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WELCOME TO AVK’S SUSTAINABILITY REPORT

The purpose of this report is to describe how we as a company contribute to responsible and sustainable development and thereby also contribute to solving some of the challenges the world is facing. The report describes the initiatives and results we have started and achieved in the past year. The data presented in the report has been collected during the financial year 2019/2020 and includes all AVK’s activities. This is also part of the management report in AVK’s annual report for 2019/2020 and covers the statutory statement for corporate social responsibility and gender composition of management.

A LETTER FROM NIELS AAGE KJÆR

I am happy to present our sustainability report for the financial year 2019/2020. AVK wants to be a responsible and credible company capable of balancing economic, environmental and social aspects. We focus on long-term investments for the benefit of our company, employees and customers as well as the environment.

Sustainability has always been a part of our DNA, and our core values ‘quality, innovation, reliability, sustainability and customer service’ set the direction for our way of running our business. From the beginning, our focus has been on innovation and development of high-quality products with a long lifetime. At the same time, our focus has been on continuous optimisation of our processes and the implementation of sustainable solutions in our production without compromising on the quality of our products. Therefore, waste management and the use of recycled materials in the production of new quality products are important focus areas for us. In recent years, we have invested in innovative technologies and new business areas, which all contribute positively to a sustainable development.

AVK was founded by Aage Valdemar Kjær in 1941, and 2021 marks the year for our 80th anniversary. Back then, AVK was just a small workshop, but since then a lot has changed. Today, AVK is a global company employing more than 4,300 men and women in more than 100 companies worldwide. We are a diverse group of dedicated employees with needs and ideas that are always respected. We are proud of our employees, and we want them to see AVK as a good workplace where they are met with respect and trust.

Many of our employees have long seniority and many have celebrated their 25th and 40th anniversary at AVK. We are both happy and proud of their dedication and commitment. It is important to us that AVK is a good and healthy workplace for all our employees and therefore, we have a strong focus on the work environment and safety.

In this financial year, the world has experienced a global health crisis as a result of COVID-19. The health crisis has led to many challenges for most companies. This is also the case for AVK. During the crisis, we have had a strong focus on the health and safety of our employees and on being able to maintain our delivery reliability to our customers. Delivery reliability to our customers is very important as AVK’s products are part of vital infrastructure such as water supply, wastewater treatment and energy supply as well as many other industrial applications that all together contribute to sustainable development. In addition, access to safe and clean water is vital in the fight against COVID-19 as well as other serious diseases.

AVK plays an important role in achieving UN’s Sustainable Development Goal (SDG) 6, which is related to clean water and sanitation and UN’s SDG 9, which is related to industry, innovation and infrastructure. In addition, AVK also plays a role in achieving a number of other SDGs, which you can read much more about in this report.

Niels Aage Kjær
Owner and CEO
OUR COMPANY
ACTIVITIES, PURPOSE AND VALUES

Our activities
The AVK Group is a family-owned business with headquarters in Skovby/Gallén in Denmark. The AVK Group consists of more than 100 production and sales companies worldwide and employs more than 4,300 people.

AVK was founded in 1941 by Aage Valdemar Kjær – hence the name AVK. The company started as a small workshop with proud traditions and values, which still permeate the company. Today, AVK is a global group of companies divided into three business segments: AVK Water, AVK Industrial and AVK Advanced Manufacturing.

AVK Water consists of companies that develop, manufacture and sell valves, hydrants and accessories to the four segments: water supply, wastewater treatment, distribution of natural gas and biogas as well as fire protection. The products within these segments play a vital role in community infrastructure and contribute positively to the climate and environment with high functionality, high quality and a long lifetime.

AVK Industrial consists of companies that develop, manufacture and sell a broad range of valves for the industrial segment. The products are part of many different industrial applications that all contribute to sustainable development within various industries such as the beverage and food industry, the marine industry, the wind industry and SMART metering for natural and biogas distribution networks.

AVK Advanced Manufacturing consists of companies that manufacture components of plastic, rubber, steel, iron, aluminium and bronze. These components are included in our broad range of valves within AVK Water and AVK Industrial as well as in different industrial applications for e.g. water supply, the food industry, the health sector, the energy sector and for various other purposes where functionality, durability and high quality are key factors. Furthermore, our companies that use plastic in their production focus on using recycled plastic in the production of plastic pallets and other quality plastic products. The machined components of steel, iron, aluminium and bronze are part of different industrial segments such as the transportation, marine and wind industries.

Within all three business segments, the AVK Group focuses on developing products that can contribute positively to sustainable development. Traditionally, we have had a strong focus on innovation and development of new and optimised products of high quality and with a long lifetime and recyclability. In addition, we continuously focus on optimising our processes and production via long-term investments for the benefit of the company, our employees and customers and the environment.

Our purpose
Our purpose is to develop, manufacture and market products of high quality and with a long lifetime that are part of vital infrastructure including water supply, wastewater treatment and energy supply as well as a variety of other industrial applications that all together contribute to sustainable development, the health of people and a better environment.

Our values
AVK has five core values that set the direction for how we run our business while at the same time ensuring sustainable growth and that we keep our leading position within our business:

Quality
Quality is found in everything we do, and we focus on quality throughout the entire process from initial ideas to final execution. Quality is found in all our activities and our behaviour – both between colleagues and when dealing with customers. It is found in our products, processes, delivery, service, communication and guidance. This unbending approach to quality has created the foundation for our position as market leader. Our quality is what makes us stand out from the crowd.

