

TERMA[®]

CSR REPORT 2021/22

A Year with Strong Progress



Although the year was heavily influenced by COVID-19, we witnessed periods where we could resume our normal daily routines. In these uncertain times when adaptation is key, I want to thank our employees for showing great consideration and commitment towards each other's safety throughout the year.

With the Spring coming, we can hopefully return to a new normal. Our task as the management, in collaboration with our employees, is to define what the new normal is, how we can best adapt to the new circumstances, and what our work environment should look like.

This is the second year of our CSR strategy *Allies in Responsibility*. Three of our focus areas – Anti-Corruption, Human Rights, and Responsible Supply Chain Management – have achieved strong results during the year. However, we can also see that our other three focus areas – Diversity, Employee Health & Mental Well-being, and Employee Safety – have not progressed at the speed we hoped for due to, among others, the challenges of the pandemic. Therefore next year, we will increase our efforts within these three focus areas.

The main initiative I want to highlight this year is the roll-out of our strengthened due diligence processes, both upstream and downstream. With increasingly complex global supply chains and customers from all over the world, it is important that we know who we do business with. Therefore, both our customers and end-users undergo sanctions screening and due diligence within human rights, corruption, and the environment.

Our suppliers undergo due diligence tailored to their risk profiles as well. I am pleased that we have a strong compliance foundation, and we will continue improving these processes, as they are essential for any company operating in today's challenging environments.

As next year is the final year of our current CSR strategy, we are already looking ahead to define our next goals. We want to build on the foundation we have created during the last couple of years and take a leap forward with a new, ambitious strategy that will support our commitment to become a leader within CSR. I look forward to unveiling our new CSR strategy in the 2022/23 CSR report.

For now, I hope you will enjoy reading the 2021/22 CSR Report.

Jes Munk Hansen
CEO and President

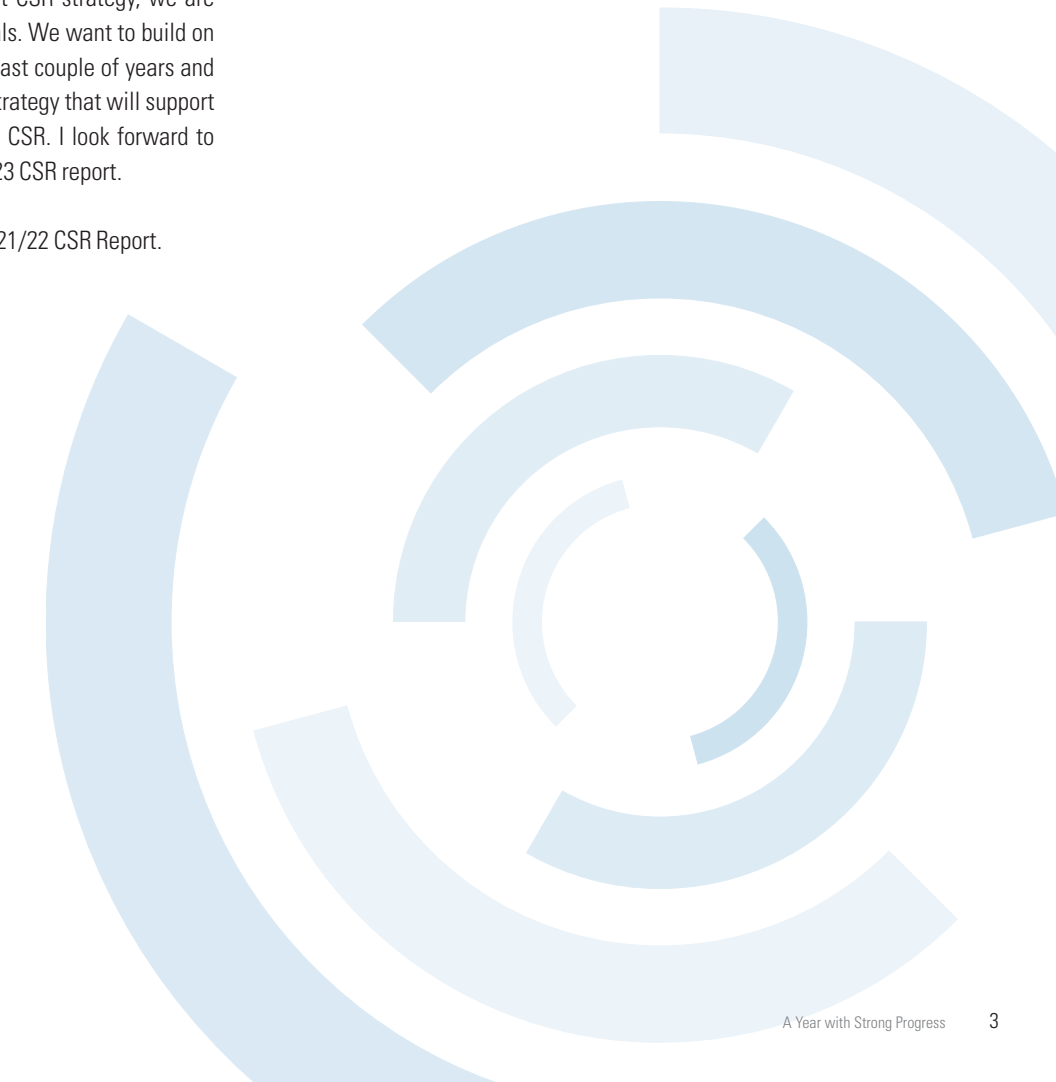


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Our Business Model

- Operating in the Aerospace, Defense, and Security sectors
- Facilities in 11 countries on 3 continents
- 1654 employees
- Owned by the Thomas B. Thrige Foundation




Accounting Principles

This Corporate Social Responsibility (CSR) report encompasses Terma's CSR efforts in all our locations in Denmark, the U.S., the Netherlands, Germany, Belgium, France, Singapore, the UAE, India, and Indonesia. The data in this report covers the financial year from the 1 March 2021 till 28 February 2022.

The report serves as our statement on CSR and on gender diversity in senior management in Terma A/S and Terma Aerostructures A/S for the purposes of sections §99a and §99b of the Danish Financial Statements Act.

The report also serves as our Communication on Progress (COP) to the UN Global Compact.



COMMUNICATION
ON PROGRESS

UN GLOBAL COMPACT

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

CO₂ Emissions

This year, the International Energy Agency Emission Factors (2021) and DEFRA GHG Conversion Factors (2021) were used to calculate our CO₂ emissions. To categorize our CO₂ emissions, we use the Greenhouse Gas Protocol (GHG) scope 1, 2, and 3.

Scope 1:

Our Scope 1 data covers direct emissions from Terma's own consumption including diesel from company-owned cars and generation of heating. These are calculated using International Energy Agency Emission Factors (2021). The emission factor used for propane gas, which covers generation of heating, is 2,997.5 kg

CO₂e/ton and comes from DEFRA's GHG Conversion Factors (2021). The emission factor used for diesel oil for company-owned cars is 3.2 kg CO₂/kg fuel as depicted in the International Energy Agency Emission Factors (2021).

