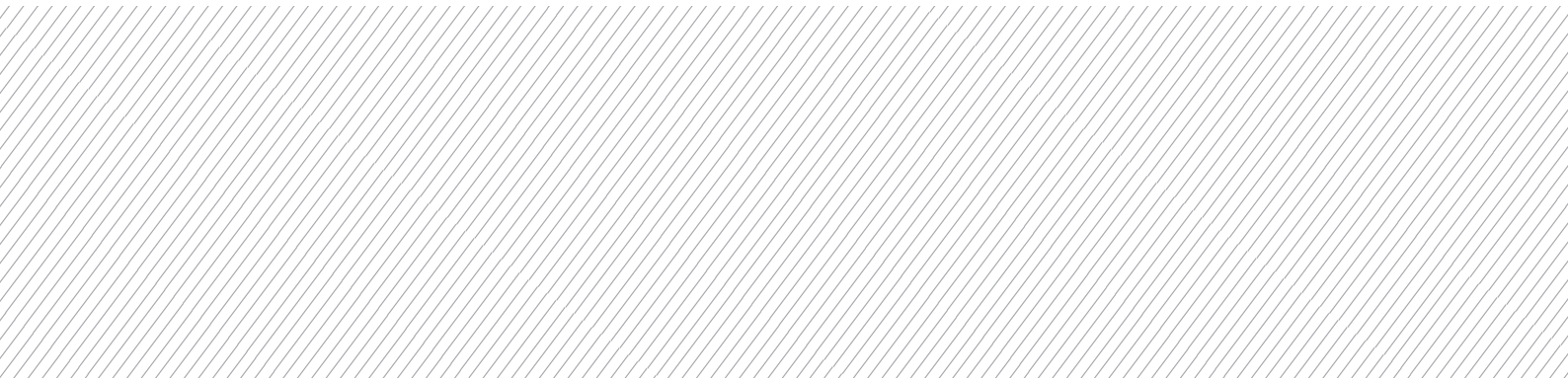




AVK
SUSTAINABILITY
REPORT 2020/2021

Expect... **AVK**



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WELCOME TO AVK'S SUSTAINABILITY REPORT

The aim of this report is to describe how we, as a company, contribute to a responsible and sustainable development and by doing so contribute to solving some of the challenges the world is facing. The report describes the initiatives and results we have achieved or initiated this past year. The data presented in the report has been collected in the financial year 2020/21 and comprises all activities of the AVK Group. This is also part of the management report in AVK's annual report for 2020/2021 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 2020/21. 2021 has been a challenging year for our company, our customers, and our employees across the world. Despite these challenges, the AVK Group has achieved a good result which will help ensure our future development based on long-term and sustainable investments to the benefit of our company, our employees, our customers, and the environment.

AVK was founded in 1941 by Aage Valdemar Kjær based on the core values quality, innovation, reliability, sustainability, and customer service. Sustainability has thus always been part of the AVK DNA, and our five core values set the direction for the way we run our business.

The purpose of AVK is to develop, manufacture and market high-quality products with a long lifetime that are part of vital infrastructure such as water supply, wastewater treatment and energy supply as well as several industrial applications. Combined, these contribute to sustainable development, the health of people and a better environment. From the beginning, our focus has been on innovation and the development of high-quality products with a long lifetime to accommodate the needs of our customers. In recent years, we have invested in innovative technologies and new business areas that contribute positively to sustainable development. At the same time, we have a constant focus on optimising our processes and reducing our environmental and climate impact. Waste handling and applying recycled materials in the production of new quality products have been an area of focus, and our goal is to minimise the amount of energy we consume and replace conventional power with green power to reduce our CO₂-emission.

In 2021, we celebrated our 80th anniversary, and while it has been a challenge to bring people together from around the world, we have instead celebrated our milestone anniversary locally within the individual companies over the year. During this time, colleagues, from many of our companies, have shared photos of their celebrations via the company's internal communication platform. In this way we have been able to come together and feel cohesion, despite being kept apart by the pandemic. Uniting the Group is important to the well-being of our employees.

