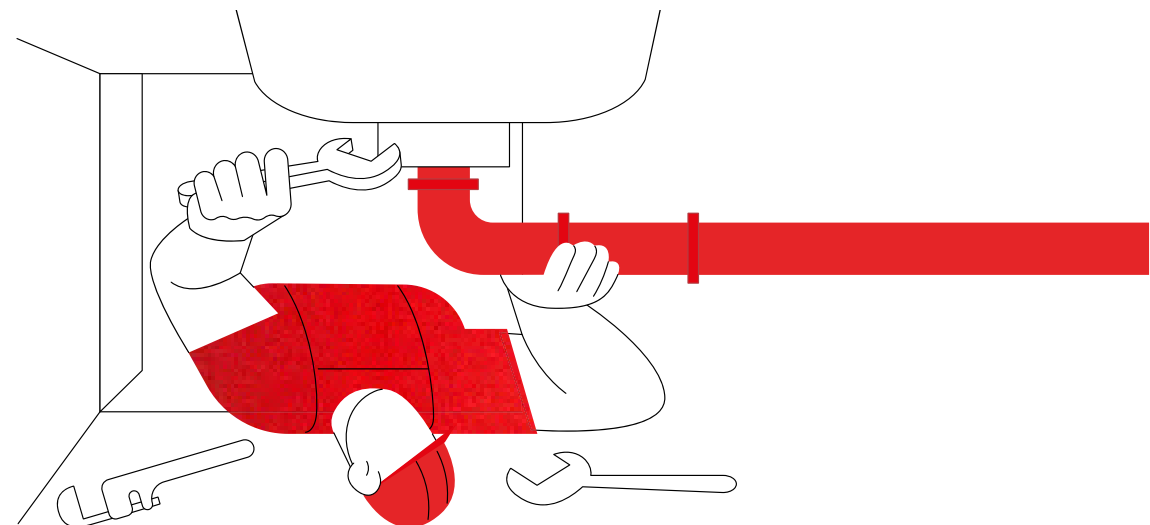
It comes as no surprise to AO that carbon emissions from purchased goods and services (category 1) play a significant role as the products AO buy and sell are at the core of the business.

However, we are surprised by the big impact that the use of sold products has on our total scope 3 emissions. This calls for a continuation and intensification of our efforts to provide energy efficient products to our

customers, and it underlines that environmental and commercial interests can be intertwined.

In 2024, when SBTi has approved our near-term 1.5° and net zero targets, we will disclose our roadmap towards reducing our scope 3 carbon emissions.

We find the results interesting as they give us a clear prioritisation of and direction on where we must act to reduce carbon emissions. AO will work together with customers and suppliers to reach the ambitious goals outlined by Science Based Targets initiative that AO are committed to, and to find the path towards sustainable growth in the industry.



Carbon accounting for scope 1 and 2 emission goals

AO has a commitment to our already established goals from 2020, i.e. reducing our scope 1 and 2 emissions by 50% by 2025 and being carbon neutral by 2030.

The results in 2023 and the roadmap to reducing our carbon emissions is in line with our goals and remains the same as outlined in the 2020 baseline for AO's Danish activities.

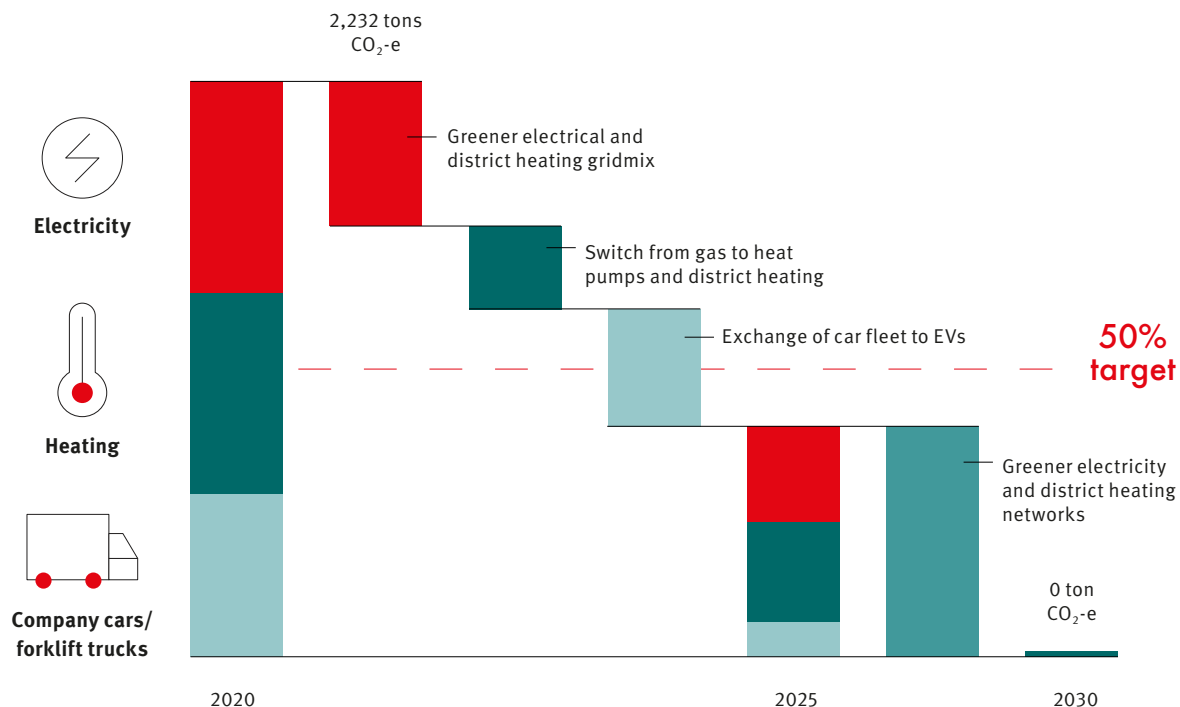
We will continue to disclose separate information on the carbon emissions for AO's Danish activities in order to follow up on our targets in 2025 and 2030.

