



Management's Review 2019/2020

RECONOR Group



PRIMARY ACTIVITIES

Reconor Holding ApS is a holding company which has as its primary activity the owning of shares in the Reconor Group. Reconor is a leading environmental services group in Denmark, treating and remediating over 1.2 million tonnes of soil per year and handling over 0.5 million tonnes of waste. The majority of this waste is recycled for reuse in secondary markets. Reconor's expertise helps Danish industrial and construction groups meet the country's high standards of responsible and environmentally safe recycling.

DEVELOPMENT THIS YEAR

Reconor Group's revenues amounted to TDKK 818.145 for the year ending 30 September 2020. It increased significantly over last year due to both organic growth and the acquisition of Hedegaard Miljø, which has been fully integrated into the business. Hedegaard Miljø has 20 years of experience importing/exporting waste and residual products for treatment and recovery.

During the financial year, the group strengthened its commercial setup, which, management believes, assisted in driving strong growth in the business. Combined with the acquisition of Hedegaard Miljø, this led to the year's positive results.

The 2019/20 EBITDA, adjusted for non-recurring costs in line with group policy, is TDKK 201.096 (2018/19: []).

The Reconor Group's 2019/20 income statement shows a gain before tax of TDKK 31.678, compared to last year's loss before tax of TDKK 23.754.

As of 30 September, 2020, equity amounts to TDKK 222.253, compared to an equity of TDKK 227.351 the previous year ending 30 September, 2019.

Including subordinated loans, shareholders' capital amounts to TDKK 358.328, which corresponds to approximately 25% of total liabilities.

OUTLOOK FOR THE COMING YEAR

Revenues and profitability for both the Logistics and Resources divisions are expected to increase in the coming financial year. Due to increased revenue, efficiency improvements and cost-saving initiatives, EBITDA is also expected to increase in 2020/21.



RISK MANAGEMENT

The Reconor Group is exposed to various commercial and financial risks through business operations.

Commercial and operational risks

The group is exposed to various commercial risks, such as competition, governmental regulation and pricing.

Group management closely monitors potential risks and opportunities. They have assessed that there are no single, significant risks related to group operations.

The group management system works to identify potential risks in advance and develop policies to avoid them. The system is supported by a focus on sustainability and the UN's 17 Sustainable Development Goals (SDGs).

Group subsidiaries work systematically with the management system to ensure the group, as a whole, is received as trustworthy, responsible and dedicated to quality, environment and work environment. The management system applies to the majority of the group's activities in Denmark.

Reconor group is made up of responsible employees, which is crucial for a quality customer experience and to contribute to society at large. Responsibility takes dedication, and dedication relies on good management, which in Reconor, is based on the descriptions in the management system.

To be able to prove to customers, employees and society that Reconor Group do what it says, Reconor Group has based the management system on ISO standards for quality, environment and work environment. This means that all subsidiaries today are certified according to ISO 14001:2015 standard while others are certified both by ISO 9001:2015 and ISO 45001:2018 standards.

The group's management system is meant to demonstrate that Reconor Group is a responsible environmental business and show that Reconor Group works to continually improve upon quality environment impact and the employee work environment.

The management system is also used to document and measure the ability to deliver quality, take care of the environment and the work environment of the employees. At the same time, it ensures the group complies with applicable legislation and regulatory requirements.

To ensure the system is fully implemented and usable in the group's departments, a minimum of two internal audits are performed annually in addition to the external audit with the certification unit. We continuously monitor our CO2 emissions, impacts on the environment and the work environment.

The biggest risks lie in having access to qualified and competent employees as well as compliance since the group is a first mover and strives to be at the forefront of developments in the industry.

In relation to approvals of compliance activities, Reconor pays close attention to legal obligations. Therefore, we are continuously adapting our physical environment and approvals to follow developments and accommodate new activities the group deals with.

Resource scarcity and the availability of local raw materials are major focus areas in the future. In the group's resource department, core business is the treatment of soil and construction waste so it can be converted into recyclable resources. With this as a starting point, Reconor is working to get recycled concrete certified as a product that can be used as aggregate in new concrete. Once this first recycled product certification is completed, other products will follow.

Financial risks

The financial risks are described in note 20 in the group's financial statement.

Research and development activities risks

The company spends considerable resources on product development. For accounting purposes and with the exception of IT projects, these costs are not capitalized.