Innovation
Innovation is essential for business today. We focus on innovation and development of new and optimised products of high quality and with a long lifetime. With an innovative approach to the development and design of our products and solutions, we stay adaptive to current and future market demands. Through continuous scrutinising and optimisation, we ensure that our products and solutions are always as efficient as possible. In addition, we focus on investing in new technologies and business areas that are able to contribute to sustainable development.

Reliability
Reliability is crucial to us. We strive to be a reliable and credible company that creates long-lasting results and relationships between us and our employees, customers and other stakeholders. Reliability is therefore key, and it is important for us to document our reliability and credibility as a company. We are therefore proud to be certified according to the ISO 9001 standard for quality management, to the ISO 14001 for environmental management and to OHSAS 18001, which is the international standard for occupational health and safety management.

Sustainability
Sustainability has always been a part of our DNA, and we work with sustainability on different levels. From the beginning, we have had a strong focus on innovation and development of high-quality products with a long lifetime. All the time, we continuously work on reducing our impact on the environment and climate in the production of our products. We want to invest in innovative technologies and business areas that all contribute to the green transition.

Customer Service
At AVK, we measure ourselves by our customers’ progress and satisfaction – not only with our products, but also with the way we are able to handle their needs, enquiries and requests. We believe in long-term partnerships and in being close to our market, always with our customers’ needs at the centre.

QUALITY
INNOVATION
CUSTOMER SERVICE
RELIABILITY
SUSTAINABILITY
AVK Sustainability Report 2019/2020

OUR BUSINESS MODEL

Our business model illustrates how we run our business. It is our goal to run our business in a sustainable way for the benefit of our customers, employees, the surrounding society and the environment.

RESOURCES

<table>
<thead>
<tr>
<th>EMPLOYEES:</th>
<th>We employ qualified employees who are able to support the business with their knowledge and competences. At the same time, we focus on long-term relations, diversity and development.</th>
</tr>
</thead>
<tbody>
<tr>
<td>INNOVATION AND DEVELOPMENT:</td>
<td>We continuously focus on innovation and development of new products, solutions and business areas.</td>
</tr>
<tr>
<td>PRODUCTION:</td>
<td>We source materials and products responsibly from local as well as global suppliers and business partners.</td>
</tr>
<tr>
<td>RESPONSIBILITY:</td>
<td>We run our business in a responsible way with focus on sustainability and care for the environment.</td>
</tr>
<tr>
<td>STAKEHOLDER ENGAGEMENT:</td>
<td>Our relationship with our stakeholders is built on trust and long-term relations – always with common value-creation in mind.</td>
</tr>
</tbody>
</table>

AVK Water

AVK Industrial

AVK Advanced Manufacturing

SOCIETY:
AVK develops, manufactures and markets products of high quality and with a long lifetime that are part of vital infrastructure including water supply, wastewater treatment and energy supply as well as a variety of other industrial applications that all together contribute to sustainable development, the health of people and a better environment.

CUSTOMERS:
We optimise customer solutions to create the highest possible return on the invested resources.

EMPLOYEES:
We focus on being a healthy and safe workplace for all our employees as well as creating attractive jobs and economic growth.

SHAREHOLDER VALUE:
We create values for our shareholders, but prioritise reinvestments and an active ownership.

Value creation

AVK is a global company operating worldwide. Therefore, we are also aware of the different conditions prevailing outside Denmark and the risks involved with our global operation. In all the countries where AVK is present, it is fundamental to act responsibly towards employees, the environment and the surrounding society.

AVK keeps a close watch on all business units of the Group and through regular visits, we ensure that the all companies in the Group comply with the defined human rights principles and criteria.
**SUSTAINABLE DEVELOPMENT GOALS**

**Employee relations:** The main risk within this area is found to be the risk of workplace accidents. This could negatively impact the safety and motivation of our employees and thus our ability to retain and attract new employees.

**Environmental data**

<table>
<thead>
<tr>
<th>Environmental data</th>
<th>Unit</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Change</th>
<th>Explanation (2019/20 figures)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CO2e, scope 1</td>
<td>Tons</td>
<td>13,062</td>
<td>12,123</td>
<td>-7.2%</td>
<td>Direct emissions (combustions of e.g. natural gas, oil, petrol). Total consumption (all companies).</td>
</tr>
<tr>
<td>CO2e, scope 2</td>
<td>Tons</td>
<td>14,742</td>
<td>16,208</td>
<td>9.9%</td>
<td>Indirect emissions (purchased energy e.g. electricity and district heating). Total consumption (all companies). In the calculation, the electricity consumption is reported as conventional electricity only, as we do not have an overview of purchased green electricity at the moment.</td>
</tr>
<tr>
<td>Energy consumption from electricity</td>
<td>MWh</td>
<td>73,444</td>
<td>81,015</td>
<td>10.3%</td>
<td>Total consumption (all companies).</td>
</tr>
<tr>
<td>Energy consumption from heating (district heating)</td>
<td>MWh</td>
<td>1,814</td>
<td>1,226</td>
<td>-32.4%</td>
<td>Total consumption (all companies).</td>
</tr>
<tr>
<td>Energy consumption from heating (gas)</td>
<td>M³</td>
<td>5,799,341</td>
<td>5,382,526</td>
<td>-7.2%</td>
<td>Total consumption (all companies).</td>
</tr>
<tr>
<td>Water consumption</td>
<td>M³</td>
<td>139,808</td>
<td>132,995</td>
<td>-4.9%</td>
<td>Total consumption (all companies).</td>
</tr>
<tr>
<td>ISO 14001 certified production companies</td>
<td>Number</td>
<td>21</td>
<td>26</td>
<td>23.8%</td>
<td>All AVK production units.</td>
</tr>
<tr>
<td>ISO 9001 certifications</td>
<td>Number</td>
<td>46</td>
<td>46</td>
<td>0%</td>
<td>All AVK production units.</td>
</tr>
<tr>
<td>ISO/TS 29001 certifications</td>
<td>Number</td>
<td>9</td>
<td>9</td>
<td>0%</td>
<td>All AVK units within gas (pipeline design, manufacture and supply products to the gas segment).</td>
</tr>
</tbody>
</table>