Scope 2:

Our Scope 2 data covers our indirect emissions from purchased electricity and heating. These are calculated using International Energy Agency Emission Factors (2021). The emission factor used for Denmark is 86.3 g CO₂/kWh for electricity and 83.9 g CO₂/kWh for heating. The emission factor used for electricity in Germany is 319.1 g CO₂/kWh, 720.5 g CO₂/kWh for India, and 381.2 g CO₂/kWh for Singapore. For these three countries, heating is included in the rent and therefore not included in data.

For the rest of Terma's international offices – Belgium, France, the Netherlands, the UAE, UK, the U.S., and Indonesia – electricity, heating, and cooling are included in the rent and therefore not included in the data. As 82% of Terma's employees and our production facilities are located in Denmark, the data expressed in Scope 2 is representative of our emissions.

Scope 3:

Our Scope 3 data covers indirect emissions from leased cars, business travel, and waste disposal.

Leased Cars

Emissions are calculated using the International Energy Agency Emission Factors (2021) where the emission factor for diesel oil is 3.2 kg CO₂/kg fuel.

Business Travel

Terma uses the external travel agency CWT for business travel bookings. Therefore, the data for our business travel emissions are provided and

calculated by CWT, who uses DEFRA's GHG Conversion Factors (2021). The data covers our offices in Denmark, Belgium, Germany, France, India, the Netherlands, Singapore, the UK, and the U.S.

Waste

The data covers emissions from waste disposal from all three Danish locations and is calculated using DEFRA's GHG Conversion Factors (2021). The emission factor used for combusted and closed loop commercial and industrial waste and wood is 21.3 kg CO₂ and for landfill disposal – 467.0 kg CO₂. The emission factor used for recycled/closed loop electrical and electronic equipment, metal, plastic, paper, and board is 21.3 kg CO₂. The emission factor used for combusted organic waste is 8.9 kg CO₂. Finally, the emission factor used for open loop batteries is 21.3 kg CO₂.

Employees at Terma

The employee data in this report comes from our internal HR systems.

Total Number of Employees

Number of employees in total, excluding consultants, and divided by gender and age. The data is stated per 28 February 2022.

Sick Leave

Sick leave is calculated as follows: Absence in %: ((Number of hours absent) / (number of possible work hours)) x 100. The data does not include child sick leave.

Lost Time Injuries

Terma measures Lost Time Injury Frequency Rate (LTIFR) as work-related incidents per 1 million working hours resulting in work-related illness causing absence from work. The LTIFR is calculated as follows: ((Absence in hours) / (total hours worked in accounting period)) x 1,000,000.

Number of Female Applicants Hired

Change in number of female applicants hired is calculated as follows: (Number of female applicants hired current year/Number of female applicants hired last year) - 1.

Gender Diversity in Management

Covers people managers with regular staff excluding students and consultants and is calculated as follows: ((Count of female managers) / (total count of managers)) x 100.

Training Data

Number of employees in total and in percentage who have completed training. The data is stated per 28 February 2022.

Reporting Channels

Terma's two reporting channels – *Ethics Line* and *Tell us your concerns* – are hosted by an external third party EQS Group AG. They do not have access to any of the data and merely host the channels. The Group Head of CSR and Compliance is the only Terma employee with access to the data in both systems and extracts statistical data regarding number of reported cases for the CSR report. The data is stated per 28 February 2022.

Due Diligence

The data is retrieved from our internal CRM system and shows the number of different entities who have undergone our Business Partner due diligence screening from 1 March 2021 till 28 February 2022.





ALLIES IN RESPONSIBILITY

TERMA'S CSR STRATEGY 2020/23

Strategy Performance FY2021/22

Below is an overview of the CSR strategy performance for the second year. The strategy spans over three years. You can read the progress and performance in more detail under each focus area in the report.

Activities		Targets	
✔ Completed	🔄 In progress	⋯ Not started	✔ Completed
🔄 In progress			🔄 In progress
⋯ Not started			✖ Not reached

Anti-Corruption	Diversity	Employee Health & Mental Well-Being	Employee Safety	Human Rights	Responsible Supply Chain Management
Activities <ul style="list-style-type: none">✔ Roll-out strengthened due diligence procedures for Terma's third parties✔ Train external marketing consultants✔ Conduct mandatory anti-corruption training workshops for high-risk employees in all Terma's locations globally	Activities <ul style="list-style-type: none">✔ Ensure broad appeal in language, pictures, and messages in Employer Branding✔ Specific branding campaigns highlighting the need for and current diversity in Terma✔ Closer cooperation with initiatives supporting women in STEM (Science, Technology, Engineering and Mathematics)✔ Encouraging women in Terma to be ambassadors✔ Review compensation and benefits procedure and update to appeal more broadly to a diverse talent pool🔄 Define local targets for diversity	Activities <ul style="list-style-type: none">🔄 Continue with present leadership training courses🔄 Develop a toolbox for leaders with guidelines, advice, and best practice on how to create high performing stress-free teams🔄 Annual awareness campaigns on: good tone at work, collaboration and respecting diversity of opinions, stress, etc.⋯ Implement various health activities across our locations	Activities <ul style="list-style-type: none">🔄 Establish a governance structure and dedicate resources🔄 Assess Terma's various sites to determine their current safety level and what is required to reach the ambition set🔄 Continuously monitor and evaluate the safety culture and behavior, as well as performance⋯ Implement safety initiatives in the various locations	Activities <ul style="list-style-type: none">✔ Update human rights impact assessment✔ Continue conducting due diligence✔ Assess whether Terma's grievance mechanisms, such as Ethics Line and Tell us your concerns, are in alignment with the UNGPs✔ Train relevant departments in human rights✔ Communicate assessment and findings internally and externally	Activities <ul style="list-style-type: none">✔ Roll- out the Responsible Supply Chain Management Program🔄 Complete Terma's Conflict Mineral Reporting Template
Targets <ul style="list-style-type: none">🔄 All employees in high and medium risk job functions have undergone extended anti-corruption training✔ Train all Terma's external marketing consultants	Targets <ul style="list-style-type: none">🔄 Establish local targets for diversity✖ 4% annual increase in number of female applicants hired✖ 3% annual increase in the female composition of leadership	Targets <ul style="list-style-type: none">✖ Increase employee survey score for Satisfaction & Motivation by 3 points✔ Increase employee survey score for Immediate Manager by 2 points🔄 Train all managers within well-being and stress management🔄 Reduce female sick leave absence to maximum 4.2%	Targets <ul style="list-style-type: none">🔄 Reach a world class safety level in all Terma🔄 Improve safety culture and behavioral safety to a high performing "inter-dependent" safety culture🔄 Secure sustainable improvements by implementing a new Safety Management Framework (Terma Safety Excellence)🔄 Decrease Lost Time Injuries Frequency Rate (TLIFR) by 50%	Targets <ul style="list-style-type: none">✔ Conduct human rights impact assessments✔ Organize global human rights awareness campaigns	Targets <ul style="list-style-type: none">🔄 All required active Terma suppliers have undergone our responsible supply chain management due diligence process

FOCUS AREA

Anti-Corruption

Due Diligence

This year, we continued to actively develop our third-party due diligence processes which cover our upstream and downstream value chain, as visually depicted on the right.

Suppliers follow the Supplier Due Diligence Process, described in further detail in the section **Responsible Supply Chain Management** on page 26, while all other third parties – including, but not limited to, customers, end-users, channel partners, and marketing consultants – undergo the Business Partner Sanction Screening and Due Diligence Process.