Many research and development activities are being worked on in the Resources section of the company, where parts of these projects are implemented with funds from the Ministry of the Environment and Food in Denmark, such as MUDP projects (Environmental Technology Development and Demonstration Program). In the financial year 2019/20, the Reconor Group submitted three applications concerning environmental technical development projects. The decision on grant subsidies is expected to be announced in the last quarter of 2020.

Statutory statement regarding sustainability and social responsibility in accordance with section 99a of the Danish Financial Statements Act

The company's core offerings are:

- i) soil handling and import/export of soil
- ii) recycling of construction waste (C&D), which is handled by its subsidiary Norrecco (Resources business)
- iii) collection, transportation and downstream disposal services for C&D and industrial (C&I) waste
- iv) collection and transportation services for municipal solid waste (MSW), which is handled by the subsidiary, City Container (Logistics business)

- The resources and logistics businesses are interrelated which enables Reconor to offer the market a one-stop-shop environmental solution
- In addition to its core offerings, Reconor provides related services of stones and gravel sales and container rentals
- Reconor's network is among the largest in Denmark consisting of 10 sites that are placed in close proximity to the major cities, harbours and key customers across the country
- Reconor is focused on delivering best-in-class recoverable and recyclable solutions, supported by uncompromising high-quality service level, state-of-the-art technologies, sustainable environmental processes, and an ambitious CSR strategy

SOCIAL RESPONSIBILITY

The Reconor Group is dedicated to living up to its social responsibility and has initiated several activities, which, to a greater extent than before, means that the group's operating companies are more involved than before in both the global environment and the local community, where the operating companies are active. In addition, there is a focus on safety for employees, partners and other external parties who spend their time at the sites.

Traditionally, there has been a strong focus on the physical working environ-

ment, which can include harsh working conditions in the industry. Because of this, an emphasis on better working conditions and work aids has naturally developed. Through cooperation committees, the Reconor Group's operating companies have focused on the mental working environment in this financial year. An overall APV and employee satisfaction survey was carried out among all the Group's employees at the beginning of 2020. There is an ongoing mapping of the measurements, in relation to the work's impact on the employees' mental work environment -



especially for outgoing employees who are being affected by factors the group does not control. This mapping and the continued work with this, has been beneficial in influencing our contract holders to be active parties in changing the working conditions for sections of our employees so they experience less psychological pressure in their daily work life.

In parts of the group's operating companies, where there are no education requirements, there is also a strong focus on social responsibility. There is a great deal of room for differences here and to accommodate both social and personal ones. In collaboration with the municipalities, internships, training courses, job

testing courses, etc. are offered as much as possible.

Reconor Group's core value is to treat everyone equally, and although large parts of the industry $\frac{3}{4}$ and therefore also group operations $\frac{3}{4}$ are traditionally male-dominated, women are integral to the team and actively seek positions. This is partly due to the group's clear stance on behavior and conduct towards colleagues, customers and partners. This can be seen in the Group's personnel handbook, which describes both the group's Code of Conduct and infringing actions. It is important for the group to be an appealing workplace where the best candidates are hired regardless of gender or personal circumstances.

Impact on the external environment

The Reconor Group is environmentally conscious and works continuously to reduce any impact on the environment as a result of operations. One way they do this is through more environmentally friendly waste disposal and increased waste sorting, which improves recycling opportunities. The Group's companies are certified under ISO 14001, cf. the above section.

The group works to ensure activities that promote quality, environment and working environment at all levels in the organization and in accordance with the requirements of DS / EN ISO 9001, 14001 and 45001. Environmental, working environment and quality policies are described in detail on the group's website www.citycontainer.dk/miljø&ikkerhed and www.norrecco.dk/miljø.

In order to increase focus on the environmental policy agenda on sustainability and the circular economy and thus be able to further develop recycling concepts and ensure traceability throughout the sales chain, the Reconor Group has hired a concept development manager.



The group's operating companies also work continuously on circular solutions and, in collaboration with Casa Group A/S, they will supply concrete with 100% rough recycled aggregate, for the construction of Høje-Taastrup's new town hall. The concrete comes from the demolition of the residential property Tasstrupgård. In addition, a partnership has been made for circular gypsum with Gyproc, Knauf, Tschering, Marius Pedersen and RGS Nordic. At the same time, the group is working towards being able to recycle contaminated plaster in collaboration with Tschering, J. Jensen and the City of Copenhagen.