Table 1: Overview of AVK key figures

**Social data**

<table>
<thead>
<tr>
<th>Social data</th>
<th>Number of employees</th>
<th>Number of accidents at work resulting in absence</th>
<th>Number of accidents per 1 million working hours</th>
<th>ISO 45001 (OHSAS 18001) certifications</th>
<th>Supplier management and audits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>4,365</td>
<td>75,47</td>
<td>9.04, 5.63</td>
<td>13, 18</td>
<td>20, 46</td>
</tr>
<tr>
<td></td>
<td>4,393</td>
<td>-37.3%</td>
<td>-37.7%</td>
<td>38.5%</td>
<td>130%</td>
</tr>
<tr>
<td></td>
<td></td>
<td>All AVK companies, Number of accidents with &gt; 1 day’s absence.</td>
<td>ISO 45001 (OHSAS 18001) certifications</td>
<td>Number of accidents per 1 million working hours</td>
<td>Supplier management and audits</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1900 working hours are used as an average (ref. OECD).</td>
<td>38.5%</td>
<td>130%</td>
<td>Our Code of Conduct applies to all suppliers, but we conduct audits based on a risk assessment (in areas with higher risk).</td>
</tr>
</tbody>
</table>

**Management data**

| The gender diversity of the Board of Directors | % | 20 | 20 | 0% | The Board of Directors consists of 1 woman out of 5 members (excluding two employee-elected members) as per 30 September 2020. |

For the assessment of the environmental data, the growth in the Group’s turnover constitutes 4.1%.
In 2015, UN adopted the 2030 Agenda for Sustainable Development that includes 17 Sustainable Development Goals (SDGs). The SDGs emphasise a holistic approach to achieving sustainable development for all and balance the three dimensions – economic, social and environmental sustainability. As a global concept, the SDGs also emphasise that we all have a responsibility to contribute to sustainable development. At AVK, we are aware of our responsibility as a company to contribute to solving some of the challenges the world is facing.

AVK develops and manufactures products with a long lifetime and of a high quality. These products are part of vital infrastructure including water supply, wastewater management and supply of green energy, which all together contribute to sustainable development, the health of people and a better environment. Thereby, AVK plays an important role in achieving SDG 6, which is related to clean water and sanitation and SDG 9, which is related to industry, innovation and infrastructure.

AVK also contributes to several other SDGs including SDG 17, which is related to partnerships, SDG 12, which is related to responsible consumption and production, SDG 13, which is related to climate action, SDG 3, which is related to good health and well-being and SDG 8, which is related to decent work and economic growth.

In this report, we will explain how AVK contributes positively to the above SDGs, and in the following pages, we will explain how AVK contributes to solving some of the climate challenges the world is facing. We begin with a case study from Chikodi in India where AVK has contributed to solving issues with flooding and water loss, thereby helping to ensure a safe and stable supply of water. We will then explain how AVK, via focus on investments in innovative technologies within our different business areas, contributes positively to sustainable development.
Sustainable Water Supply in Chikodi in India

Every year, AVK organises a competition in connection with World Water Day on 22 March where we encourage our customers and partners to send us case studies that describe a project that has had a positive impact on water, sanitation or environmental aspects. In 2020, the winning case came from Chikodi in India. Here, AVK has contributed to solving a series of challenges regarding the water supply and thereby ensured a safe and stable solution for the benefit of not only the water supply, but also the local community and the environment.

**Case Study**

Automatic control and pressure management prevents flooding, water loss and disrupted supply

Especially when dealing with water systems, every drop should be managed wisely. Through a water system upgrade, flooding issues and critical water losses have been eliminated, and the city of Chikodi now receives continuous water supply.

Chikodi is a town municipal council city in the Belagavi district of Karnataka in India and has a population of around 40,000.

The water distribution network of the city runs on gravity with the river Krishna as its source. Raw water is pumped to the water treatment plant and is stored in a Master Balancing Reservoir (MBR), which is located at the highest point of Chikodi. From here, water is supplied to the network’s five service reservoirs by gravity.

The project objective

Initially, the city was experiencing a recurring issue of water overflow at the service reservoirs because the gate valves were not being closed in time when required. This led to a substantial amount of water wasted, not only causing lost revenue, but also flooding of the nearby properties. The gate valves not only had to be closed manually, but they were also not monitored and, as a consequence, action was only taken when the water was overflowing.