The Business Partner Sanction Screening and Due Diligence Process consists of sanction screening the third party against official sanction lists, and conducting due diligence via the Dow Jones Risk Center and open-source research. The aim of the due diligence is to identify whether the third party might pose any risks related to human rights, corruption, or the environment. The process has been integrated into our existing CRM system and sales processes. In FY2021/22, due diligence has been carried out on 424 entities.

Business Continuity Management

To gain an overview of risks and ensure that Terma’s employees and assets are protected in case of a threat or an emergency, the Supply Chain and Quality Department initiated and headed a business continuity management workstream. Corruption was one of the 6 pilot areas that were chosen across the organization.

Within each of the pilot areas, the workstream identified the associated business risks and assessed the impact and likelihood of potential incidents occurring in Terma.

Based on a Business Impact Analysis, the most critical business risks were prioritized for continuity planning, and relevant response processes and plans were created. Business Continuity Management, as described in the below model, consists of an emergency response plan, a business continuity plan, and a business resumption plan.

The pilot projects have provided us with valuable insights which will be shared with the rest of the organization and used to adapt and optimize the process before a broader roll-out.



Business Continuity Management consists of:

- ✓ *An Emergency Response Plan* - the initial actions required to facilitate communication and minimize damage
- ✓ *A Business Continuity Plan* - the actions required to ensure that essential services resume immediately
- ✓ *A Business Resumption Plan* - the actions required to resume normal operations

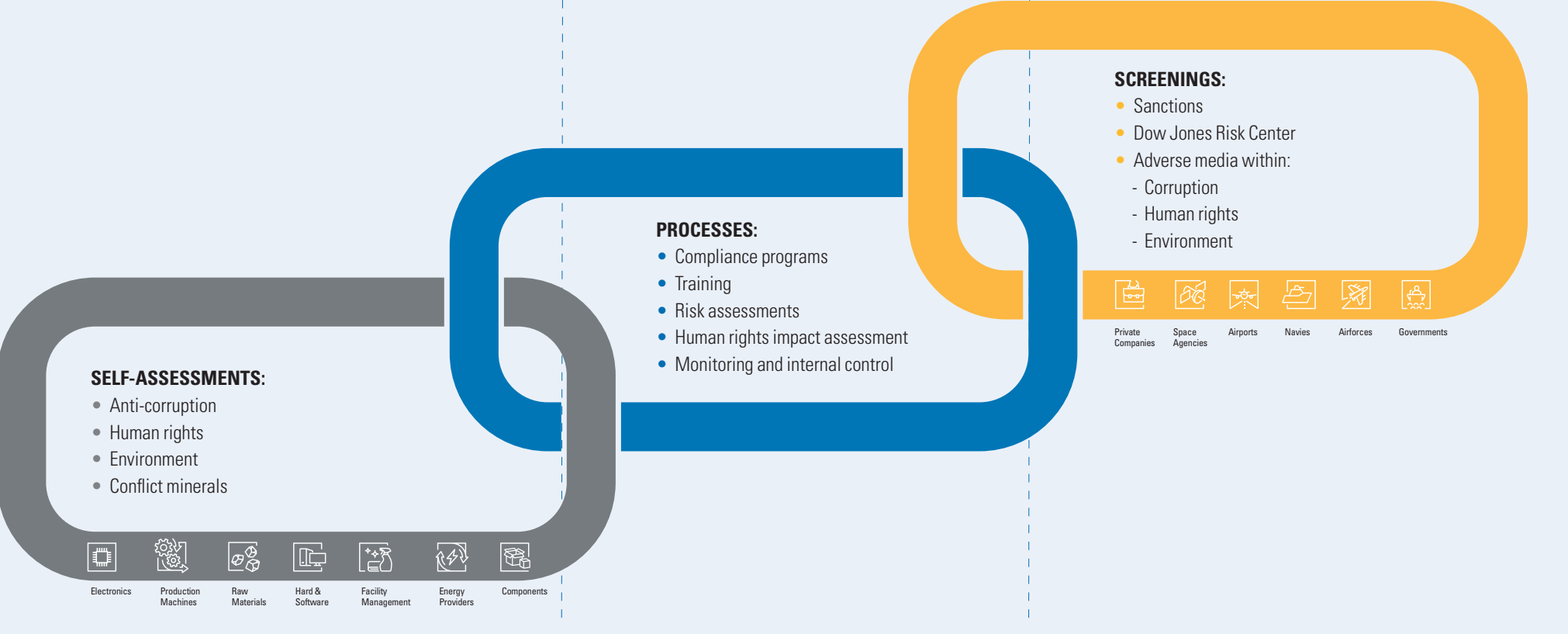
Due Diligence Procedures

The model illustrates Terma's internal processes and our due diligence procedures towards our suppliers, customers and end-users, thus covering our full value chain.

Terma’s due diligence procedure towards suppliers

Terma’s internal processes

Terma's due diligence procedure towards customers & end-users



Training

A key effort undertaken this year within anti-corruption is the training of our employees with high-risk job functions, i.e. with job functions which are more prone to corruption risks. High-risk job functions are, for instance, job functions within procurement, finance, or sales. Each job function has been risk assessed in collaboration with the relevant managers to ensure that all employees receive an adequate level of training.

The high-risk training consisted of in-person workshops, containing a mix of knowledge, quizzes, dilemma games, and discussions. The participants were introduced to various forms of corruption, the legal and financial consequences of corruption, as well as Terma’s procedures and policies within the area. Moreover, tailor-made scenarios describing dilemmas that the specific job functions might encounter were presented to ensure that employees felt that the workshops were relevant for them. At the end of FY2021/22, a total of 10 physical and 6 virtual workshops were held where a total of 217 employees with high-risk job functions attended.

In addition to training our employees, we also train our external marketing consultants, as the marketing consultant role has been identified as posing a high corruption risk. At the end of the FY2021/22, all our external marketing consultants have completed our anti-corruption e-learning. In addition to the training, they have also undergone our due diligence process where they are screened for sanctions, human rights, corruption, and environmental issues.

Anti-corruption Training Completed by Employees 2021/22



Type of Mandatory Training	LOW Risk profile	MEDIUM Risk profile	HIGH Risk profile	Frequency
Employee Code of Conduct e-learning	✓	✓	✓	Every 2 years
Anti-Corruption e-learning		✓	✓	Every year
In-person workshop			✓	Every year

The level of anti-corruption training corresponds to each employee's job function risk profile.

New Gift and Hospitality Portal

One of the most important elements when working with anti-corruption is transparency. Therefore, our employees are required to register all gifts and hospitality they give and receive. The CSR & Compliance department monitors the trends and patterns and whether these align with our procedures.

At the beginning of the new financial year 2022/23, an updated version of the Gift & Hospitality Portal was launched which is more user-friendly and optimizes both the registration process for employees and the monitoring process.



NEXT YEAR'S ACTIVITIES:

- Continue conducting due diligence
- Continue training
- Continue monitoring and internal control

FOCUS AREA

Diversity

Diversity is a key focus area for Terma, as we believe that our work-force should be a reflection of the societies we operate in. We want our culture and working environment to be inclusive and diverse where we can attract diverse talents and where our employee’s skills, compe-tencies, and unique attributes are valued and acknowledged.