In 2023 the carbon emissions for AO's Danish activities in scope 1 and 2 amounted to*:

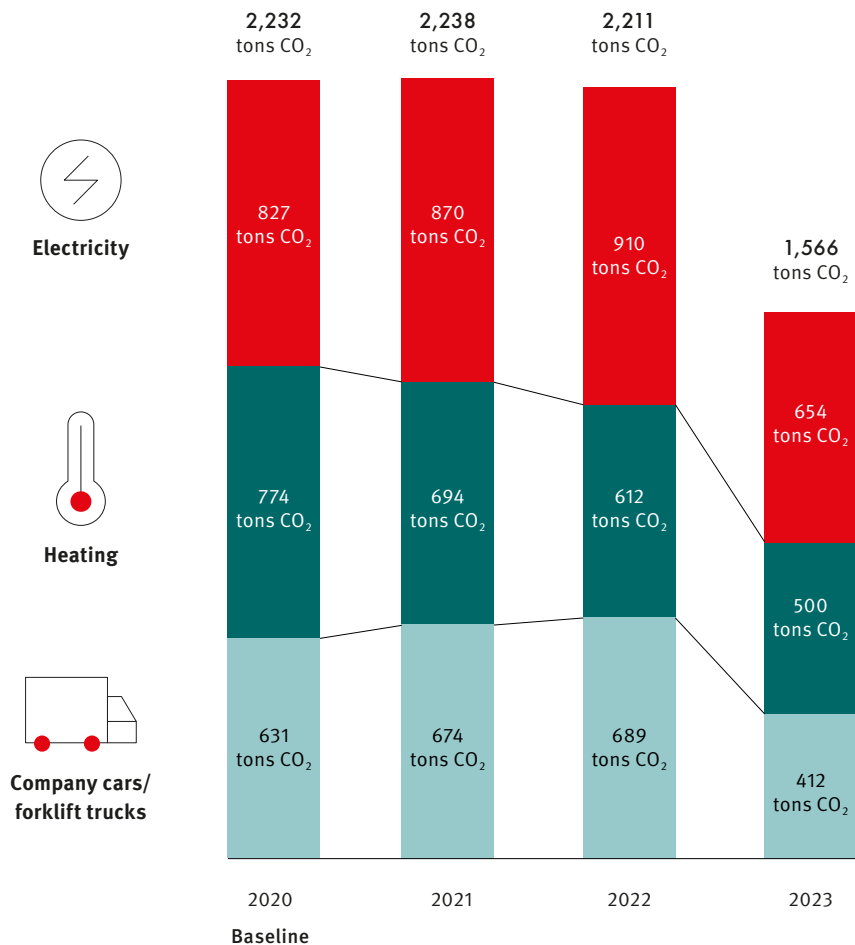
	t CO ₂ e	%
Scope 1	575	37%
Scope 2	991	63%
Total	1,566	100%

* Scope 1 and 2 CO₂ emissions are calculated on the basis of our consumption using the Danish Business Authority's "Climate Compas" ("Klimakompasset") determined in accordance with the environmental declaration. Calculated in accordance with the electricity declaration, our climate footprint amounts to 3,118 tons of CO₂.

The roadmap to becoming carbon neutral by 2030



The carbon emissions for scope 1 and 2



AO's work with eliminating fossil-based transportation and heating has materialised in the scope 1 and 2 results for 2023, which shows a 30% decline in CO₂ emissions compared with our 2020 baseline. This is a satisfying result keeping in mind that AO acquired EA Værktøj A/S in the period. We are confident that the dedicated work with eliminating fossil fuel in AO will result in AO reaching its goals.

The 2020 baseline only applies to the Danish AO activities and will be updated to a full AO Group 2022-baseline, when we hand in our roadmap to Science Based Targets initiative. The 2022 will be the baseline used for our reporting to the SBTi from next year.



AO is on track of eliminating fossil fuel

We are committed to our goal of reducing our scope 1 and 2 carbon emissions by 50% by 2025 compared with 2020 and being carbon neutral by 2030. To achieve our goal, we need to eliminate fossil fuels in AO – and we are on track in achieving this, because all AO employees contribute to changing habits.

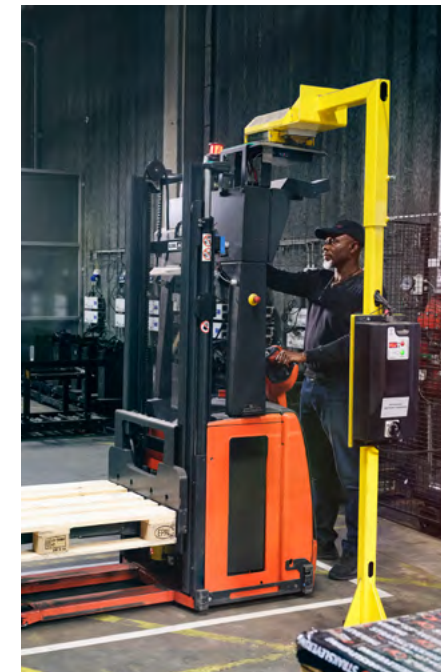


In 2023, a significant transition of our car fleet took place. Customers can now see electric AO cars all over Denmark as 74% of the fleet went from fossil-based cars to electric vehicles. Despite initial concerns about the range of EVs our employees are very satisfied with their new cars that also reduce costs in AO's operations.

We are committed to having a close to 100% electrified car fleet by the end of 2024.



A big contributor to AO's reduction in carbon emissions was the heat pumps in AO's stores and in our logistics centre in Horsens. In 2022 and 2023 we delivered on our goal to replace gas heating with heat pumps or district heating using the same products that we sell to our customers. Gas heating systems only remain in three locations due to plans of demolition or relocation.



Already in the beginning of 2023 we placed an order for electric forklifts in order to eliminate the use of fossil fuels in our logistics operations. Due to high demand and supply chain problems, not all forklifts have been replaced yet. However, the last electric forklifts will be delivered in the first quarter of 2024, and that will mark the end of gas-usage at our central warehouse.

Environment and climate measures and actions

Our environmental and climate initiatives get a high level of attention throughout the organisation. It is supported by our ISO 14001 management system and consolidated in all corners of our organisation, including our Board of Directors.

We regularly communicate about our environmental and climate initiatives by tabling environmental and climate issues at meetings throughout our organisation, and by issuing newsletters to all staff.

AO in its entirety, from the executive management to individual stores, is certified according to the ISO14001 environmental management system, which involves:

- getting staff actively involved in environmental initiatives.
- tabling the environment on the agendas of in-house sales 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 choices that are better for the environment when they shop with us.

October 2023 saw the renewal of our DS/EN ISO 14001:2015 environmental certification in both Denmark (including the EA Værktøj activities) and Sweden.

Prior to entering into or renewing contracts, we conduct an overall environmental assessment of our supplier, based on a questionnaire, and we require that suppliers

fulfil AO's Supplier Code of Conduct, which is based on the principles of the UN Global Compact. The Supplier Code of Conduct was last approved by the Board of Directors in December 2023, and can be viewed here:

→ [The Supplier Code of Conduct 2023](https://ao.dk/globalassets/investor-relations/2023-supplier-code-of-conduct_final.pdf)

https://ao.dk/globalassets/investor-relations/2023-supplier-code-of-conduct_final.pdf

Our efforts to encourage our suppliers to cut their negative impact on the environment and climate have continued in 2023 and are expected to intensify in 2024. Our objective for these discussions is to help influence our suppliers, and consequently our customers, to make better choices thanks to a wider range of resource-efficient products and a higher demand for sustainable solutions.