The water ran manually to the five service reservoirs, and because all of the reservoirs were supplied at the same time, the water was not distributed equally, always resulting in a shortage of water in the fifth reservoir.

The AVK team conducted a survey and collected the actual demand data of each service reservoir. The result of the survey enabled them to design and size a one-way altitude control valve for each reservoir and supply them to the site.

Immediate results

After installation of the valves, the service reservoirs’ overflow problem was immediately removed because the valves automatically shut off the supply once the required height is reached. The valves then automatically open once the water level drops more than 1-2 meters from the set point. This means no water loss (and non-revenue water) due to overflow, no flooding of the surrounding area and enough water available for the fifth service reservoir. The upgrade has also eliminated the need for human interference.

Pressure management securing continuous water supply

An additional problem for AVK to solve was that the water from each service reservoir was not distributed equally to all service connections because the pressure was high closest to the reservoir and declined on its way to the furthest service connections. To make sure that all connections always have enough water, and that the pressure is high enough, AVK also supplied pressure reducing valves to reduce and maintain a stable network pressure. AVK gate valves, air valves with insulation and butterfly valves were installed.

After installation of the valves, the pressure was equal throughout the network - even to the last service connection! A smart result!

AVK India worked closely with the contractor, Swastik Infralogic (I) Pvt. Ltd., during the installation and commissioning phases of the project, which was successfully completed by December 2018. The Project has helped the department of KUWS&DW (Karnataka Urban Water Supply and Drainage Board) to successfully run the new solution in the water supply system, and all further tenders have been changed to smart systems like the one in Chikodi.

By Peter Rajendran, Managing Partner of Evershine Enterprises
AVK has always had a strong focus on innovation and development of new products and solutions that are able to meet the needs of our customers. In recent years, our focus has shifted towards innovative technologies and new business areas that contribute positively to the green transition. Thereby, AVK increasingly works with the SDG 9, which is related to industry, innovation and infrastructure.

AVK focuses on innovation and development within all three segments – AVK Water, AVK Industrial and AVK Advanced Manufacturing.

Within AVK Water, the newest business area, AVK Smart Water, is working with the digitalisation of the water sector. The technological development is key to finding sustainable solutions to both the economic and environmental challenges regarding the water supply and water distribution network. Via digital and innovative solutions, it is possible to reduce water loss and energy consumption and secure a stable infrastructure.

At the moment, AVK Smart Water has several pilot projects abroad, but also in Denmark. With intelligent IoT-devices installed on e.g. valves or fire hydrants, these projects focus on providing a digital and intelligent solution that will enable water utilities to monitor their distribution network on an on-going basis. The utilities are dealing with various challenges such as water theft, knowledge of the valve's position and knowledge about when the fire hydrants have been used. These are all challenges that the AVK Smart Water solution can solve.

Another new and interesting area is Power-to-X. Power-to-X is a technology that can have a significant impact on the green transition. The technology covers various processes that turn green energy such as solar or wind energy into hydrogen or hydrogen-based products such as ammonia, methanol, methane and diesel products and these are then able to replace fossil fuels in sectors that are not able to run on electricity or battery. Wind and solar energy can thus be turned into climate-friendly fuel for aircrafts, ships, trucks and the industrial sector.

Within AVK Industrial, our companies also focus on innovative solutions that can contribute to reducing the environmental impact. Among others, Orbinox supplies dampers for the air separation industry and Wouter Witzel supplies butterfly valves to offshore wind farms. These butterfly valves are used both in the heat of the wind turbine, but also on the offshore platform that converts the wind into electricity. The primary purpose of the butterfly valves is to cool down the heat that is created when wind energy is utilised and converted into electricity.

Within the maritime industry, exhaust gases from ships pose a significant environmental problem due to the amount of sulphur dioxide emitted. In order to reduce the emission of sulphur dioxide, a so-called scrubber technology is used. The scrubber technology covers a group of air pollution control devices that are used to remove harmful particulates and/or gases from industrial exhaust streams. Traditionally, the term “scrubber” has referred to pollution control devices that use liquid to wash unwanted pollutants from a gas stream. Recently, the term is also used to describe systems that inject a dry reagent or slurry into a dirty exhaust stream to “wash out” acid gases. Wouter Witzel supplies butterfly valves to scrubber systems within the maritime industry. Within this industry, InterApp also supplies butterfly valves – more specifically to purification systems, which are designed to reduce the emission of greenhouse gas.

Within AVK Advanced Manufacturing, we have a number of companies that all support our other business areas and supply components for a variety of industrial applications. For example, AVK Tooling manufactures components that are used in wind turbines. Within this segment, innovation is an important factor, and we are continuously developing new products and solutions that are mixing AVK in an even more innovative direction with development of sustainable technologies. We do this by using recycled materials such as plastic and iron in the production of new products, but also by developing rubber components that live up to the highest environmental standards while at the same time protecting our climate and resources.

At AVK, innovation and development of products of high quality and with a long lifetime pave the way and ensure that we continuously push the boundaries for how we can contribute to a sustainable future.
AVK is an environmentally conscious company, and we continuously work on reducing our environmental and climate impact. Our continuous environmental and climate improvements are documented by collecting data and setting objectives for future improvements. We are aware of the impact our products and production can have on the environment. Our products are part of many solutions and applications that have a positive impact on the environment, both in terms of operation and lifetime, but we also seek to ensure that the production of our products have the least possible impact on the environment. During the planning process and execution of projects, we have a strong focus on ensuring that our processes and our handling of environmentally harmful substances are secure in order to avoid a negative impact on the surrounding environment.