Organizational Review

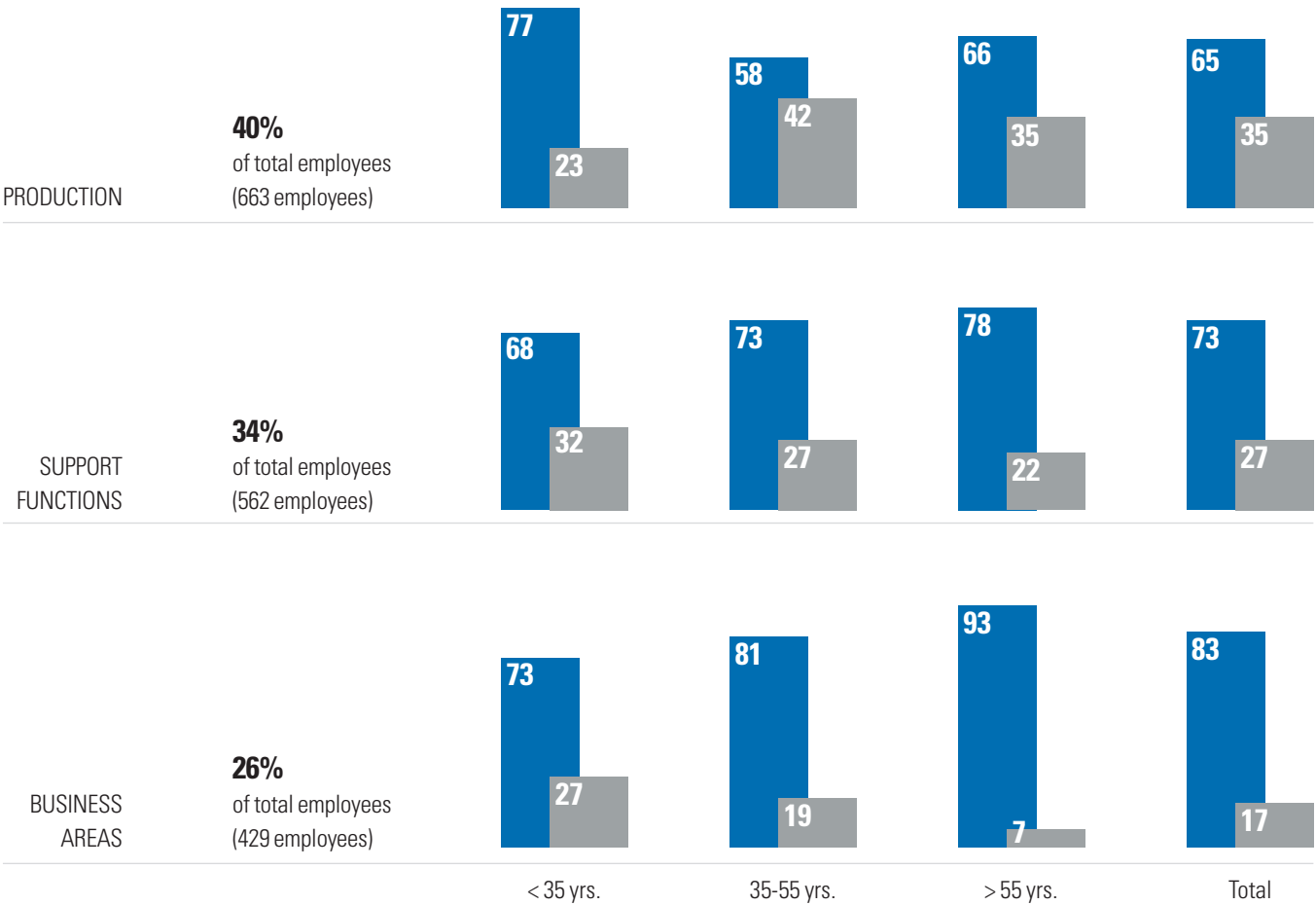
During the year, several departments across Terma participated in an organizational review project, headed by the HR Department. Each de-partment assessed the elements needed to obtain their strategic long-term targets, focusing on various themes such as leadership, culture, motivation, skills, and structure.

Within culture, the departments assessed whether they had the right mix of competencies and diverse profiles to ensure that their depart-ment is future-fit and can support Terma’s strategies. By conducting a gap analysis within each theme, the departments gained an overview of where action was needed. In relation to diversity, this enabled the departments to obtain more specific data, instead of relying on as-sumptions.

On the right, is a visual overview of diversity attributes, such as gender and age, across our production, support functions, and business areas. This data enables each department to develop tailored initiatives to create more diverse and balanced teams.

Gender and Age Split (%)

Men Women



The process received positive feedback as it has triggered new ways of thinking and pushed employees to ask the questions we forget about in our busy working days.

The insights from the process will be gathered to further optimize it, with a focus to ensure that the actions chosen in response to this analysis will be completed during FY2022/23.

Employer Branding

In December, our career website was updated with testimonials of various female employees with diverse backgrounds, education, age etc. These were made in connection with our campaign “Meet a colleague” on social media which, among others, depicted diverse female profiles and competencies to showcase the various job positions possible at Terma. We believe that we can attract more female candidates if they can see a reflection of themselves in the organization and in the various job possibilities.

The initiative supported our aim to attract more female employees and create a more gender-balanced workplace as the current gender distribution among Terma’s employees is 72% men and 28% women. We have set a target of 4% annual increase in number of female applicants hired, which we unfortunately did not reach. In FY2021/22, we had an increase of 2.5%.

The language on the career site was also updated to be more inclusive and thereby enable the attraction of a more diverse range of candidates. Our aim was to move away from the corporate language and feel of the site and rather showcase Terma from an employee perspective. We wanted to show what “Terma Life” and the experience of working at Terma are like, thereby creating a sense of belonging and community.

Jørgen Laursen, SVP, Aerostructures Manufacturing (AMF) says about the process:

» In the strategic initiative “Organizational Review”, we assessed key organizational challenges on 5 parameters: Culture, Structure, Skills, Motivation, and Leadership.

Especially talking about culture, the process gave us concrete in-sights and actions to be able to achieve an even more diverse work-force across AMF. The process gave us concrete facts on, e.g., gender and age distribution, seniority, citizenships, and women in leadership positions across the organization. Now we can become even better and more mature when it comes to diversity across our organization.

Going forward, we will ensure this through our strategy deployment where one of the concrete initiatives that came out of the organiza-tional review process is to “develop and define a concrete and robust plan to enforce diversity”. I really look forward to working on this together with our leaders in the coming period.

Female Ambassadors

Around 30 female employees in Terma have volunteered to be part of our female ambassador project where through employee engagement we advocate for more women to take a STEM (Science, Technology, Engineering & Mathematics) education and assess how to attract more female candidates. The ambassadors participate in, for instance, career fairs and guest lecturing at educational institutions.

Furthermore, we have a broader global ambassadorship program where the focus is on wider range of diversity attributes than merely gender. A pilot project was launched in February 2022 where around 20 ambassadors participated. The concept is that every 6 months, a new group of ambassadors will take part in various employer branding initiatives, thus ultimately creating a wide range of ambassadors that live and breathe Terma’s values.