The health and safety of our employees is important, and we want to provide a safe and healthy workplace for all our employees. We have put great effort into improving the working environment and health and safety and we are proud that this year, again, we have reduced the number of workplace accidents.

This year, we experienced the global health crisis following COVID-19 which is why we have retained our focus on our employees' health as well as on delivery reliability to our customers. Delivery reliability to our customers is important as our products are part of vital infrastructure such as water supply, wastewater treatment and energy supply as well as a variety of industrial applications. In the fight against COVID-19 and critical diseases, access to clean water is crucial. AVK plays an important part in achieving the UN Sustainable Development Goal (SDG) 6, which is related to access to clean water and sanitation, as well as SDG 9 on infrastructure, sustainable industry, and innovation. AVK considers SDG 17; partnerships for actions, crucial if the other goals are to be achieved. AVK also contributes to several other SDGs, which you can read 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/Galten in Denmark. The AVK Group consists of more than 100 production and sales companies worldwide and employs more than 4,575 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 six segments: water supply, wastewater treatment, distribution of natural gas and biogas as well as fire protection, HVAC and irrigation. 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

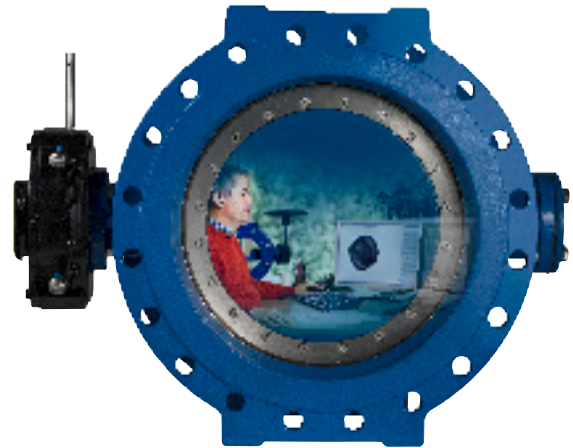
Our purpose is to develop, manufacture and market products of high quality and with a long lifetime that are part of vital infrastructure including water supply, wastewater treatment and energy supply as well as a variety of other industrial applications that all together contribute to sustainable development, 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
INNOVATION
CUSTOMER SERVICE
RELIABILITY
SUSTAINABILITY



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 unwavering 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, ISO / TS 29001 quality management within the oil and gas industry, and ISO 45001, 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. At 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.

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

EMPLOYEES:

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.

INNOVATION AND DEVELOPMENT:

We continuously focus on innovation and development of new products, solutions and business areas.

PRODUCTION:

We source materials and products responsibly from local as well as global suppliers and business partners.

RESPONSIBILITY:

We run our business in a responsible way with focus on sustainability and care for the environment.

STAKEHOLDER ENGAGEMENT:

Our relationship with our stakeholders is built on trust and long-term relations – always with common value-creation in mind.

ACTIVITIES



AVK Water



AVK Industrial



AVK Advanced Manufacturing



Financial year 2020/21

Turnover: DKK 6,417 million

Employees: 4,575

Companies: 105

Represented in 37 countries

ACTIVITIES

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 all the companies in the Group comply with the defined human rights principles and criteria.

OUR SOCIAL RESPONSIBILITY AND SUSTAINABILITY POLICY

At AVK, we recognise that we have a responsibility to contribute to responsible and sustainable development, and we do this in several ways. AVK supports the UN Global Compact and international principles for responsible business operations and contributes to the UN's Sustainable Development Goals (SDGs).

AVK has established group policies, which determine the effort by our companies to live up to our social responsibility within the areas of "Employees", "Environment", "Ethics", "Safety and Quality" as well as clearly defined principles and instructions for compliance with human rights. Issues regarding anti-corruption and bribery are linked to our policies for employees and suppliers.

We recognise that we have a responsibility to reduce our environmental impact as a company, and we continuously strive to minimise the impact our activities have on the climate. AVK's environmental policy is built on an environmentally sound operation and is a natural part of the Group's objectives for energy and water consumption.

The Group's policies are available in our quality management system (QEMS) and thereby communicated to all our companies. The implemented policies underline that AVK is a credible and ethically responsible business partner for customers, suppliers and other stakeholders.