We continued phasing out fossil fuels used for heating purposes, and gas forklift trucks were replaced with electric forklift trucks. We had hoped to have all forklift trucks converted into electric forklifts by the end of 2023, but that was not possible due to high demand and long delivery times on electric forklifts. The electric forklift trucks have been ordered, and the last ones are expected to arrive in the first quarter of 2024.

Waste and recycling

In 2023, we introduced a new waste handling setup in both Denmark and Sweden. It was based on an extensive analysis of our procedures for waste sorting and enabled us to comply with the revised EU Waste Framework Directive, which was enacted on 1 January 2023. In the fall of 2023, we invited a student at Aalborg University to work as an intern and evaluate our waste management. The recommendations will be valuable input in our continued work to achieve a waste sorting of 90% in the future.

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 in our new shuttle warehouse we can use the thinnest possible cardboard boxes with as much recycled cardboard as possible.

The new shuttle warehouse adjusts all boxes according to content. This will decrease our use of cardboard and box filling materials going forward.



In our warehouse, we only use plastics that can be recycled, and we are trying to optimise the use of plastic film to reduce our consumption of plastic to a minimum.

As circular economy is one of the major challenges for our industry and one of the material topics of our double materiality assessment, we have started working towards a circular economy strategy. AO needs to comply with the Extended Producer Responsibility for Packaging Regulation, and we have collected packaging information from relevant suppliers. In 2024 we will continue our work towards a strategy for circular economy.

Energy consumption

In 2022 we developed a specific action plan for our buildings with a view to reduce energy consumption by 2025 and 2030. In 2023, this plan was updated with energy efficiency labelling, and a major survey involving all stores was completed, enabling us to align and prioritise decisions regarding the renovation of buildings.

Energy efficiency labelling has been implemented in all stores owned by AO. This has provided us with an overview of how we can improve energy efficiency labelling in connection with our own buildings, and how we can prioritise our initiatives.

In 2023, we continued our work with making our stores less energy-intensive; and even though the effect of this work has not yet had a full impact on our electricity consumption, we are seeing reductions in energy consumption at several stores.

A checklist, including energy initiatives and other measures, has been compiled and is reviewed by our in-house facility team in all stores at regular intervals, and energy improvements are automatically incorporated into all our projects. For the first time ever, an Energy Audit of AO was carried out in accordance with Danish rules and regulations, and it gave us valuable insights into how we progress towards a less energy-efficient business.

We still expect to have completed all obvious energy improvement projects by 2025, and it means that all new projects after that year will be based on enhanced technologies or technologies yet unknown. The only exemptions are stores that we expect to vacate or stores in need of major renovations.

We have observed that the transition of our car fleet reduced our use of fossil fuels by 34% in 2023 compared to 2022, and it is expected that the full effect will materialise in 2024. However, our actions to reduce our use of fossil fuels, for example electric vehicle charging, will lead to a significant rise in electricity consumption in 2024.

In 2023, solar panels were installed on the roofs of AO's headquarters and the new shuttle warehouse. Based on calculations from our supplier, we expect these installations to cover approximately 15% of the energy consumed at our headquarters and central warehouse. AO will continue to install solar panels on existing buildings, wherever possible. When new buildings are being constructed, we will, as a rule, seek every opportunity to create structures where renewable energy can be produced.

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

Transport

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

Our own company car policy only allows EVs to be selected. Exemptions can only be made in exceptional cases, but by 31 December 2024 all company vehicles will be 100% electric. Charging points for EVs have been installed at several stores and at our headquarters in Albertslund. In 2024, more charging points for EVs will be installed at AO's locations.

In 2023, AO's scope 3 emissions were mapped. Upstream and downstream transportation and distribution amount to only 2.5% of our scope 3 emissions.

However, our work on reducing these emissions will continue and will be in focus when renegotiating our transport contracts. Not because it is the most vital part of reducing scope 3 emissions but because it is the right thing to do.



Due diligence

AO's ambitious green transformation objectives call for an in-depth insight into the sustainable efforts of not only AO's own initiatives, but also of potential takeover targets. We call it green due diligence.

The purpose of green due diligence is to identify how potential acquisitions could live up to AO's standards, and how AO can learn from initiatives of the potential acquisitions; in short, it aims to identify how companies can support the green transition by learning from one another.

Although acquisitions of less mature companies regarding sustainability may show a temporary set-back in our overall sustainability scores, we remain confident that such acquisitions will be beneficial to AO's sustainability programme.

We have performed an environmental and climate risk analysis and based it 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 impacts from major investments, changes in work processes, new locations, and new transportation methods or patterns, and they are an integral part of our decision data.

Environment and climate

Results for 2023 and goals for 2024

Based on AO’s environment policy, we have continued to work on our environment and climate initiatives with an aim to achieving AO’s environment and climate goals for 2023. Our preliminary goals, results, and action plan for 2024 are set out below:



Waste

Goals for 2023	Results for 2023	Action plan for 2024
To maintain a high sorting rate (90%) for the logistics centre in Horsens and the central warehouse in Albertslund and to work on increasing the actual recycling rate.	The overall sorting rate stands at 91% for Horsens and the central warehouse in Albertslund.	Continue to maintain a high sorting rate above 90% and work on increasing the actual recycling rate. Our long term goal is a sorting rate above 90% for the whole Group.
To introduce a new sorting solution in all stores in mid-2023 with significantly more sorting on a local level.	The sorting rate in Denmark has increased from 44% to 54% and in Sweden from 79% to 83%.	Goal completed. In 2024 we will define a baseline and set new goals for our stores.
An average fill rate of over 30 kg/m ³ for cardboard and 55 kg/m ³ for combustible waste at our stores in Denmark.	The cardboard fill rate stood at 29 kg/m ³ , and 51 kg/m ³ for combustible waste.	To consolidate our reporting and prioritise material ESG impacts, this goal will not be reported on separately as we will follow the new CSRD reporting standard.
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.	As the ESRS’ were publicised we decided to focus our efforts on compliance with the ESRS’ instead of creating a new method that was not in line with the new requirements. The work is still ongoing.	To consolidate and prioritise our material ESG impacts, this goal will not be reported on separately as we will follow the new CSRD reporting standards regarding resource use and circular economy.

Energy consumption

Goals for 2023

Reduction of AO Denmark's total energy consumption by 5% in accordance with the specific action plan compiled in 2022.

Results for 2023

The energy consumption of AO Denmark increased by 3 % in 2023 as a result of EA consumption now being integrated in our figures.