A selection of Terma employees who have volunteered to be female ambassadors

Gender Distribution in Management Levels

In line with creating a more gender balanced workplace, we have a target for an annual increase of 3% in the female composition of leadership. Unfortunately, we did not reach this target, our gender distribution slightly decreased to 19%.

Gender distribution in management across the Group



For Terma Group, the gender distribution in management was 19% for FY2021/22 as shown above. Terma Group is comprised of Terma A/S and Terma Aerostructures A/S. For Terma A/S, the gender distribution was 21% for FY2021/22 and 20% for FY2020/2021. For Terma Aerostructures A/S, it was 8% for FY2021/22, while it was 21% for FY2020/21, which can be explained by organizational changes leading to a reduction of management positions. As the leadership group in Terma Aerostructures is relatively small, comprising of 25 leaders, any organizational changes can impact the distribution considerably.

We will continue to strive towards a more balanced gender representation at Board level. 1 out of 4 of our Terma A/S Board members is female. Terma Aerostructures A/S’ Board of Directors consists of Terma A/S Executive Management comprised of 3 male members. Our aim is one female board member within 2024. As no new members were elected for the board in 2021, the target was not met in FY2021/22.

The Terma Inc. Board, likewise, recognizes the importance of diversity and endeavors to identify candidates from diverse back-grounds as new members are recruited for Board appointments. The Terma Inc. Board will appoint new outside directors in 2022, with one of the 4 outside directors being female. In addition to gender, the composition of the Board is quite diverse, representing various diverse attributes such as background, age, education etc.

Girls’ Day in Science

Girls’ Day in Science is an annual campaign day in Denmark aimed at inspiring more girls to start a career within the STEM areas (Science, Technology, Engineering & Mathematics). An initiative where young girls are invited to participate in inspiring company visits all over Denmark. Around 4,700 girls from public schools and high schools in Denmark participated in 2021.

During the visits, the girls met inspiring female role models working within STEM and gained an insight into the different types of careers in these fields, what it takes, and – most importantly – why it is fun.

More than 115 companies and organizations participated in this initiative in 2021, including Terma. Our headquarters in Lystrup welcomed 25 girls from a local public school. The event was hosted by 4 of our female ambassadors and consisted of a great mix of discussions, exercises, and competitions. Female ambassador, Annette Svendsen, Specialist Systems Engineering, reflects:

»Companies need to engage on all educational levels, from primary school to universities, to inspire girls to choose STEM. It is a long-term investment to increase diversity in the industry and within the STEM areas.

Education in STEM is sometimes seen as a bit out of fashion and not that sexy. It is about demystifying what these educations can be used for, showing its relevance in real life and society. STEM can help solve some of society's biggest issues, and therefore we need to inspire and show the next female generation the various job positions that education in STEM can lead to.

I am proud to be able to use my background and experience to inspire these girls.



NEXT YEAR’S ACTIVITIES:

- Strengthen recruitment and attraction
- Cooperate with STEM initiatives
- Foster inclusivity culture in Terma

FOCUS AREA

Employee Health & Mental Well-Being

With the COVID-19 pandemic still present and affecting our everyday lives, it continues to be paramount to ensure that our employees are safe and well.

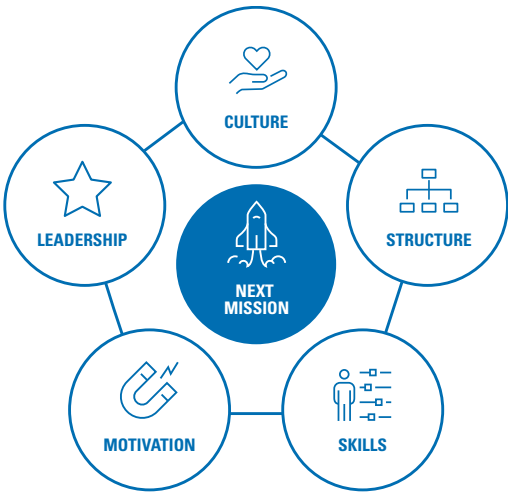
Health Initiatives

Terma had teamed up with our external health insurance provider to implement health initiatives across our Danish locations, covering approximately 82% of our total employees. However, it was decided, due to the ongoing global health crisis, to postpone these activities to next financial year where hopefully the situation will normalize. Furthermore, it was recommended by our external health insurance provider that the initial scope and health activities planned should be reevaluated as the COVID-19 pandemic has shifted the focus from physical to mental health. In light of this, a new health screening will be conducted next financial year 2022/23 and based on these results, along with the results of the mandatory workplace evaluation (APV), new health initiatives will be decided on and implemented.

Organizational Review

A new organizational review process was developed last financial year 2020/21 and rolled-out this year in several business areas. Both production sites in Denmark and several of our business areas have undergone the process. The purpose of the process is to assess the status of Terma as an organization and what it needs to be future-fit. The process assessed the status, goals, and gaps for each element from the model below and developed concrete actions to close the gaps.

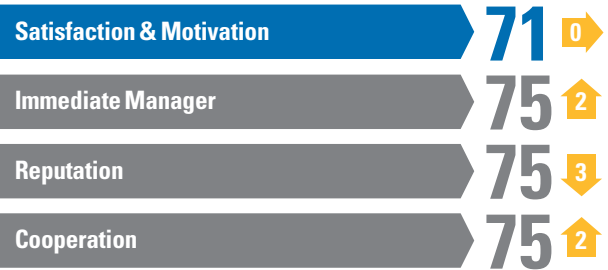
The purpose of the process is also to become more familiar and mature at working strategically with issues such as culture, motivation, and leadership – what they mean, how they affect employees, whether the employees in a specific department are thriving, and what are the opportunities for development. The overview gained through this process will strengthen the organization and better equip the managers to lead, recruit, and structure their organization.



Terma's Organizational Review framework

Employee Survey

In September 2021, a global employee survey was launched with a response rate of 91%. Our target was to increase our score on *Satisfaction & Motivation* by 3 points and on Immediate Manager by 2 points from our 2018 results. We reached the Immediate Manager score, rising from 73 to 75 points, while the *Satisfaction & Motivation* score remained unchanged from last survey with a score of 71.



When studying the data, we observed that the Reputation score decreased only in our Danish locations, which we believe to be a result of the UAE coverage in the Danish media last financial year 2020/21. Moreover, we see that the *Cooperation* score increased, which shows a willingness to collaborate across departments and locations. All managers have been asked to hold meetings in their departments and discuss the scores and, where relevant, develop action plans.

Next financial year 2022/23, we will launch 2 global pulse surveys whose purpose is “continuous listening”. We want to regularly take the temperature of the organization and employees and thereby better assess if the implemented actions have proved successful. In addition to the 2 pulse surveys, it was decided to alter the employee survey from a bi-annual survey to an annual survey to be able to work more strategically with the results.

New HR Intranet

A new HR intranet was built and launched in February 2022. The new structure and content give employees and managers an easier access to the relevant guides, toolboxes, and information needed in their daily tasks. This initiative serves to empower employees and managers by giving them the information and means to better shape their working environment at Terma.

Sick Leave

In FY2020/21, sick leave was considerably affected by the COVID-19 pandemic, as the impact of COVID-19 accounted for more than 15% of total sick leave. Our aim is to continuously reduce sick leave, and we have a specific target of reducing female sick leave absence to maximum 4.2% by end FY2022/23, as over the past years we have scored above this benchmark for absence among our female employees in general. This target was unfortunately not reached in FY2021/22 due to among others COVID-19 related absence.

