

Mandatory Report on Corporate Social Responsibility, cf. the Danish Financial Statements Act, Section 99a and Section 99b

This mandatory report on corporate social responsibility for Brødrene A & O Johansen A/S is part of the Management's Review in the Annual Report for 2015 and covers the accounting period from 1 January to 31 December 2015.

In all of our business activities, AO wants to comply with current legislation and international conventions in the countries and communities where we operate.

We respect and comply with competition rules, environmental legislation, labour market legislation, agreements and safety requirements, and other regulations that provide the framework for how we conduct business. We want to be a responsible company that supports the UN Global Compact's ten principles on human rights, labour standards, the environment and anti-corruption.

In relation to AO's human rights work, a Supplier Code of Conduct has been prepared in order to make sure that our suppliers take on the desired responsibility. It is an integral part of our supplier agreements. Failure to meet our Supplier Code of Conduct will result in a termination of contract. (Our Supplier Code of Conduct is available at AO.dk which is updated on a regular basis).

AO operates primarily in Denmark, and the greater part of our purchases is made in the EU. Our employees are our greatest asset, and we have therefore chosen to focus on work environment issues and climate impact as the most important areas.

We have a working environment policy and an environmental policy focusing on the continued improvement of the company's performance.

Working environment

It is AO's policy to constantly focus on competent and respectful management, motivation, development/training and working environment, including

- developing the skills of employees, so that their potential is being used, and their value on the labour market is strengthened. In 2015 there was more focus on education, and therefore the number of days spent on education and training increased to 1,210 days (2014: 1,087 days)
- providing a healthy and safe working environment with focus on the prevention of accidents and injuries. The number of reported work-related injuries was 26 in 2015, including 13 minor injuries with less than a day's absence from work, against 19 in 2014
- ensuring a working environment where employee absenteeism is minimised, and where work skills are kept up-to-date. At the beginning of 2015 the target for absenteeism was set at 3%. During the year, there was focus on rapid follow-up on the employees' absenteeism, and it has therefore been possible to record a rate of absenteeism of 2.3%. The target has therefore been met
- AO's policies and practices relating to recruitment, pay, promotion, working conditions, corruption, and skills development are meant to ensure that discrimination is avoided, and that decisions are made on the basis of objective criteria.

The above-mentioned policies and actions are an integral part of our daily management activities/culture, and they develop concurrently with AO's strategies. The collected data is part of our ongoing follow-up on the work environment assessment. We believe that the collected data supports our goal of a "healthy and safe" working environment

Climate impact

AO's administration and central warehouse in Albertslund have been environmentally certified according to DS/EN ISO 14001 since 1999. Vaga Teknik was environmentally certified according to the same standard in 2001. In October 2008 all facilities at the address of the logistics centre in Horsens became certified, and the rental and service functions at Herstedvang 6 in Albertslund achieved certification in September of 2010.

AO acknowledges that an active consideration for the environment is important, and through our purchases, investments and other operations of the business we will help to protect the environment. We focus on reducing the most significant environmental impacts which we have assessed to be transport, waste, and energy and resource consumption. Our environmental policy is available at the website AO.dk, which is updated on a regular basis (in Danish only).

The following concrete actions concerning the environment need to be outlined:

- Our administration and central warehouse in Albertslund and our logistics centre in Horsens are environmentally certified according to DS/EN ISO 14001. More information about our environmental certification is available at AO.dk (only in Danish).
- Our rental and service functions as well as our warehouse facilities at Herstedvang 6 in Albertslund are environmentally certified according to ISO 14001.
- A number of environmental initiatives have been launched in order to reduce the consumption of electricity and paper and to collect consumables for recycling.

The company's environmental management system is audited once a year and new objectives are determined.

AO's environmental objectives for the 2013-2015 environmental policy are defined as follows:

- **Relative transport costs are to be reduced annually by 6%.**
In 2015 relative transport costs were reduced by 2% compared with 2014. AO recorded a revenue growth of 14% in 2015, and correspondingly, transport costs increased by 11% in the same period. In the course of the year, an optimisation of the loading process in Albertslund was introduced. This led to a reduced number of line-haul dispatches from Albertslund, and in practice a reduction of the actual environmental impact was achieved. But the target of a 6% reduction in relative transport costs was not obtained in 2015.
- **Supply of goods to customers through the company's stores is to be increased annually by 6%.**
In 2015, there was continued focus on using AO's 49 nationwide stores as a focal point for the collection of pick-up orders in the local areas. This resulted in a substantial increase in the number of stock item deliveries through our stores. The number of pick-up orders increased from 144,518 in 2014 to 173,033 in 2015. It is an increase of 19.7%, and the target has therefore been met.

- **At Rørvang total energy consumption, including electricity, heat and fuels, is to be reduced annually by 6%.**

2015 was the year where AO's new large high-bay warehouse finally came into operation, and, overall seen, it resulted in an increase in the electricity consumption of 2%. Seen in isolation, the investment in LED lighting led to a fall in the electricity consumption of 3%, even though there were more hours with full warehouse lighting in 2015 due to the introduction of night shifts. After the installation of energy improvements, such as a building envelope and radiant heating panels, the total heat consumption fell by 3%. Unfortunately, it was not enough to meet the target of a 6% reduction in the total energy consumption.

- **The company is to recycle more than 70% of its total waste (ongoing target).**

AO continues to have full focus on the sorting of waste, and in 2014 it was decided that AO should be a bit more ambitious in this respect, and therefore the waste sorting target was raised from 60% to 70%. According to the waste analyses for 2015, the company recycled 72% of its total waste at the logistics centre in Horsens, which is a decrease attributable to the reduced activity. The central warehouse in Albertslund recycled 87% of its total waste, mainly due to the taking over of activities previously undertaken in Horsens, a generally increased market activity and a major increase in the number of stored water supply and drainage products which require significant quantities of wood that can be recycled. The recycling target of more than 70% has therefore been more than successfully met.

In 2016 there will be extra focus on the energy consumption, as AO is in the target group for the new energy audit imposed on all companies with more than 250 employees. This means that AO's stores are to be certified according to ISO 14001 in the spring of 2016. This will create a new focus on the company's total energy consumption.

Diversity in management

In keeping with Danish Act No. 1383 of 23 December 2012 on the introduction of rules regarding target figures and policies for the gender composition of the supreme governing board and the reporting thereof, the company has on 1 April 2013, decided that, in connection with the ordinary general meeting in 2017 at the latest, the shareholder-elected Board members are to be composed of at least 20% women. All shareholder-elected Board members were re-elected at the ordinary general meeting in 2014. At the time of the presentation of the financial statements the target figure has therefore not been reached.

In addition, the company has drawn up a policy to increase the share of the underrepresented gender at the company's other management levels in Denmark. The goal is to achieve a share of female managers of at least 10% in 2017 at the latest. The current gender composition of the company's other management levels is 9% women and 91% men (2014: 6% women and 94% men). 19% of the company's employees are women. As a result of internal recruitment of managers, the number of female managers increased during the year.

Through the above-mentioned policy the company seeks to create a good and versatile workplace that promotes equal career opportunities for both women and men, and it is therefore estimated that the share of the underrepresented gender at the company's other management levels will increase in the long term.

The company has decided not to have any other policies and targets regarding diversity.