Action plan for 2024

Reduction of AO Denmark's total energy consumption by 2%.

Transport

Goals for 2023

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.

Results for 2023

The number of orders for collection at stores in Denmark and Sweden stood at 25%.

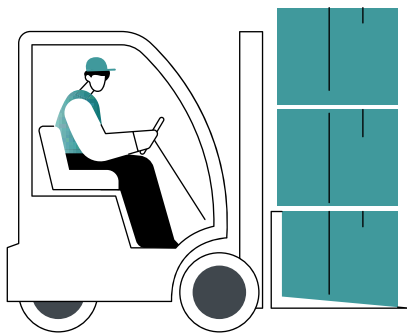
Action plan for 2024

To consolidate our reporting and prioritise material ESG impacts, this goal will not be reported on separately as we will follow the new CSRD reporting standard

AO's scope 3 carbon accounts completed in 2023 including goals for reducing CO₂ emissions resulting from transport.

Scope 3 emissions have been calculated and our commitment to SBTi has been approved.

AO will report on this subject according to CSRD and ESRS1 for climate change mitigation based on our commitment and expected approval of near term and net zero targets by the SBTi.



Other areas

Goals for 2023	Results for 2023	Action plan for 2024
AO will go on working with suppliers to obtain more ecolabels and products that have undergone life cycle analysis.	We have obtained more ecolabels from suppliers, so now AO has 1622 products bearing official ecolabels. Moreover, 10,643 products have undergone life cycle analysis and 4,532 products have been approved for the Nordic Swan Ecolabel for construction.	AO will go on working with suppliers to obtain more ecolabels and products with EPD (Environmental Product Declaration) certificates.
EA Værktøj will become part of AO Denmark's environmental and climate performance map in 2023.	EA Værktøj was successfully integrated into our environmental management system (ISO 14001) and is now a part of our certification process.	Goal completed.
The company is focusing on phasing out fossil fuels and developing the scope 3 accounting process in 2023.	AO's CO ₂ emissions have fallen significantly between 2020 and 2023 and we expect them to decline in accordance with our roadmap of phasing out fossil fuel. Scope 3 accounting has been calculated using 2022 as baseline.	AO will continue to phase out fossil fuel in accordance with the roadmap for CO ₂ reduction. This means phasing out fossil fuels from vehicles, heating, and forklifts.

Selected KPIs are presented below:

Focus areas ¹	2019	2020	2021	2022	2023
Waste sorting at the central warehouse and logistics centre ¹	90%	86%	87%	90%	91%
Waste sorting at stores in Denmark ¹	36%	47%	51%	44%	54%
Waste sorting at stores in Sweden ¹	-	-	89%	79%	83%
Packaging index in relation to order index ²	-	100%	95%	71%	N/A
Development in total energy consumption in Denmark ³	-5%	-3%	17%	-4%	3%
No. of collection orders ⁴	22%	22%	23%	23%	25%
Development of fuel consumption in company cars ⁵	-	-	-17%	-5%	-37%

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). Not calculated for 2023.

³ The consumption of heat and electricity in AO Denmark (exclusive of EA activities in 2022 and partly 2023) for the current year in relation to the recent year. Electricity consumed by company cars are not included.

⁴ The number of online orders collected from our stores in Denmark and Sweden for the current year in relation to the total number of delivery orders.

⁵ Fossil fuel consumption by AO Denmark company cars measured against fuel consumption in 2019 (prior to the COVID-19 pandemic).

91%

Waste sorting at the central warehouse and logistics centre

Environment and climate

Expectations for 2024

In the light of our current efforts and expectations for the future, AO will ensure that AO continues the momentum when it comes to the green transition.

Our intensified effort builds on our many years of work on the data for our environmental and climate initiative. In addition to our climate goals of halving CO₂ emissions by 2025 and being carbon neutral by 2030 (scope 1 and 2), we are committed to continue our work toward reaching both our long-term ambitions and 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).

In 2024 we will, as described, continue our work with reducing carbon emissions in line with our commitment to the SBTi. We will continue our work to eliminate fossil fuels, reduce energy consumption and sort a bigger portion of our waste in own operations.

Knowledge achieved from our ESG supplier survey will enhance our understanding of how we can work with our

value chain partners to reduce negative environmental impacts.

We will provide our customers with new possibilities to work with sustainable certified projects and be an inspiration to our industry on how our customers can create value by working with sustainability in their own businesses. This requires an intensive focus on how we can translate environmental data into valuable services.

With the implementation of the CSRD we will take a new look at our goal setting for 2025 to make sure that our resources are used in areas where we expect to achieve the highest impact.

2024 will be an eventful year, where AO will continue progress by setting a good example, by working with the value chain to reduce negative ESG impacts, and most importantly, by helping our customers making it easy to choose the sustainable path forward.



Social and employee aspects

- 25 Policies
- 26 Social and employee-related measures and actions
- 28 Results for 2023 and goals for 2024
- 30 Expectations for 2024



Policies

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

Our employees are our most valuable asset, and the main reason for our success and results. We believe in being a socially responsible business and in ensuring 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, based on a risk assessment, we have decided to focus on:

- Welfare and retention
- Development and training
- Sick leave and occupational accidents.

Our staff are critical to our success and outcomes, and thus the primary risks relate to 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

AO is doing business in socially responsible countries. At AO we try to create the best environment and conditions to promote welfare and development among our staff.

Ensuring good social conditions for our staff, and their families, 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.

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 jobs can be adapted to their capabilities and what they want.

Approximately 6% of our employees have been on reduced working hours in the form of senior staff schemes, light duties, and part-time work in 2023.

We continued to prioritise communication throughout the company in 2023 by means of a vivid and informative intranet, and short virtual presentations on matters such as financial results, data security, new digital tools, sustainability areas, etc. All of it brings the organisation closer together and boosts our common understanding of the business and reinforces our culture.