Sick Leave Absence by Gender and Age

		Below 35	35-55	Above 55	Average total
2017/18	Men	2.9 %	2.6 %	2.8 %	2.7 %
	Women	5.2 %	4.6 %	5.6 %	4.9 %
2018/19	Men	3.3 %	2.4 %	3.4 %	2.9 %
	Women	6.1 %	5.1 %	4.5 %	5.1 %
2019/20	Men	3.0 %	2.2 %	2.6 %	2.7 %
	Women	4.5 %	4.6 %	5.2 %	4.9 %
2020/21	Men	2.9 %	2.1 %	2.3 %	2.3 %
	Women	5.0 %	6.3 %	6.7 %	6.2 %
2021/22	Men	4.4 %	3.0 %	3.4 %	3.4 %
	Women	7.3 %	6.5 %	6.7 %	6.7 %

The figures above cover all Terma's locations globally and include pregnancy related sickness. However, child sickness is not included in the figures.



Employees in Terma Aerostructures enjoying a well deserved break.

NEXT YEAR'S ACTIVITIES:

- Continue developing training
- Implement health activities

FOCUS AREA

Employee Safety

Safety always comes first, and it is therefore a key priority for Terma. This year, despite the continued health crisis, we managed to implement initiatives to strengthen our safety culture and processes.

Optimization of Processes
One initiative this year has been to optimize safety processes and create more transparency. In Lystrup and Herlev, the working environment groups complied all processes and materials regarding safety and working environment in one place on the intranet to ensure that the employees can easily access all the relevant material.

Meanwhile, Grenaa moved away from paper-based process of registering near-misses and safety observations to a digital registration system. An app is now used to register observations with the option to add pictures. The system then creates an action plan for the area where the observation was made. The responsible working environment representative for that area can then follow up on the action plan. The digital system allows us to track data and create statistics on the most common observations and thereby better assess where to focus our resources. The system has been functional for a year, and the users of the system and management are pleased with the usability, accessibility, and transparency of the system.

Chemical Risk Assessment
We are currently conducting chemical risk assessments of all our processes across our production sites. The purpose is to develop chemical instructions for employees based on the results of the risk assessments. Employees who work with chemical substances can easily access, via their digital workbench, various instructions describing the protective measures and gear to be used. The system is expected to be implemented in the first half of 2022.



Inspection
In 2022, Terma AMF was selected for an inspection visit from the Danish work environment authorities. The process started in June 2021 with an overall oversight of all Terma AMF's administrative work environment processes. These were subsequently approved without comment. The next step was a factory visit where the authorities reviewed our practical processes. Here, the authorities found that some processes involving epoxy did not live up to the legal requirements. Terma AMF subsequently received four injunctions which the company had to comply with immediately. Over the summer of 2021, we changed our epoxy processes, trained our staff, and implemented the changes.

In regard to one of the injunctions, we did not agree with the authority's interpretation of the law. Terma AMF launched an external investigation which showed that our original method was in accordance with the rules. This was subsequently accepted by the authorities.

Monitoring
One of our targets is to decrease our Lost Time Injuries Frequency Rate (LTIFR) by 50% from FY2019/20, thereby reaching the aspired LTIFR of 0.45 in 2023. This year, we had a LTIFR of 3.5.

Moreover, across all Terma locations globally, we had 34 working accidents of which 9 accidents resulted in absence from work

Lost Time Injuries (LTI) Frequency Rate



LTi Frequency Rate is calculated as follows: ((Absence in hours) / (total hours worked in accounting period)) x 1,000,000.

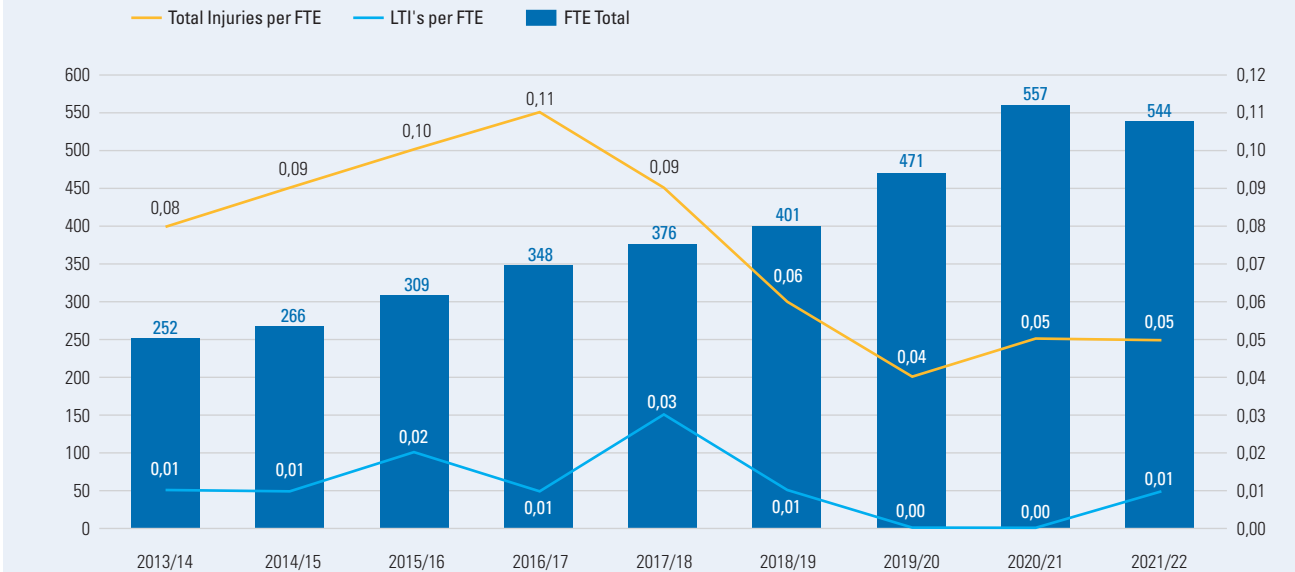
The knowledge we receive from this data enables us to better target actions and initiatives to minimize the risk of reoccurring accidents and injuries. The study of near-misses and the assessment of safety observations and injuries are an essential part of our regular safety efforts.

Common Forum
In the beginning of the new financial year 2022/23, our working environment groups across our 3 Danish locations will have a joint meeting to share knowledge and best practices. External speakers will also be invited to inspire the groups. The focus will be on both the working environment in our production areas as well as in our offices.

Deep-dive: Safety Culture in Grenaa

Our efforts of strengthening the company's safety culture can clearly be seen in the number of injuries per FTE. Back in 2018, we were in the midst of a hiring boom in our production in Grenaa, going from approximately 300 FTE to our current 544 FTE. We were concerned that this rapid hiring increase would result in a similar increase in injuries and LTIs.

Therefore, the safety excellence program was established at the end of 2018. All our activities with training employees, creating awareness, daily focus on safety observations, and our involvement of managers and working environment representatives have yielded results as can be seen in the graph below. We have yet to achieve our goal of zero working accidents in Grenaa, but we are well on our way.