As a global company, AVK operates in countries where the approach to human rights, employee relations and anti-corruption poses a greater risk regarding compliance with the Group's set of values. In terms of environment and climate, cultural differences and spans in local legislation increase the risk of non-compliance with AVK's responsible approach to protecting the environment and climate. AVK is aware of those risks and via ongoing audits, AVK has a strong focus on ensuring compliance with all our policies in all companies in the AVK Group.

The main risks within the respective areas are as follows:

Environment and climate: Our main risk is lacking focus on reducing the energy consumption in our companies including the consumption of water, electricity and heating. The risk is also related to our focus on waste management as well as use of materials with the least possible environmental impact. The consequence can be an unwanted impact on the local environment.

Human rights: The main risk within this area is related to our subcontractors and compliance or possible non-compliance with our human rights principles. We see a risk in terms of how our subcontractors treat their employees – that they might not treat all their employees equally or employees might be subjected to forced labour.

Anti-corruption and bribery: The main risk within this area can be linked to the fact that we operate globally and in countries where there is a higher risk of corruption and bribery. Specifically, the risk could be if we

were deemed to be using corruption or bribery to achieve an unjustified advantage.



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.

Our sustainability policy

We recognise that our global presence requires high ethical standards in our whole organisation and in our actions.

We want to be a responsible and credible company capable of balancing economic, environmental and social aspects. This means that:

- AVK recognises the ten principles of the UN Global Compact, which are concerned with human rights, labour, environment and anti-corruption.
- AVK supports the UN Sustainable Development Goals (SDGs). We focus on SDG 6 related to clean water and sanitation and SDG 9 related to industry, innovation and infrastructure. AVK also contributes to other SDGs including the SDG 3 related to good health and well-being, SDG 8 related to decent work and economic growth, SDG 12 related to responsible consumption and production, SDG 13 related to climate action and SDG 17 related to partnerships.
- We ensure that sustainability is the foundation of our production and that we have a healthy and safe work environment. We focus on the environment and long-lasting solutions, and we are proudly certified according to:
 - ISO 9001 – quality management
 - ISO / TS 29001 – quality management within the oil and gas industry
 - ISO 14001 – environmental management
 - ISO 45001 – occupational health and safety management

OUR KEY FIGURES 2020/2021

Table 1: Overview of AVK Key Figures

Environmental data	Unit	2019/20	2020/21	Change	Explanation (2020/21 figures)
CO2e, scope 1	Tons	7,357	7,601	3.32%	Direct emissions (combustion of e.g., natural gas, oil, petrol). Total consumption (all companies).
	Tons of CO2 per turnover million DKK	1.22	1.18	-3.28%	
CO2e, scope 2	Tons	16,208	11,094	-31.55%	Indirect emissions (purchased energy e.g., electricity and district heating). Total consumption (all companies). In the calculation, the electricity consumption in 2019/20 is reported as conventional electricity only.
	Tons of CO2 per turnover million DKK	2.68	1.73	-35.45%	
Energy consumption from electricity	MWh	81,015	96,896	19.60%	Total consumption (all companies). Of this 21,088 MWh (21.8%) comes from green energy sources.
	MWh per turnover million DKK	13.41	15.10	12.60%	
Energy consumption from heating (district heating)	MWh	1,226	2,932	139.15%	Total consumption (all companies).
	MWh per turnover million DKK	0.20	0.46	130%	
Energy consumption from heating (gas)	M ³	3,266,614	3,374,650	3.31%	Total consumption (all companies). Of this 283,063 M ³ (8.39%) comes from biogas.
	M ³ per turnover million DKK	540.56	525.89	-2.71%	
Water consumption	M ³	132,995	154,671	16.30%	Total consumption (all companies).
	M ³ per turnover million DKK	22.00	24.10	9.55%	
ISO 14001 certified production companies	Number	26	31	19.23%	All AVK production units.
ISO 9001 certifications	Number	46	51	9.80%	All AVK production units.
ISO/TS 29001 certifications	Number	9	10	11.11%	All AVK units within gas (that design, manufacture, and supply products to the gas segment).
Social data					
Number of employees	Number	4,393	4,575	4.14%	The average number of full-time employees in the AVK Group as per 30 September 2021.
Number of accidents at work resulting in absence	LTA	47	40	-14.89%	All AVK companies. Number of accidents with > 1 day's absence.
Number of accidents per 1 million working hours	LTIFR	5.63	4.60	-18.29%	1900 working hours are used as an average (ref. OECD).
ISO 45001 certifications	Number	18	20	11.11%	All AVK production units.
Supplier management and audits	Number	46	20	-56.52%	Our Code of Conduct applies to all suppliers, but we conduct audits based on a risk assessment (in areas with higher risk). The reason for the small number of audits is due to local Covid-19 restrictions.
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 6.2%.