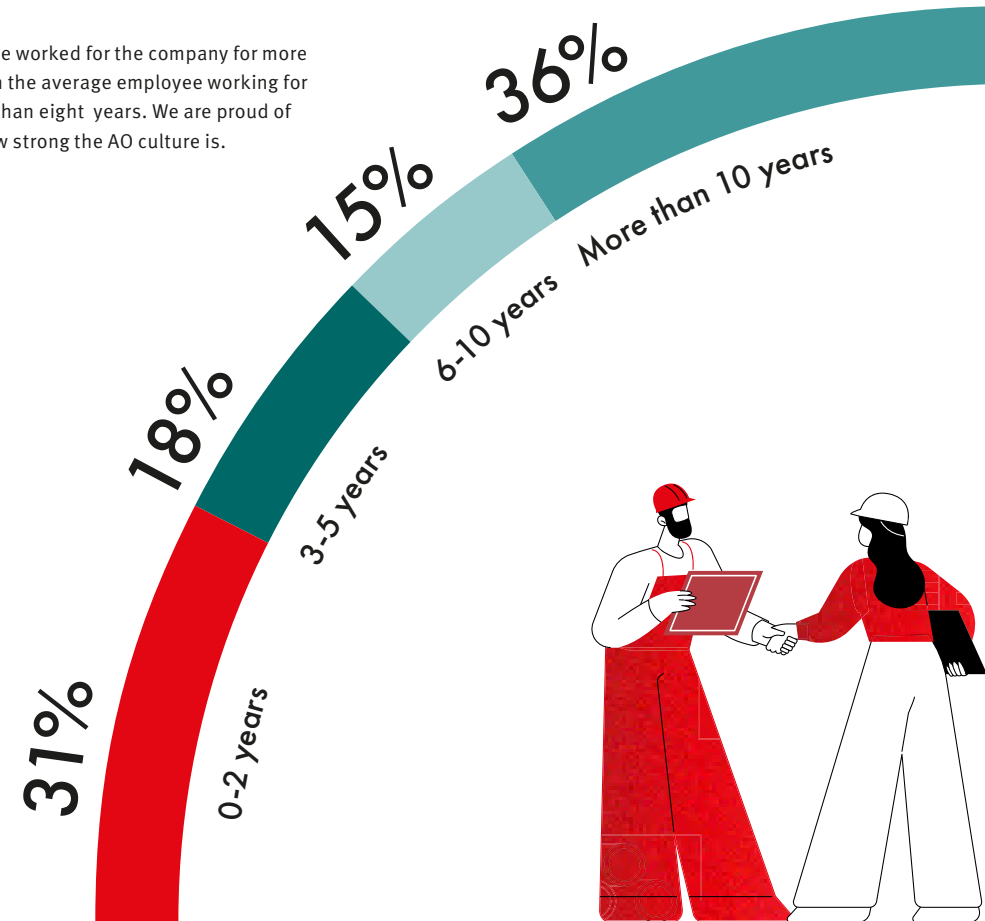
In 2023, we completed a survey to monitor our employees' wellbeing and job satisfaction. After processing, the results led to the implementation of action plans where needed.

This was followed by a workplace assessment in administrative departments.

In 2023, we worked with flexibility and absence as themes to ensure the best possible working conditions for our employees.

The Group's retention rate stands at 82%. This is a reduction of 4% point due to the integration of EA activities and jobs becoming redundant. The goal is a retention rate of 88% or higher thereby securing the balance of continuity and new dynamics.

50% of the staff have worked for the company for more than five years, with the average employee working for the Group for more than eight years. We are proud of this, as it shows how strong the AO culture is.



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 a 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.

As an extension of this, the Board of Directors approved a diversity policy for the company's management on 6 December 2023. The statutory report on diversity in the company's management and policy can be viewed at:

→ **Statutory report on diversity 2023**

https://ao.dk/globalassets/download/regnskabsdata/2023/diversity_2023_report.pdf

→ **Diversity policy 2023**

https://ao.dk/om-ao/investor-relations/in-english/company-profile/diversity_policy_2023

Development and training

We focus continuously on the development of our employees, providing the basis on which those individuals can do their job to the best of their ability.

This is achieved through daily and attentive management, and annual employee performance review interviews. Personal and vocational performance are discussed at such interviews, including job content,

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 51 trainees in 2023, which means that 6 % of Group staff were 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.

In 2023, AO introduced a "Universe of skills", an online catalogue of internal, external and online courses (management, professional trade specialties, languages, etc.), allowing staff to focus on developing own competencies. We would like to make it as easy as possible to choose relevant courses in cooperation and mutual agreement with their immediate manager.

The courses provide everyone with the chance to improve their skills within their existing functions, and to move to new functions within AO.

We hope this will contribute to a higher share of female leaders and increase the number of training days per employee over the next few years.

Targets for the gender composition of the Board of Directors and other levels of management have been set for 2024 in accordance with Section 139c of the Danish Companies Act, and the policy for increasing

the number of the underrepresented gender at other levels of management within the company has been reappraised.

The policy for increasing the underrepresented gender can be found at:

→ **Gender composition Policy 2023**

https://ao.dk/om-ao/investor-relations/in-english/company-profile/target-figures-and-policies-for-the-gender-composition-of-management_2023

The statutory report on gender composition of management is included in the Annual Report for 2023 on page 21:

→ **Annual Report 2023**

https://ao.dk/globalassets/download/regnskabsdata/2023/ao_annual_report_2023.pdf

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.

In 2023, we focused on reducing incidents related to forklift truck driving and on reducing heavy lifting by rethinking the functions at the hand packing stations.

The number of occupational accidents at AO Denmark showed a decrease from 3.2 to 2.5 occupational accidents per 100 employees. The proportion of occupational accidents resulting in absences of more than 1 day decreased accordingly.

Sick leave was reduced to 2.9%, as opposed to 3.9% in 2022. The sick leave is, however, expected to return to a higher rate going forward.

Due diligence on social aspects

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 decisions.

Social and employee aspects

Results for 2023 and goals for 2024

Our results for 2023 and action plan for 2024 are shown below:



Staff relations

Goals for 2023

Results for 2023

Action plan for 2024

To increase the average number of training days per Group employee to 2.5 days in 2023.

Average number of training days is 1.6 days

In 2024, training days are expected to remain at 1.6 days or lower as some training activities have been postponed to 2025 due to other activities.

Trainee numbers will increase to 6.5% of Group staff.

Trainees represent 6.3% of AO Denmark staff and 6.1% at Group level.

The number of trainees is expected to increase to 6.5% of Group staff.

The percentage of female managers at other management levels will be maintained at 15%.

The gender distribution is 14% at other management levels, defined in 2023 as all managers at the first or second management level below the Board of Directors.

AO is aiming at an increase in the percentage of female managers at other management levels from 14% in 2023 to 20% by 2028.

The retention rate will be increased to at least 87% for Group employees.

The retention rate stands at 82%.

The goal is to increase the retention rate to 88% or more for Group employees.

To ensure that 50% of Group employees work for the company for more than five years.

The proportion of employees who have worked for the company for more than 5 years has increased from 46% to 50%.

To ensure that 50% of Group employees work for the company for more than five years.

Occupational health and safety

Goals for 2023	Results for 2023	Action plan for 2024
To reduce the overall Group sick leave rate to no more than 3.5%.	Sick leave amounts to 2.9%	The sick leave is expected to increase and return to a slightly higher rate going forward.
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.	2.5 occupational accidents per 100 employees in 2023.	To reduce the number of occupational accidents to 2% per 100 employees at AO Denmark, including temporary workers, in 2024.
Green smileys from the Danish Working Environment Authority at all locations. No orders or reprimands.	One reprimand was received and corrected in 2023.	To retain green smileys from the Working Environment Authority at all locations. No orders or reprimands.