The Reconor Group has been involved in a number of external research projects, including for the Danish Environmental Protection Agency and the DepoNet network. The Reconor Group supports 6 of the United Nations' 17 Sustainable Development Goals (SDGs). These are:

SDG 3: The Group focuses on traffic safety during road transport and at Group locations.

SDG 8: The Group is employing increasingly more young people as well as training young people through internships, apprenticeships, integration projects and job-testing courses. The Group is also dedicated to creating the best work environment possible for employees. This includes help arranging workplaces by occupational therapists, internal training days with occupational psychologists and similar initiatives. Additionally, a joint Working Environment Organization for the Group is valuable for individual departments.

SDG 12: The Group is significantly reducing waste volumes through an increased focus on new recycling opportunities and ensuring sustainable consumption and production patterns by reducing waste through prevention, reduction, recycling and reducing the use of natural resources.

SDG 13: The Group supports rapid action to combat climate change by purchasing new machinery which uses alternative fuels.

SDG 14: The Group secures surface water at its sites to prevent marine pollution through unintended discharge.

SDG 16: The Group is dedicated to preventing corruption and bribery. It has introduced a Code and Conduct, which must be followed by all employees as well as by all major suppliers and partners. The Group has also significantly reduced sponsorships, based on the belief that customers should not be "bought".

SUSTAINABLE DEVELOPMENT GOALS



The group's core business is to reuse resources and thus leave a greener footprint. In daily operations, there is a strong emphasis on the environment and the company's influence of air, soil and water in the local environment. Therefore, all resource facilities in the group are structured so that waste management is kept on own land registers, that there is no seepage to soil and groundwater, and environmentally neutral binders are used for dust control. Machines and lorries are maintained and replaced on an ongoing basis, thus ensuring that the most environmentally friendly versions are used.

One of the risks of waste treatment is the discharge of the surface water that runs through the waste and away from the treatment area. Therefore, the group's Waste Resources department's newest plant has its own internal treatment plant. And treatment plants are being established on an ongoing basis at the other sites to ensure control of environmentally hazardous substances in the water. In addition, the water is public treatment plants. The surface water that is not recycled for washing machinery and truck fleets is used for dust control at the facilities and is therefore kept at the site.



The Reconor Group has not had any environmental accidents during the financial year and will continue to work in accordance to the above-mentioned policies in order to continue reducing the environmental impact of their activities.

HUMAN RIGHTS

ANTI- BRIBERY AND ANTI- CORRUPTION

Respect for human rights is embedded in the Reconor Group's Business Principles and in their Code of Conduct.

The group has an anti-bribery and anti-corruption framework in place. The Group's attitude to bribery and corruption is set by the Board of Directors and is reflected in the group code of conduct.

To safeguard against procuring goods and services from unethical suppliers, the group has also recently introduced a supplier code of conduct. This will provide a first line of defence against unethical business practices. This code of conduct has been circulated to all substantial and critical suppliers with a requirement for suppliers to return a signed copy to the group. The contents of this code include safeguards against child labour, money laundering, bribery and corruption, poor working conditions and safety deficiencies.

To further safeguard against anti-corruption, the group has closed the use of petty cash within the different sites.

The group has not experienced any human rights violations, or incidents of bribery or corruption during the financial year.

Reconor Holding ApS is the only company within the group, which is required to report gender diversity, due to the preparation of consolidated accounts for the group.

[Statutory statement regarding the underrepresented gender in accordance with section 99b of the Danish Financial Statements Act](#)

Target for the supreme management body

The supreme management body of Reconor Holding ApS is the Executive Board. It includes only two male members; thus, equal gender representation has been obtained in accordance with the guidelines of the Danish Business Agency.

We refer to Norrecco A/S for the compliance statement for the underrepresented gender.

Policy to increase gender diversity on other management levels

Reconor Holding ApS has no employees and can thereby apply the exemption of having less than 50 employees and revert from reporting on gender diversity on other management levels.

Uncertainty relating to recognition and measurement

The group does not have any special uncertainties relating to recognition and measurement. The critical accounting estimates are described in note 2 in the group financial statement.

Knowledge Resources

To some extent, the group is dependent on attracting and retaining employees who are able to continue the development of the group's operations

Knowledge resources that may be particularly important for the group's future operations relate to being at the forefront of a wide range of services as well as maintaining a good image as an effective, dependable, flexible, socially and environmentally responsible company with a good working environment.

Unusual events

The group has not been affected by any unusual events in the financial year ending 30 September 2020.

Subsequent events

No other significant events have occurred after the reporting period.