OUR CONTRIBUTION TO THE UN SUSTAINABLE DEVELOPMENT GOALS



In 2015, the 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 on 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 from Ireland, where AVK's solutions have contributed to improved water quality and reduction of energy consumption in a water supply company. We will then explain how AVK, via focus on investments in innovative technologies within our different business areas, contributes positively to sustainable development.





SMART DEVICE CUTS 90% OF ENERGY USAGE

CASE STORY

Through the installation of a smart pressure management device, an Irish water company was able to reduce their pump usage by more than 90%; practically, for 22 hours each day.

David Hurley, Director - AVK UK Smart Water

Automatic regulation and pressure management

Charleville is a small town located in Munster, the most southerly of Ireland's four provinces. The Charleville water supply scheme that delivers water to the town and surrounding area includes a covered distribution reservoir, similar to thousands across the British Isles. However, the reservoir is the location chosen by a major water supply company to install and trial an AVK Smart Water PMD (Pressure Management Device).

Plug and play

The PMD is a 'plug and play device' that is capable of measuring pressure, flow, and level; it can be fitted to a wide variety of different valve types. In the case of the reservoir, an AVK Series 879 dual-solenoid control valve is installed below ground. It is linked, via a ducted hydraulic drive, to the associated PMD and valve controls housed above ground in a stone-built booth some 20m away. The PMD was installed at the end of 2019, and has now been running successfully for about two years.

Energy saving

Prior to the installation of the PMD, the pumps at the Charleville reservoir had worked continuously 24/7 to maintain the reservoir at full capacity. Now, the reservoir inlet (the location of the control valve and PMD) is closed off to allow the water level in the reservoir to drop before the pumps are activated.

This has brought two major benefits:

- Water quality has improved due to increased water turnover, and
- There have been huge energy savings as the pump's activity has been reduced by 22 hours per day.

Also, it is projected that this will have a major impact on the longevity of the pumps, which means less maintenance/replacement costs.

Internet of Things

Whilst the reservoir is a closed-loop installation, the full benefit of smart water devices like the PMD are realised when they are distributed across





the water network. The ability of smart water devices to send and receive data and instructions via the Internet of Things (IoT) enables water companies to respond to network events in real time. It is envisaged that the PMD will be integrated into the water company's SCADA (Supervisory Control and Data Acquisition) system.

Smart Solutions

The AVK Smart Water PMD is just one of a portfolio of smart water network products developed by AVK, and it places AVK in the vanguard of companies developing solutions for water companies in this frontier technology.



INNOVATION AND DEVELOPMENT WITHIN OUR BUSINESS AREAS

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.

This is also an area that AVK focuses on, as more countries are working on adding hydrogen to the existing gas distribution networks in order to decarbonise natural gas. Among others, AVK in the Netherlands supplies valves to a project at Arnhem Nijmegen University where 100% hydrogen is being tested in a test environment and in Denmark, Energinet is testing a smaller natural gas network with 15% hydrogen where AVK is also involved.





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 head 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 the last segment, 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 moving 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.