### Energy optimisation
We continuously work on minimising our energy consumption. The reduction of our energy consumption is primarily a result of investments in energy saving LED-light, installation of sensors and an upgrade to more energy saving production equipment as well as a stronger focus on behaviour. Several of our production companies already run on renewable energy sources and we want to see more of our production companies converting to renewable energy sources, which can contribute to reducing our CO2 footprint.

AVK has 46 production companies, which are all certified according to ISO 14001. Through this, we continuously work with environmental and energy improvements with the aim of reducing our energy consumption.

From 2018/2019, the collection of data includes all our production units.

#### Table 2: Environmental data

<table>
<thead>
<tr>
<th>Unit</th>
<th>2018/19</th>
<th>2019/20</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water consumption (M³)</td>
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<td>81,015</td>
<td>10.9%</td>
</tr>
</tbody>
</table>

#### Comments on the result
The reason for the increased energy consumption from electricity is due to growth of the Group’s activities as well as further expansion and commissioning of production equipment in several of our production companies. One of our new production companies has not been fully integrated in the financial period 2018/2019 – this company is now 100% included in the calculation for 2019/2020.

#### Objectives and activities
It is our long-term objective to become CO2 neutral. In the coming year, we will focus strongly on reducing our energy consumption from heating and electricity. Additionally, we want to convert to renewable energy in our production units to the extent deemed appropriate. In the coming year, we will continue to collect data and set objectives for a reduction of the energy consumption from heating and electricity in the individual AVK production units. Furthermore, we want to get a full overview of the purchase of renewable energy, which will have a positive impact on our CO2 footprint.

Via internal and external ISO 14001 audits, we will ensure continuous follow-up on our objectives and ensure that the implemented environmental actions create the desired results locally.

The objectives for the coming year, 2020/2021:

- To identify the number of internal/external ISO 14001 audits carried out in the production companies.
- Going forward, to set the objectives for energy consumption in relation to the development in turnover.

#### Waste management: waste disposal and recycling
As part of our environmental management system, ISO 14001, our production companies continuously monitor all discarded materials.

It is our objective that we always dispose of discarded materials in an environmentally sound way. In order to reduce our environmental impact, we will work extensively with the principles of circular economy and ensure that our discarded materials can be recycled and thereby be part of a recycling cycle.

We consider resource efficiency and ultimately zero waste as a way of promoting innovation, reduce costs and minimise the environmental impact across our value chain. This is in line with UN’s SDG 12, which is related to sustainable development in order to ensure responsible consumption and production patterns. Therefore, we have a strong focus on avoiding zero landfill.

#### Objectives and activities
A long-term objective for AVK is for all our production companies to meet the requirement of zero waste to landfill. The objectives for the coming year, 2020/2021, are:

- Increased focus on waste management and ensuring that our waste materials can be recycled in order to achieve the objective of zero waste to landfill. It is our objective to get in-depth knowledge of the amount of discarded materials in the individual AVK production companies and identify which of the discarded materials that can be recycled.
- >80% of our discarded materials shall be part of a recycling cycle.

At AVK, we have a strong focus on sustainability in our production – both in terms of using recycled materials such as plastic and iron in the production of new products, but also in terms of using renewable energy to run the production.

In Denmark, AVK is now the third biggest buyer of recycled plastic and every year, AVK’s production of primarily pallets and street covers is based on recycled plastic in the production at AVK Plast in Denmark and AVK Plastics in the Netherlands. In addition, the production of a large amount of our castings is based on recycled scrap iron. For example, Furnes Jernstøperi in Norway primarily uses recycled metal in the production of new products. Furthermore, both AVK Plast in Denmark and Furnes Jernstøperi in Norway use green energy in their production, i.e. wind power and hydropower.

**AVK Plast** – sustainable plastic

Sustainability is one of the keywords at AVK Plast and therefore, all products in the future will be produced with the use of renewable energy sources – in this case, wind power. In addition, AVK Plast has received the RECS certificate – Renewable Energy Certificate System. Apart from contributing to the green transition and a sustainable future, this initiative will also strengthen our customers’ decision making when they carry out lifecycle analyses on their products.

At AVK Plast,there is a strong focus on circular economy and sustainability, and many of the quality products produced in Denmark are produced from recycled plastic. Together with the sister company in the Netherlands, AVK Plastics, >24,000 tons of recycled plastic are processed every year and turned into new reusable products. When these products are produced via renewable energy, it is close to a complete green cycle.

The amount of recycled plastic used in the AVK production corresponds to around 25% of the accumulated amount of collected plastic waste used by Danish households.

**Furnes Jernstøperi** – sustainable iron

At Furnes Jernstøperi in Norway, there is a strong focus on protecting nature and its resources. Therefore, the company has made the decision to reduce the climate footprint by using 100% renewable energy from hydropower.

At the foundry, where many different types of industrial products are casted and moulded, energy from the nearby hydropower plants in Hallingskarvet and Hardangervidda in Norway is used. This means that the whole production runs on renewable energy. By attaching an extra guarantee of origin to the contract to the hydropower plant, Furnes ensures that all electricity used at the foundry is produced from an energy source that is 100% renewable.