Selected KPIs are presented below:

Priority areas ¹	2019	2020	2021	2022	2023
No. of training days per employee ²	2.9 days	0.9 days	0.8 days	0.7 days	1.6 days
Percentage of trainees in AO	2.9%	4.5%	5.4%	5.0%	6.1%
Gender diversity in AO	19%/81%	19%/81%	20%/80%	19%/81%	21%/79%
Gender diversity, other management levels, % ³	11%/89%	10%/90%	11%/89%	15%/85%	14%/86%
Gender diversity – number of women/men on the Executive Board	2/3	2/3	2/3	2/3	1/4
Retention rate ⁴	-	88%	86%	86%	82%
Employees with more than five years of experience	-	55%	51%	46%	50%
Percentage on senior staff schemes, light duties and part-time work ⁵	-	7.4%	5.8%	5.0%	5.5%
Sick leave ⁶	3.9%	3.7%	3.3%	3.9%	2.9%
No. of occupational accidents per 100 employees ⁷	2.5 ⁸	3.6	2.8	3.2	2.5

¹ Key figures compiled for the AO Group for 2022-2023. Previous years include only AO Denmark.

² Total training days in relation to the number of employees (FTE)

³ Gender breakdown (HC), other management levels (Executive Board, functional managers, store managers and middle managers at the functions). For 2022-2023, "other management levels" include only staff who are one or two management levels below the Board of Directors.

⁴ Percentage of the average number of employees (HC) for the year who have not resigned

⁵ The proportion of senior staff, staff on light duties and part-time staff is based on the total number of employees, excluding external temporary staff (FTE).

⁶ Sick leave is calculated as the number of sick days divided by the number of employees in AO Denmark. In 2022, the number did not include +EA activities

⁷ Number of occupational accidents with absence in relation to the total number of employees (HC), including external temporary staff, calculated per 100 employees for AO Denmark (including EA activities)

⁸ Key figures calculated excluding external temporary staff.

50%

Employees with more than five years of experience

Social and employee aspects

Expectations for 2024

In 2024, we will be working on how to register and follow up on working hours according to new legislation. We will also follow up on the workplace assessments and continue to develop and implement the “Universe of skills”.

New datapoints will be implemented and administered in accordance with the Social Disclosure Requirements of the CSRD.

AO will continue to employ new trainees to ensure that we always have the necessary skilled employees trained within our fields.

6%

of AO staff is trainees. It is important to AO to ensure the right mix of skills and to help trainees get a good start in their career



Governance

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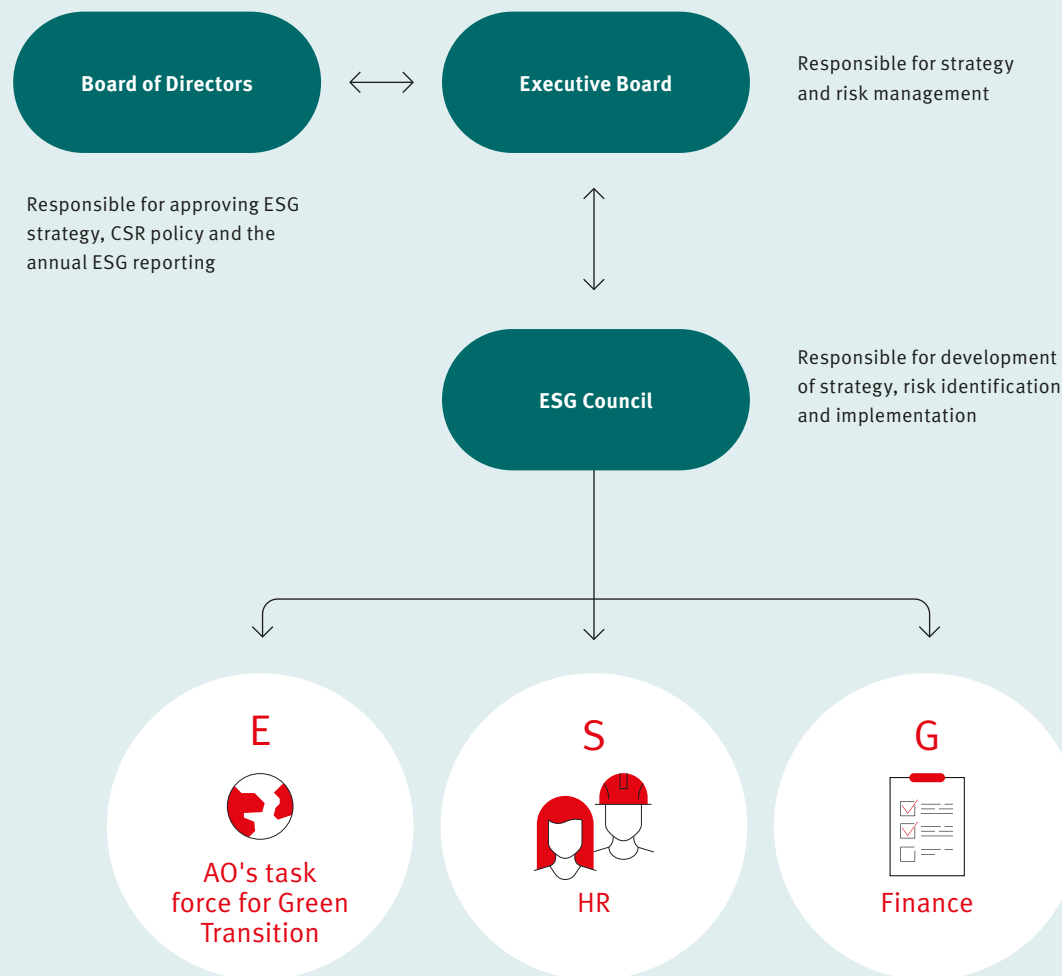
Governance

At AO, we manage and control our business in a responsible manner, 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.