OUR ENVIRONMENTAL AND CLIMATE ACTIONS

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 energy consumption in several companies is primarily a result of investments in energy saving LED-lights, 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 31 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

	Unit	2019/20	2020/21	Change
Water consumption	M ³	132,995	154,671	16.30%
Energy consumption from heating (district heating)	MVh	1,226	2,932	139.15%
Energy consumption from heating	M ³	3,266,614	3,374,650	3.31%
Energy consumption from electricity	MWh	81,015	96,896	19.60%

Comments on the result

Result electricity: Our total electricity consumption has increased by 81 Gwh to 96 Gwh. The increased electricity consumption is primarily due to growth (production capacity / equipment) in the Group's activities. In 2020/21, electricity from green sources accounts for 21.5% of our global electricity consumption.

Heating: The reason for increased heat consumption is due to the acquisition of a new company, and that a few AVK companies have chosen to convert from natural gas to district heating, which positively reduces CO2 emissions.

Objectives and activities

It is our long-term objective to become CO2-neutral. In the coming year

we will focus on reducing our energy consumption from electricity and heating. We will do this by using Energy Management (ISO 50001) at our largest factories. Energy management has already been implemented at our Danish production companies. Based on ISO 50001, we will create global AVK guidelines for the implementation of initiatives that can reduce / maintain energy consumption through increased production activity. At the same time, it is our aim to convert to renewable energy sources in our production units to the extent that it is appropriate. In the coming year, we will continue to collect data and set targets for reducing electricity and heat consumption in the individual AVK production units.

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:

- Establish process to reduce / maintain energy consumption
- Install photovoltaic systems
- Identify the number of internal / external ISO 14001 audits that are carried out in the production companies

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 reducing 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 minimising the environmental impact across our value chain. This is in line with the 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 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, 2021-2022, 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.

SUSTAINABLE MATERIALS IN OUR PRODUCTION

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.

AVK Plast also produces waste containers of recycled plastic, and thus enables consumers and municipalities to convert waste into resources. In this way, we contribute to UN SDGs 11 and 12.

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, +26,000 tons of recycled plastic are processed every year and turned into new recyclable 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 how AVK uses recycled materials and green energy in the production. Ensuring a sustainable production is very important at AVK, and via innovative solutions, we continuously strive to become even better.

OUR EMPLOYEES AND SOCIAL RESPONSIBILITY

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 the UN's Universal Declaration of Human Rights including equal rights for all regardless of gender, religion, political belief or 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 disassociate 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 2020/21, 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 4,575 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 2020/21. 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 workshops and at sites. This is done to ensure a constant focus on safety and to ensure that we all 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 3: Development in the number of workplace accidents

	2019/20	2020/21	Change
Number of workplace accidents	47	40	-14.9%



This year, we have registered 40 workplace accidents in the entire AVK Group. Compared to the previous year, this is a reduction of 14.9%. These accidents are registered and documented with identified causes and with corrective action.

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 implemented LEAN 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.



OUR PARTNERSHIPS FOR SUSTAINABLE DEVELOPMENT

It is AVK's objective to be a socially responsible company that cooperates with other companies, authorities and organisations, knowledge centres and educational institutions to promote sustainable development.

Our partnerships within water

We consider the SDG 17 on partnerships for action, as crucial for reaching the other SDGs. Therefore, AVK is part of several partnerships with the purpose of promoting sustainable development within our business areas. In recent years, we have had a special focus on partnerships within the water industry with a focus on SDG 6, which concerns clean water and sanitation for all.

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 zero leakage. It is to be a showcase for the world, demonstrating what proven technology and components can achieve when everything is tied together and connected in a common communication platform.

AVK is also part of the "The Danish Water cluster" which aims to develop and test innovative components and technologies in order to improve the standard of the Danish water supply as well as to strengthen the export of new sustainable solutions.

AVK is involved in the "Water Valley Denmark" which, through innovation and technological development on a non-profit basis, aims to accelerate the export of Danish water technology solutions, the creation of more jobs in Denmark and sustainable growth through the ambition of a climate and energy neutral water industry by 2030. Water Valley Denmark is a point of assembly for companies, advisors, start-ups, knowledge centres, industry associations and individuals with competencies within the development of solutions for water and wastewater.