Apart from using green energy in the production, Furnes also recycles metal when new products are casted and moulded. In fact, most of the raw materials used for a new product consists of recycled metal, and the cast iron products are 100% recyclable.

AVK Plast, AVK Plastics and Furnes Jernstøperi are all good examples of New AVK uses recycled materials and green energy in the production. Ensuring a sustainable production is very important at AVK, and via innovative solution, we continuously strive to become even better.
As a company, AVK contributes with attractive jobs and economic growth, but as part of society we also have a social responsibility towards our local environment. At the same time, we want to be an attractive and safe workplace that creates a safe space for employees’ development and well-being. We have a strong focus on ensuring a healthy and safe work environment for all our employees – both physically and mentally. Many of our employees have long seniority and high expertise within their field, and we continuously work on ensuring that AVK remains an attractive and safe workplace.

AVK complies with UN’s Universal Declaration of Human Rights including equal rights for everyone, non-discrimination, participation and others as well as prohibition of forced labour. A commitment to comply with the human rights is included in the Groups’ clearly defined principles and instructions and is an important part of the management’s set of values.

At AVK, we dissociate ourselves with all forms of corruption including extortion and bribery. As part of their employment, all directors in the Group have signed a compliance agreement, which includes requirements for compliance with national and international legislation on anti-corruption and bribery. In 2019/2020, we have not found any violations regarding bribery and corruption in AVK. (Also see the section about “supplier collaboration and management”).

Our employees

AVK employs more than 4,300 men and women worldwide. We are a diverse group of dedicated people with needs and ideas that are respected at all times. At AVK, we create the foundation for a challenging and rewarding workplace environment, and wherever possible, we provide our employees with the possibility to get new experiences and personal growth.

Gender equality

The top management in AVK is composed based on the principles of employing the most qualified people. Due to tradition, qualification requirements and AVK’s area of business within the industrial sector and technical products, there is a skewed gender balance both at management level and among our other employees. As such, we have a responsibility to bring more focus on making AVK an attractive workplace for female employees.

In AVK-Holding, the Board of Directors consists of 20% women, which is the Group’s objective. Currently, there are no women represented in the Executive Board. When looking at the other management levels, these are represented by 25% women. AVK-Holding consists of four departments as well as three staff functions. The four departments have a total of 14 sub-departments. Within these departments and staff functions, we have in total 20 department managers, of which five are women.

It is our objective to increase the number of women in top management to consist of 30%. Therefore, to the extent possible, the management will seek to ensure that women are represented at the final job interviews for management positions in AVK-Holding. When promoting managers within the Group, we also seek to focus on gender balance. However, professional and personal qualifications are top priority.

Physical work environment – safety

Safety and a healthy work environment is high on the agenda at AVK. We continuously work with the concept of “Safety First”. It is very important to us that our employees can work in a safe work environment – no matter what role and job they have. We have a strong focus on the safety of our own employees as well as visitors and others. As some of our employees often work in environments with heavy items and under high safety requirements, all production employees have completed extensive safety training.

Via our focused efforts, we have managed to reduce the number of accidents at our production units, and we are very proud of the fact that many of our production units have not experienced any accidents in 2019/2020. Our objective is, and has always been, zero workplace accidents at all our production units.

Our local work environment organisation continuously carries out activities and improvements in the whole company both in the offices, in the workstations and at sites. This is done to ensure a constant focus on safety and to ensure that all we get safely through the day – every single day! Safety at sites and dangerous conditions are already considered in our planning, and we are always aware of difficult situations. We provide the necessary protective equipment and ensure optimal working conditions. In addition, workplace assessments are carried out and reviewed with the relevant employees.

<table>
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<tr>
<th>Table 3: Development in the number of workplace accidents</th>
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<td>2018/19</td>
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This year, we have registered 47 workplace accidents in the whole AVK Group. Compared to last year, this is a reduction of 28 accidents – a reduction of 37%. All these accidents are registered and documented with identified causes and corrective actions.

Objectives and activities

We maintain our objective of zero workplace accidents. In the coming year, we will continue to focus on reducing the number of workplace accidents worldwide. We will continuously ensure that all accidents are registered and that preventive measures are taken to eliminate the causes of such workplace accidents.

We will disseminate a global guideline about “Safety First”. This guideline is based on “Best practice” just as “Safety First” will be part of the daily follow-up at the production units that have implementedLEAN and are using SQDIP-boards. At these follow-up meetings, near-by-accidents will also be documented and discussed. The purpose is to create an enhanced culture around preventive actions.

Mental work environment – education, health and well-being

AVK wants to be an attractive workplace with focus on continuous development and training of employees. AVK is a decentralised organisation with a high degree of autonomy in the individual companies and departments. This autonomy creates a strong local engagement among all employees, which can be seen from the many local initiatives in the individual companies, which in the end contribute to creating a good work environment. Examples of these initiatives are sports associations that organise participation in many different local events, family events, smoking cessation courses and support to local initiatives. All these initiatives contribute to improving engagement and well-being among our employees.

Education and training

At AVK, we want to give our employees the opportunity to continuously develop and educate themselves. As mentioned before, AVK is a decentralised organisation and therefore, a lot of the training is carried out locally to ensure that it is adapted to local conditions and according to the area of work. However, it is a requirement that all production employees participate in safety training with the aim of avoiding workplace accidents.