NEXT YEAR'S ACTIVITIES:

- Establish governance structure
- Conduct location assessments
- Implement safety initiatives
- Measure & evaluate

Human Rights

FOCUS AREA

Responsible Supply Chain Management

Through Terma’s Responsible Supply Chain Management Program, Terma conducts due diligence on suppliers with a focus on human rights, anti-corruption, the environment, and conflict minerals.

Rollout of the Program

In May 2021, Terma’s Responsible Supply Chain Program was launched. Prior to the launch, the relevant guides, checklists, and material were developed, and a training session was held for all employees in Procurement and Sourcing. The training session introduced the program and process, and the participants were informed about the requirements and how Terma will conduct the program.

Once the training was completed, the purchasers began reaching out to our suppliers to have them undergo the due diligence process.

During the financial year 2021/22, 35% of our active suppliers have undergone the due diligence process.



We are confident that we will reach our target of all active suppliers having undergone the due diligence process by end FY2022/23. We are continuously working on developing tools to optimize and automatize the process based on the experiences and learnings.

Learnings

Since we are in the initial year of the program, we have gathered some learnings. The task has proven much larger and more time consuming than anticipated. Many of our suppliers were unfamiliar with, for instance, the UN Guiding Principles on Business and Human Rights and filling out a Conflict Mineral Reporting Template. Furthermore, the Procurement and Sourcing departments have had little training in due diligence processes. Therefore, we see the program as a journey together with our suppliers who are expected to raise the bar over the coming years while we increase our knowledge and abilities as well.

The Ley Learnings we Gained are:

- ✔ **More training** - even though we have trained the relevant employees from Sourcing and Procurement before launching the program, there was a need for more in-depth training. Working with CSR is complex, so to be better equipped to guide the suppliers and set targets to improve their CSR profile, a more detailed and hands on training would have been beneficial.
- ✔ **Pilot project**: - we should have started out with a pilot project where we could test the material and gather feedback in order to adapt, optimize, and improve the process.
- ✔ **Data models**: - it is essential to think more about data models and how to aggregate all the input received form the suppliers into something that can be used in Terma’s own reporting.

Strategic purchaser Helle Madsen, who works with suppliers on the due diligence process says:

» The Responsible Supply Chain Management Program has been a key focus for the last 12 months and has significantly affected our daily work. The extended focus on CSR has also had an impact on our suppliers. We have received a lot of feedback and questions, as the maturity level of our suppliers is generally on a basic level.

Thus, we have increased our efforts by guiding and helping suppliers to understand the concepts and setting milestones to improve their company’s CSR profile. We are confident that this effort will ensure that our suppliers have the same high standard as we pursue at Terma.

Deep-Dive: Conflict Minerals

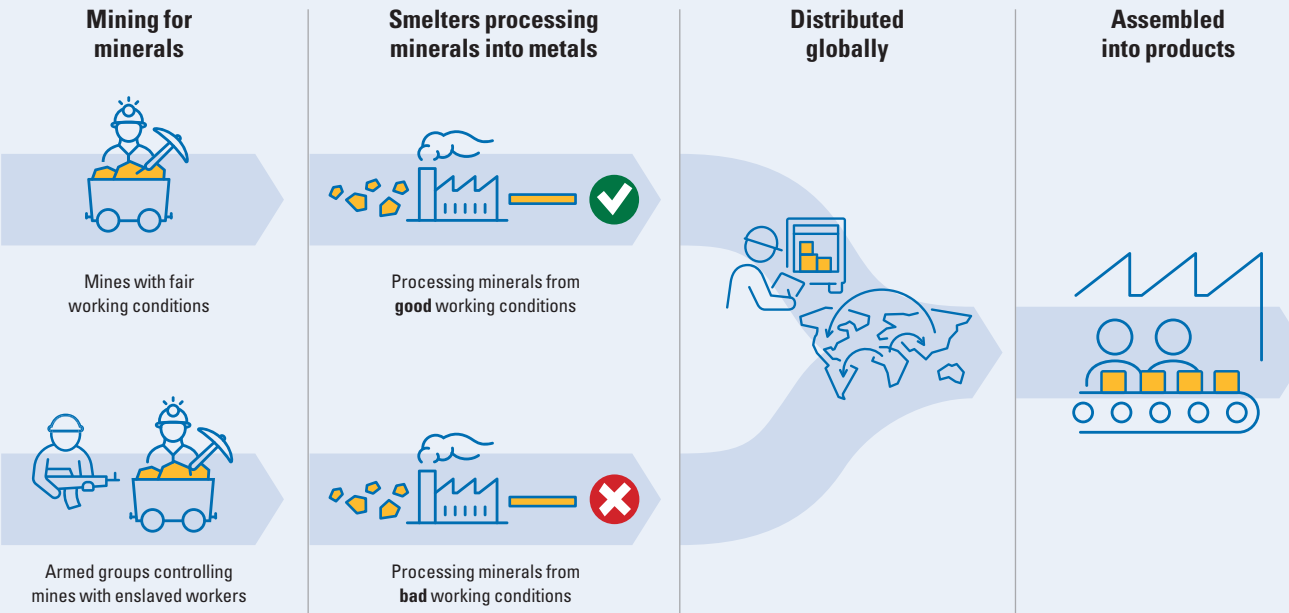
What are Conflict Minerals?

They are minerals which are mined, sold, or traded in areas of armed conflict and are commonly associated with serious human rights abuses such as slavery. They include the metals tantalum, tin, tungsten and gold, which are commonly found in numerous everyday objects, specifically electronic products such as mobile phones, laptops, and microchips. These are known as the 3TGs.

Why is this Relevant for Terma?

We rely on minerals to produce our products. A vast majority of our customers are obligated to report on the use of conflict minerals and therefore require us to be able to disclose whether our products contain conflict minerals. Avoiding conflict minerals entirely is not an easy task. They find their way in supply chains through complex processes with multiple actors and steps.

Terma actively works to ensure that the minerals we buy are responsibly sourced.



NEXT YEAR’S ACTIVITIES:

- Continue Supplier Due Diligence
- Finalize Terma’s Conflict Mineral Reporting Template

Environment

Reduction of Emissions

During the year, we have examined our greenhouse emissions more closely and assessed where these can be reduced. One of the initiatives was to hire external energy consultants to develop an energy screening of our production and offices in Lystrup and Grenaa. Their task was to identify areas where we can reduce our energy consumption. We have received the report and are currently determining where to focus our resources.