On an international level, AVK has joined various partnerships, among others the USE and WTA. The USE was founded by the Danish Export Association in Silkeborg and here, the purpose is for Danish and Chinese companies to exchange knowledge about responsible handling and treatment of water and wastewater. The WTA (Water Technology Alliance) originates in a co-operative agreement from 2016 between the Danish government and Californian state government to exchange findings on the area of water and wastewater. The WTA is a collaboration between Danish players, companies and utility companies, and Californian utility companies and authorities. The aim is to ensure a sufficient volume of water to the Californian population and food production by establishing a stable operation and reducing water loss from 25% to less than 10%.

AVK is a co-initiator of a partnership in India, involving Danish companies, authorities, and a leading water supply facility, as well as two Indian state governments, water utilities and a consulting engineering company. This partnership is based on the green agreement that was concluded recently between Indian and Danish governments. The aim is to establish a stabilised water supply to major parts of the Indian population, as well as to collect and treat the wastewater and implement energy-reducing measures in order for India to join the green transition in the water industry.

Our educational initiatives

In addition to various partnerships, AVK wants to bring more attention to water and create an interest in the subject to ensure that the next generation considers the option of becoming involved in helping to solve some of the challenges facing the water sector. With our educational initiatives we support the SDG 4 which concerns quality education. At AVK we consider quality education within the area of water crucial, and we must educate more people within this area to ensure the development of



sustainable solutions to the water-challenges we are facing. At the same time, water is very important to many of the major agenda items that characterise our world today.

Because of this, we have taken part in creating an intensive summer school, the Advanced Water Cycle Management Course which focuses on the most recent knowledge, technology, and trends within the water industry. The aim of the course is to create ambassadors with a holistic approach to the journey of water through our society, who can help create innovative and sustainable solutions to the challenges we face. The course takes place in August every year and consists of three theoretical tracks: the work with water as a resource, water supply and wastewater treatment including resource recovery. In line with the focus of the course on sustainability, the students must present their solution to a realistic problem within water and all aspects of the solution must be characterised by sustainability. The course was developed in cooperation with other companies and utilities, each one participating in the two-week intensive course, contributing with knowledge from within their specific area. The course is offered through the Centre for Water Technology at the University of Aarhus.

The next step is to establish a Water Economist Course in collaboration with the Business Academy Aarhus and the utility company Aarhus Vand. It is important to AVK that business principles and business sense are part of the course to teach students about business opportunities within the water sector. In this way, we can help ensure that more effort is being made to achieve a sustainable future – both in Denmark and in export markets.



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 our 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 anticorruption. 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.

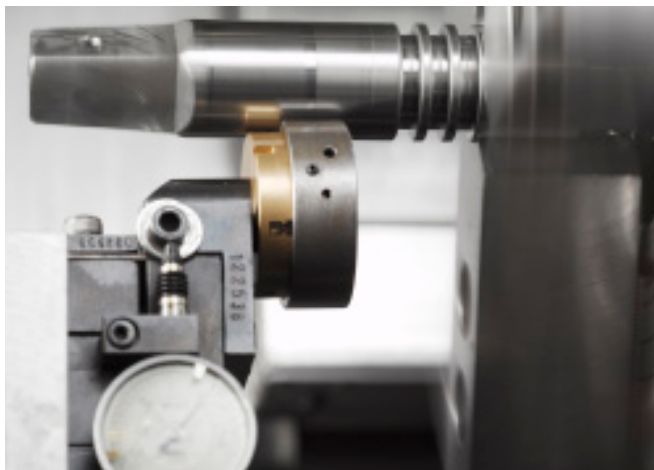
We continuously carry out compliance audits at our suppliers with a special focus on those countries where there is found to be a higher risk in terms of responsible social and environmental conduct. Our supplier Code of Conduct is signed by all Chinese suppliers and is part of our standard purchase 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 2020/2021, we conducted 20 supplier audits (at selected suppliers). During these audits, we have not found any deviations related to human rights. The year before, we conducted 46 supplier audits. The reason for a reduced number of supplier audits is due to Covid-19 restrictions, which has made it difficult to visit suppliers.

Objectives and activities

Our objective for the coming year will be to implement our Code of Conduct in new countries/areas where we are sourcing our materials, including Europe and India.