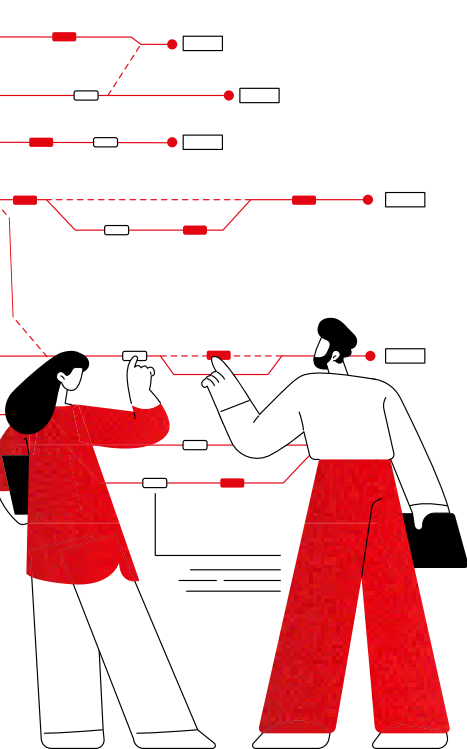
The ESG Council is made up of the executive officers of Transformation, HR and Finance, and the Head of Climate & Sustainability acts as the secretary for the ESG Council.

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.



Risk Management

The most significant risks to the company are managed and, if material, reported in company 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.

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.

Ultimately, 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.

In 2023, our data ethics working group worked with two aspects. The first one being how AO uses data on theft and whether this data is used in an appropriate way. The second one being whether AO processes data in such a way that data is used to discriminate against different groups particularly in connection with employment.

Very few comments to the procedure for handling data in connection with theft were given. No forms of discrimination were identified.

In 2024, our data ethics working group will, among other things, look into the possibilities of establishing an internal course on data ethics for the employees and evaluate whether AO’s customers could get more out of the data that AO makes available to them.

The data ethics policy was reapproved by the Board of Directors on 21 February 2024.

The statutory report on data ethics in accordance with Section 99d of the Danish Financial Statements Act can be found here:

→ [Data ethics report 2023](https://ao.dk/globalassets/download/regnskabsdata/2023/data_ethics_2023_report.pdf)
https://ao.dk/globalassets/download/regnskabsdata/2023/data_ethics_2023_report.pdf

Whistleblower scheme

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

Fundamental trust, transparency and good 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.

Two whistleblower reports have been received in 2023. Both were considered out of scope.

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 has reviewed the existing scheme and procedures and have decided not to make any changes at present.

Tax policy

Our tax policy is based on integrity and honesty. It is important for AO to assume its share of social responsibility for our common welfare and the sustainability of our society.

We pursue a responsible and transparent tax practice and do not support tax evasion or contribute to tax speculation or misuse of tax laws.

AO always complies with applicable tax laws and pays the correct taxes and duties at the appropriate time in the countries in which we operate.

We do not carry out tax planning with a view to minimizing tax payments in areas where we have no real business activity.

AO provides full transparency and openness to both tax authorities and the company's other stakeholders in the countries in which we operate.

We expect our customers, suppliers, and other partners to have the same view on tax payment as us.

Our tax policy can be viewed at:

→ Tax Policy 2023
<https://ao.dk/om-ao/investor-relations/in-english/company-profile/tax-policy-2023>





Sustainability partnerships 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 choices that are better for the environment.

In 2023, we focused on increasing the percentage of products with ecolabels and/or products that have undergone life cycle analysis when buying from our suppliers. We want to help our customers to focus more closely on certified products by prioritising our range and engaging with customers.

Over the next few years, we will be trying to pass on 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 continue to exert an influence via industry associations, our employers' association, and other public authorities.

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.

Purchasing patterns*:

● <1%
Other countries

● 17%
Asia

● **83%**
of our purchases
originates from Europe



* In 2023, purchasing patterns are determined by country of origin and volume.

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 anti-corruption and bribery, given that we operate only in well-regulated countries and that 83 % of our purchases originate (2022: 85%) from Europe.

We have devised a Supplier Code of Conduct 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.

We have recorded no breaches or instances of non-observance of our Supplier Code of Conduct in 2023.

Besides the provisions contained in the Supplier Code of Conduct, there are no separate goals, activities completed in 2023 in respect of workers' rights, human rights and bribery and corruption, but we will continue 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

→ [The Supplier Code of Conduct 2023](https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2023)
https://ao.dk/om-ao/investor-relations/in-english/company-profile/supplier-code-of-conduct_2023

In the fall of 2023, we initiated a screening of all suppliers through an ESG Supplier Survey. AO intends once a year to ask our suppliers about their ESG efforts and use this information to ensure risk management and enhance our due diligence process even further.



Recommendations on Corporate Governance

The Board of Directors maintains engaged and active communication on compliance with “Recommendations on Corporate Governance”, 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”.

The Board of Directors has chosen to follow 33 out of 40 recommendations in 2023.

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.

Recommendations on Corporate Governance

AO's approach

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 do 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.

Recommendations on Corporate Governance

AO's approach

3.4 Board committees (continued)

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.

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 it is only mandatory 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	2020	2021	2022	2023
Gender diversity – number of women/men on the Board of Directors ¹	0/5	0/5	0/4 ²	1/5
Attendance at Board meetings ¹	97%	98%	100%	97%
Attendance at meetings of the Audit Committee ¹	100%	100%	100%	100%
Number of provisions in “Recommendations on Corporate Governance” followed by AO	37/47	32/40	32/40	33/40
Number of provisions in “Recommendations on Corporate Governance” where AO has opted for a different approach	10/47	8/40	8/40	7/40
Number of whistleblower reports ³	-	0	0	2

¹ Board members elected by the Annual General Meeting

² One Board member resigned during the year.

³ Reports received through our whistleblower scheme

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 2023 that are defined as environmentally sustainable under the Taxonomy Regulation.

For the 2023 financial year, reporting is required in relation to “Countering climate change”, “Adapting to climate change”, “Water”, “Pollution”, “Circular Economy”, and “Biodiversity and ecosystems”.

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 complete view of our environmental and climate efforts, as they extend beyond our own activities. See section “Environment and climate” for more information about our activities.

We have conducted an analysis of our activities to identify if any of our activities are eligible as defined in the Annexes 1-2 of the Climate delegated act or in the Annexes 1-4 of the Environmental delegated act in the EU Taxonomy Regulation. The aim of this has been to identify whether AO has any reportable turnover, investments or expenses to be included in our report for 2023.

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

Reporting in accordance with the taxonomy

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

We have compared the two identified activities “CCM 6.5 Transport by motorbikes, passenger cars and commercial vehicles” and “CCM 7.7 Acquisition and ownership of buildings” with technical screening criteria according to the Delegated Regulation 2021/2139 and have identified 0% of our revenue, 51% of our investments, and 27 % of our total maintenance expenses to be eligible according to the classification system, cf. below in the taxonomy form for turnover, capital expenditure (CapEx) and operating expenses (OpEx). None of the turnover, investments or operating expenses have been assessed as being environmentally sustainable activities.

As yet, no capital expenditure plan for upgrading our investments to become environmentally sustainable in the longer term has been made.

This is illustrated below in the mandatory tables in accordance with Delegated Regulation (EU) 2021/852.