At group level, we have a strong focus on ensuring that all employees experience a good introduction, which makes them feel welcome and enables them to quickly become an organisational member. Therefore, new employees receive a thorough introduction to our values, history, mission, vision etc., which is supplemented with e-learning courses on our e-learning platform. In addition, we have conducted two intensive introduction courses for managers in the whole AVK Group this year. These introduction courses focus on giving the new managers an in-depth understanding of AVK as well as giving them an understanding of what is expected from them as leaders in AVK.

More of our companies offer courses in collaboration with external partners for groups of employees with special needs. In Denmark, we offer language courses for employees with a foreign background as well as courses for dyslexia.

Overall, AVK has a strong focus on providing our employees with the opportunity for training and education in order to ensure that they can develop their professional and personal skills. In this way, we also ensure that we retain engagement and well-being among our employees.
AVK is a responsible and credible company. We take responsibility for our work and actions and run our business in a socially responsible and ethical way. In order to formalise and support the principles for social responsibility, AVK has several procedures and policies regarding environment, ethics and quality, which define our companies’ efforts to comply with our social responsibility. These policies are formulated and integrated in our ISO documentation (QEMS). They are recognised by all employees and all our production and sales companies must comply with them as well.

AVK has several ISO certifications, which we are proud of. In 1990, AVK received the first ISO 9001 certification and since then, we have been certified according to ISO 14001 and ISO 45001 (OHSAS 18001) in most of our production companies.

ISO 9001, the standard for quality management, is implemented in all our 46 production companies. In 2015, it was implemented in AVK TECH, which is responsible for global product development.

ISO/TS 29001 is a sector-specific quality standard specifically developed for the energy sector – including the petroleum, petrochemical and gas industry. Generally, this standard is based on the principles of the ISO 9001 standard. However, the ISO/TS 29001 standard has a special focus on: control measures, employee qualifications (and requirements for suppliers); traceability and documentation. If explosive substances and gasses are handled in the wrong way, this can have serious consequences for suppliers); traceability and documentation. Therefore, AVK has selected this ISO documentation (QEMS). They are recognised by all employees and all our production companies – in 18 of our 46 production companies. The objective for 2021 is for further 2 companies to be certified as well.

ISO 14001, the standard for environmental management, is implemented in most of our production companies. 20 of our 46 production companies are certified according to ISO 14001. The objective for 2021 is for further 2 companies to be certified as well.

ISO 45001 (OHSAS 18001), the standard for occupational health and safety management, is implemented in most of our biggest production companies – in 18 of our 46 production companies. The objective for 2021 is for further 2 companies to be certified according to this standard as well.

ISO/TS 29001 is the standard for global product development. AVK TECH is responsible for global product development.

Our partnerships within water
At AVK, we consider the SDG 17, which is related to partnerships for action, as crucial for achieving the other SDGs. Therefore, AVK is part of several partnerships that are all aiming to promote sustainable development within our business areas. In recent years, we have had a special focus on partnerships within the water sector with a focus on the SDG 6, which is related to clean water and sanitation.

AVK is part of the “LEAKman” partnership, which is aiming to establish and display a “state-of-the-art” water distribution network with close to 0% leakage. This project shall showcase what proven technology and components are capable of when tied together and connected in a common communication platform.

AVK is also part of “The Danish Water Cluster”, which aims to develop and test innovative components and technologies. The purpose of this partnership is to improve the standard of the Danish water supply system as well as to strengthen the export of new sustainable solutions.

AVK is co-initiator of AquaGlobe, which is located in Skanderborg Municipality. The purpose of AquaGlobe is to showcase the Danish water supply, but also works as a test centre for new sustainable solutions. Internationally, AVK takes part in different partnerships such as USE and WTA. USE has been created by the Danish Export Association in Silkeborg, Denmark, and aims to provide Danish and Chinese companies with the opportunity to exchange knowledge about responsible wastewater management. WTA (Water Technology Alliance) has been established based on an agreement from 2016 between the Danish government and the Californian state government and aims to exchange experiences and knowledge regarding water and wastewater management. WTA is a collaboration between Danish companies and utilities and Californian utilities and authorities. The purpose of this partnership is to ensure enough water for the Californian population and food production. This is done by establishing a safe operation, which ultimately will reduce water loss from 25% to under 10%.

AVK is also co-initiator of a partnership in India, which involves Danish companies and authorities and two Indian state governments, water utilities and a consulting engineering company. The partnership is established based on the green agreement, which was made between the Indian and Danish government recently. The purpose of this partnership is manifold. First of all, the partnership aims to establish a safe water supply to large parts of the Indian population. Secondly, the aim is to improve wastewater management and to implement energy-reducing measures. In this way, India will be part of the green transition within the water sector.

Our initiatives within education
At AVK, we want to bring more focus and attention to water in order to ensure that our next generation can see the possibilities within the water sector as well as see the possibilities for being able to contribute to solving some of the issues related to water. Water is a vital resource and the foundation for all life on this planet. However, water is also a scarce resource, which must be handled with great care. Therefore, we find it very important to increase the focus on water and water management.

As a result of this, AVK took part in establishing an intensive course focusing on water management, the Advanced Water Cycle Management Course. This course has been established in collaboration with other companies and utilities in East Jutland, Denmark, and is offered through Aarhus University’s Centre for Water Technology. The course aims to create ambassadors within the water sector, which will have a holistic approach to the journey of water through our society. Thus, the course aims to create water experts that can help change the world for the better.