CERTIFICATIONS WITHIN QUALITY, HEALTH, SAFETY AND ENVIRONMENT

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 in most of our production companies.

ISO 9001, the standard for quality management, is implemented in all our 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 both people and the environment. Therefore, AVK has selected this

ISO standard as an extra level and requirement for our supply chain within the oil and gas industry in order to document a high-quality level and correct handling of the company's processes. In total, 10 AVK Gas production companies (including our development function), which design, manufacture and supply gas products are certified according to ISO/TS29001. The objective for 2022 is that 1 more company will be certified.

ISO 14001, the standard for environmental management, is implemented in most of our production companies. 31 of our production companies are certified according to ISO 14001. The objective for 2022 is for 1 more company to be certified.

ISO 45001, the standard for occupational health and safety management, is implemented in most of our biggest production companies – in 16 of our 51 production companies. The objective for 2022 is for further 4 companies to be certified according to this standard.



OUR FUTURE ACTIVITIES AND FOCUS AREAS



We develop quality products that contribute to sustainable development, the health of people and a better environment. At the same time, we aim to run our business in a responsible manner towards employees, the environment, and the surrounding society.

Our social responsibility and sustainability policy sets the direction for our initiatives. This policy 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. As a framework for our CSR activities, it is our objective to use the ISO 26000 standard.

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.

With a constant attention to energy and the environment, we work continuously to reduce our environmental impact as much as possible. For the past three years, we have created the basis for our environmental data from our production units globally (in order to estimate our total CO₂ consumption). In the future, this data will be used to make local climate plans in our focus areas.

We expect that the CO₂ reduction in our production units will be achieved via optimisation of processes/equipment, which will lead to a reduction in energy consumption, and via greater use of green energy sources.

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 unit, and it is our objective that all our waste and by-products are part of a circular economy 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 friendliest ways to dispose of our products after use. In this context, we expect to be able to deliver the first LCA (Life Cycle Assessment) on our core products during 2021-2022.

We will continue to pay close attention to 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. To reach this goal, we will continue to work determinedly through safety training and follow-ups 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.

Table 4: AVK – Key Figures (Goals for 2021/2022 →)

Environmental data	Unit	Result 2020/21	Objectives 2021/22	Action (Explanation)
Energy consumption from electricity	MWh	96,896	2% ↓	Improvement initiatives regarding machinery, LED-lights and sensors have been initiated. Increased amount of electricity from renewable energy sources (+25% must come from renewable energy sources in 2021/22).
Energy consumption from heating (district heating)	MWh	2,932	1% ↓	Local improvement initiatives such as insulation of buildings, better control of room temperature (via sensors) and recycled heat from equipment.
Energy consumption from heating (gas)	M³	3,374,650	1% ↓	Local improvement initiatives; improvement of gas boilers, better control of heating and recycled heat from equipment.
Water consumption	M³	154,671	2% ↓	Local improvement initiatives such as recycling of water at test facilities, toilets with low water consumption – use of rainwater.
Recycled waste (part of usual recycling)		--	> 80%	Percentage of waste avoiding landfill. Control of local waste fractions – recycling rate.
ISO 14001 certified production companies	Number	31	32	All AVK production units. Further 1 AVK company is currently in the process of ISO 14001 certification.
ISO 9001 certifications	Number	51	51	All production units.
ISO/TS 29001 certifications	Number	10	11	Further 1 company will start the process of certification.
Social data				
Number of employees	Number	4,575	--	The average number of full-time employees in the AVK Group as per 30 September 2021.
Number of accidents at work resulting in absence	LTA	40	< 35	All AVK companies. Number of accidents with > 1 day's absence.
Number of accidents per 1 million working hours	LTIFR	4.60	<4.5	1900 working hours are used as an average (ref. OECD).
ISO 45001 certifications	Number	20	22	All production units. 2 AVK companies are in the process of certification.
Supplier management and audits	Number	20	>50	We conduct audits based on a risk assessment (in areas with higher risk).
Management data				
The gender diversity of the Board of Directors	%	20	20	The Board of Directors consists of 1 woman out of 5 members (excluding two employee-elected members).