Taxonomy form for turnover

Economic Activities (1)	Code (2)	Absolute turnover (3) TDKK	Proportion of Turnover (4)	Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum Safeguards (17)	Taxonomy aligned or eligible proportion of total turnover, 2022 year N (18)**	Category (enabling activity) (20)	Category (transitional activity) (21)
				Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)				
A. Taxonomy-eligible activities																			
A.1. Environmentally sustainable activities (Taxonomy-aligned)																			
Turnover of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Of which Enabling																			
Of which Transitional																			
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																			
Turnover of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)		0	0%														0 ¹		
A. Turnover of Taxonomy eligible activities (A.1+A.2)		0	0%																
B. Taxonomy-non-eligible activities																			
Turnover of Taxonomy-non-eligible activities		5,261,016	100%														100%		
Total Turnover (A+B)		5,261,016	100%														100%		

1. In 2022, external "Rental income" was stated as turnover although it was not part of Group Turnover. In 2023, only turnover which is part of Group turnover has been accounted for. 2022 has been restated to zero.

Taxonomy form for capital expenditure (CapEx)

Economic Activities (1)	Code (2)	Absolute CapEx (3) TDKK	Proportion of CapEx (4)	Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum Safeguards (17)	Taxonomy aligned or eligible proportion of total CapEx, year N (18)**	Category (enabling activity) (20)	Category/transitional activity(21)	
				Climate Change Mitigation (5) *	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)					
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
CapEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	0%
Of which Enabling																				
Of which Transitional																				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition and ownership of buildings		CCM 7.7	57,823	33%														35% ²		
Transport by motorbikes, passenger cars and light commercial vehicles)		CCM 6.5	32,892	18%														6% ²		
CapEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			90,715	51%														41%		
A. CapEx of Taxonomy eligible activities (A.1+A.2)			90,715	51%														41%		
B. Taxonomy-non-eligible activities																				
CapEx of Taxonomy-non-eligible activities			85,982	49%														59%		
Total CapEx (A+B)			176,697	100%														100%		

2. In 2022, total CapEx included total "Operating equipment and leased operating equipment". In 2023 CapEx includes "Intangible assets" (excluding goodwill), "Property, plant and equipment" and "Right-of-use-assets". 2022 has not been restated.

Taxonomy form for operating expenditure (OpEx)

Economic Activities (1)	Code (2)	Absolute OpEx (3) TDKK	Proportion of OpEx (4)	Substantial Contribution Criteria						DNSH criteria ('Does Not Significantly Harm')						Minimum Safeguards (17)	Taxonomy aligned or eligible proportion of total OpEx, year N (18)**	Category (enabling activity) (20)	Category/transitional activity (21)	
				Climate Change Mitigation (5)*	Climate Change Adaptation (6)	Water (7)	Pollution (8)	Circular Economy (9)	Biodiversity and ecosystems (10)	Climate Change Mitigation (11)	Climate Change Adaptation (12)	Water (13)	Pollution (14)	Circular Economy (15)	Biodiversity (16)					
A. Taxonomy-eligible activities																				
A.1. Environmentally sustainable activities (Taxonomy-aligned)																				
OpEx of environmentally sustainable activities (Taxonomy-aligned) (A.1)		0	0%	0%	0%	0%	0%	0%	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	0%	0%	0%
Of which Enabling																				
Of which Transitional																				
A.2 Taxonomy-Eligible but not environmentally sustainable activities (not Taxonomy-aligned activities)																				
Acquisition and ownership of buildings (OpEx B)		CCM 7.7	13,667	23%														5% ³		
Transport by motorbikes, passenger cars and light commercial vehicles (OpEx C)		CCM 6.5	2,040	4%														3% ³		
OpEx of Taxonomy-eligible but not environmentally sustainable activities (not Taxonomy-aligned activities) (A.2)			15,707	27%														8%		
A. OpEx of Taxonomy eligible activities (A.1+A.2)			15,707	27%														8%		
B. Taxonomy-non-eligible activities																				
OpEx of Taxonomy-non-eligible activities			42,800	73%														92%		
Total OpEx (A+B)			58,507	100%														100%		

³ In 2022 total OpEx consisted of Group "External Expenses". In 2023 OpEx consists of total Group "Maintenance costs". 2022 has not been restated.

Accounting policies

All KPIs have been calculated on Group level in accordance with Commission Delegated Regulation (EU) 2021/2178 of 6 July 2021 supplementing Regulation (EU) 2020/852 of the European Parliament and of the Council, Annex 1.

In 2022, the taxonomy was still very new and open to interpretation. Since then the taxonomy has been discussed and a better understanding has been achieved. Our accounting policies below are described in detail to allow a better understanding of how the proportion of our taxonomy-aligned and taxonomy-eligible activities has been calculated.

Turnover

Turnover is calculated on the same basis as the turnover in the financial statements. No turnover has been identified for activity "CCM 6.5 Transport by motorbikes, passenger cars and commercial vehicles" and activity "CCM 7.7 "Acquisition and ownership of buildings".

CapEx

Capital expenditure for activity "CCM 6.5 Transport by motorbikes, passenger cars and commercial vehicles" is calculated on the basis of Annex 1, section 1.1.2 and includes the purchase and lease of company cars and other vehicles. This is viewed in relation to the total investments in "Intangible assets" (excluding goodwill), "Property, plant and equipment" and "Right-of-use assets", cf. notes 3.1-3.3 of AO's Annual Report for 2023.

Capital expenditure for activity "CCM 7.7 "Acquisition and ownership of buildings" is calculated on the basis of Annex 1, section 1.1.2 and includes all acquisitions and property leases. This is viewed in relation to the total investments in "Intangible assets" (excluding goodwill), "Property, plant and equipment" and "Right-of-use assets", cf. notes 3.1-3.3 of AO's Annual Report for 2023.

OpEx


Operating expenses for activity "CCM 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 direct maintenance expenses associated with the Group's company cars and other vehicles.

The proportion of operating expenses is calculated as direct maintenance expenses viewed in relation to the Group's total maintenance expenses.

Operating Expenses for activity "CCM 7.7 Acquisition and ownership of buildings" are calculated on the basis of Annex 1, section 1.1.3. and include all direct maintenance expenses associated with the operative administration of own and leased property.

The proportion of maintenance expenses is calculated as direct maintenance expenses viewed in relation to the Group's total maintenance expenses.

Through cross checking with the Annual Report for 2023, it has been ensured that there is no duplication of the components included in the calculation of revenue, capital expenditure and operating expenses.

The background features a large, stylized logo consisting of a dark grey 'A' on the left and a dark grey 'O' on the right. The 'A' is composed of thick, solid lines, while the 'O' is a thick, dark grey ring. The overall aesthetic is minimalist and modern.

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