Next step is to establish a Water Economist Course in collaboration with Business Academy Aarhus and Aarhus Water. In addition to water management, this course adds aspect of business knowledge, which will give the students the ability to see the business opportunities within the water sector. In this way, we can help ensure that more efforts are taken for a sustainable future – both in Denmark and on the export markets.
OUR SUPPLIER COLLABORATION AND MANAGEMENT

At AVK, we have a strong focus on our supplier collaboration and management. It is very important to us that our customers and suppliers are responsible companies that comply with current legislation regarding safety, climate, the environment and human rights.

At AVK, we recognise the importance of choosing the right suppliers with a focus on quality and responsibility. Therefore, we have a set of formal requirements related to responsibility for all our suppliers and we work systematically with registration, control, follow-up and development of the individual supplier collaborations.

In addition, compliance with the Group’s policies including Code of Conduct for suppliers is included in the assessment of external suppliers. Furthermore, our suppliers are obligated to comply with AVK’s requirements for social responsibility and environmental Code of Conduct.

**Code of Conduct**
AVK makes an active effort to ensure compliance with human rights principles including the effort to ensure that no suppliers use child labour, forced labour or have a negative environmental impact in the production of AVK components. All this is ensured via continuous supplier visits and audits.

As part of our work with responsible supply chain management, AVK has established a supplier Code of Conduct within central areas such as environment and climate, human rights, work standards and anti-corruption. This Code of Conduct describes AVK’s values and is clearly communicated to our suppliers. The Code of Conduct is also integrated in the purchase agreements with suppliers and accepted in all purchase orders.

We continuously carry out compliance audits at our suppliers with a special focus on those countries where there is found to be a higher risk in terms of responsible social and environmental conduct. Our supplier Code of Conduct is signed by all Chinese suppliers and is part of our standard purchase conditions.

In the case of non-compliance with our Code of Conduct, we will without hesitation take the necessary actions to deal with this. In the case of repetitive non-compliance, the supplier collaboration will be terminated.

In 2019/2020, we have carried out 46 supplier audits (at selected suppliers). During these audits, we have not found any deviations related to human rights. Last year, we carried our 20 supplier audits.

**Objectives and activities**
Our objective for the coming year will be to implement our Code of Conduct in other countries/areas such as Europe and India based on the largest, global suppliers.
As a framework for our CSR activities, it is our objective to use the ISO 26000 standard. Our CSR activities are defined in our sustainability strategy and policy, which is based on our recognition of the UN Global Compact, our support of the UN Sustainable Development Goals as well as our ISO certifications within quality, environment and health and safety.

It is our long-term objective to become CO2 neutral. AVK is a global company with production units in many different countries and therefore, we will follow the objectives set for CO2 reduction in the respective countries. In the past year, we have collected data from our production units in order to estimate our current CO2 consumption. This data shall be used as the basis of the future plan regarding our focus areas. We expect that the CO2 reduction in our production units will be achieved via optimisation of processes, which will lead to a reduction in energy consumption, and via purchase of green energy.

AVK will continue to have a strong focus on our use of materials as well as waste management. We will account for our waste management in our production units, and it is our objective that all our waste and by-products are part a circular economy in order to ensure that we are not contributing to increased landfill. We want to be able to account for the use of recycled materials such as plastic and metal in the production of new products. Furthermore, we are working on a “cradle to cradle” overview of our products in order to point out the environmentally friendly way to dispose of our products after use.

We will continue to focus on the health and safety of our employees, and we continuously work on reducing workplace accidents – and this year, we have come very far. Our long-term objective is to achieve zero workplace accidents. In order to achieve this, we will continue to focus on thorough safety training and follow-up on SQDIP-boards at our production units as well as develop guidelines for “Safety First”. In addition, we will also continue to focus on introduction courses for new employees – both face-to-face and digitally.

In terms of our external stakeholders, we also have various initiatives, which will contribute to ensuring sustainable development. We will continue to focus on our supplier management and audits of our suppliers worldwide. In addition, we want to maintain our current partnerships as well as take part in relevant collaborations and partnerships, which all aim at promoting the green transition within our business areas.

### OUR FUTURE ACTIVITIES AND FOCUS AREAS

#### Table 4: Overview of AVK key figures (objectives 2020/2021)

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<th>Table 4: Overview of AVK key figures (objectives 2020/2021)</th>
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<td><strong>Unit</strong></td>
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<td>Energy consumption from electricity</td>
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<td>Energy consumption from heating (district heating)</td>
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<td>Energy consumption from heating (gas)</td>
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<td>Water consumption</td>
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<td>Recycled waste (part of usual recycling)</td>
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<td>ISO 14001 certified production companies</td>
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<td>ISO 9001 certifications</td>
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<td>ISO/TS 29001 certifications</td>
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#### Social data

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<td><strong>Number of employees</strong></td>
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<td><strong>Number of accidents at work resulting in absence</strong></td>
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<td><strong>Number of accidents per 1 million working hours</strong></td>
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<td><strong>ISO 45001 (OHSAS 18001) certifications</strong></td>
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<td><strong>Suppliers management and audits</strong></td>
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#### Management data

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<td><strong>The gender diversity of the Board of Directors</strong></td>
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