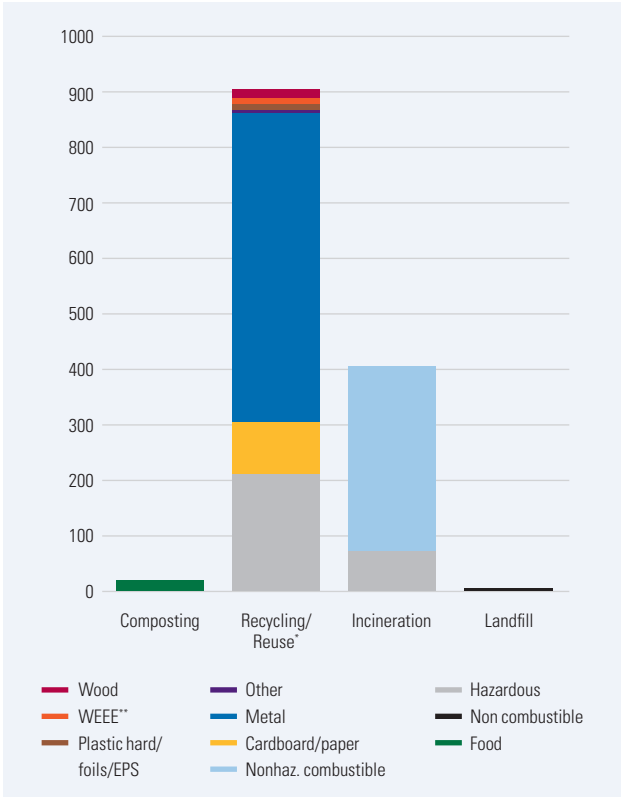
Furthermore, due to a very volatile electricity market, Terma has entered into an agreement with an independent energy broker with the aim of reducing risks and costs while identifying opportunities for a greener profile. The broker is currently preparing a procurement strategy for electricity to ensure that we always have a fact-based expert knowledge on the market trends and the expectations for market development with a focus on greener footprint and better prices. For the upcoming tender in 2022, Terma will investigate how a greener profile can be applied to our purchasing strategy.

Even though our largest emission contributor is the use of purchased energy, we have decided also to target our Scope 3 indirect emissions and focus on the reduction of waste. Terma's Aerostructures Manufacturing department is currently increasing its focus on reduction of metal scrap like aluminum, titanium, and steel from the manufacturing of our wide range of pods and pylons. Our engineers work together with our suppliers to achieve a higher degree of cut-to-shape blanks of metal alongside optimized milling programs, effectively underpinning an ambition of reducing scrap metal with more than 100 tons in FY2022/23 compared to current levels, which amounts to savings of 2.1 tons of CO₂e. The preliminary selection of initiatives is thus projected to decrease the overall amount of scrap metal with more than 25%. Single programs even aim to reduce metal scrap with as much as 66% per part, accounting for a saving of up to 32 tons annually equivalent to 0.7 tons CO₂e.

Sorting Waste

In recent years, we have increased the sorting of waste in cooperation with our waste receivers to optimize the amount of waste going into a circular loop. The production site in Grenaa generates, by far, the largest amount of waste and is now sorting waste into more than 60 different fractions of both hazardous and non-hazardous waste.

Disposal method per type of waste, Danish locations (tons)



*Reuse refers to using the waste directly without pretreatment.
** WEEE stands for Waste Electrical and Electronic Equipment

The graph shows that in FY2021/22, nearly 70% of the total amount of waste from the Danish locations was recycled, reused or composted and even 75% of the complex hazardous waste was recycled/reused.

In autumn 2021, a small-scale waste sorting project was launched in one of our office buildings in Lystrup to prepare for new stricter legislation regarding sorting of household-like waste. Personal trash bins were removed and replaced with waste sorting bins placed in all kitchenettes. The new bins were divided into food waste, paper/cardboard, and residual waste. The responses from the employees involved have been mainly positive, and we expect to spread the initiative to the rest of our Danish locations during 2022.

Hazardous Chemicals

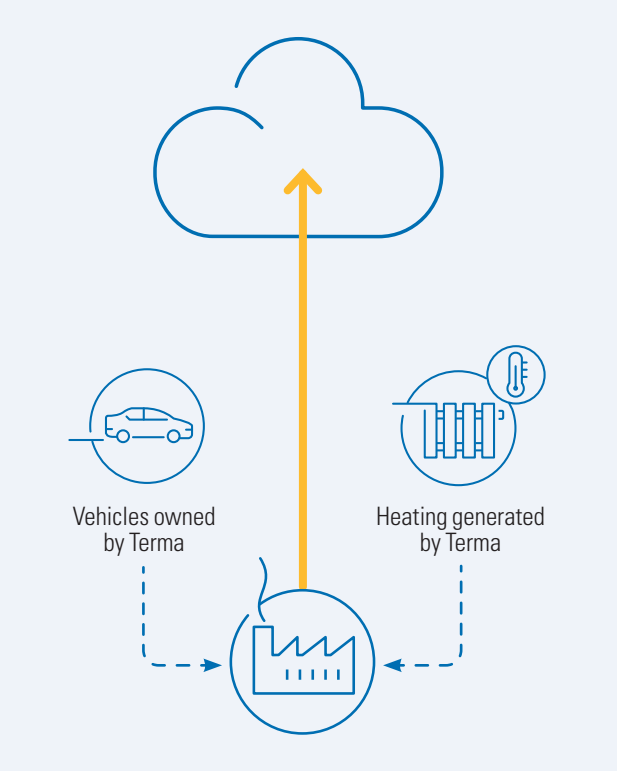
Being a part of a highly technical industry, our production facilities have an environmental impact that cannot be avoided. In the creation of high-tech products, the use of chemicals is essential. However, we constantly seek to minimize our chemical footprint and actively work to substitute hazardous chemicals with non-hazardous alternatives to minimize the negative impact on the environment and people. This is an ongoing process conducted in close collaboration with our customers and suppliers and across various departments in Terma.

New Facilities

In the beginning of the next financial year 2022/23, we will move our Herlev location to Søborg. During the year, the Facility department has worked extensively to modernize the new facilities in Søborg. Environment has been a key focus where the installment of proper recycling facilities, the banning of single-use tableware, as well as investments in more energy efficient heating and cooling systems have been made. Moreover, a lot of thought has gone into refurbishing, including what we can preserve in the Søborg building and what we can bring from our current location in Herlev.

Terma's Greenhouse Gas Emissions

Scope 1 Direct Emissions

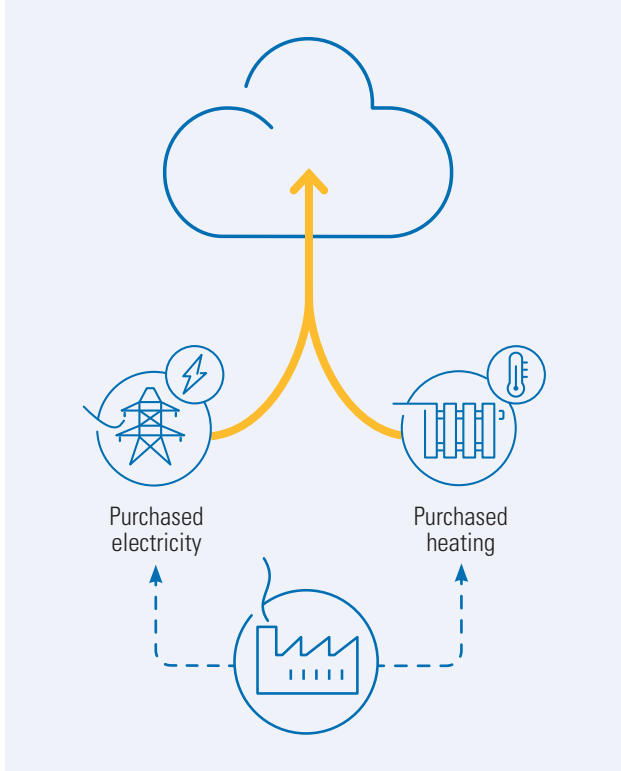


Direct GHG emissions in metric tons of CO₂ equivalent



*Scope 3 data for FY2019/20 and FY2020/21 have been recalculated due to an error in conversion factors

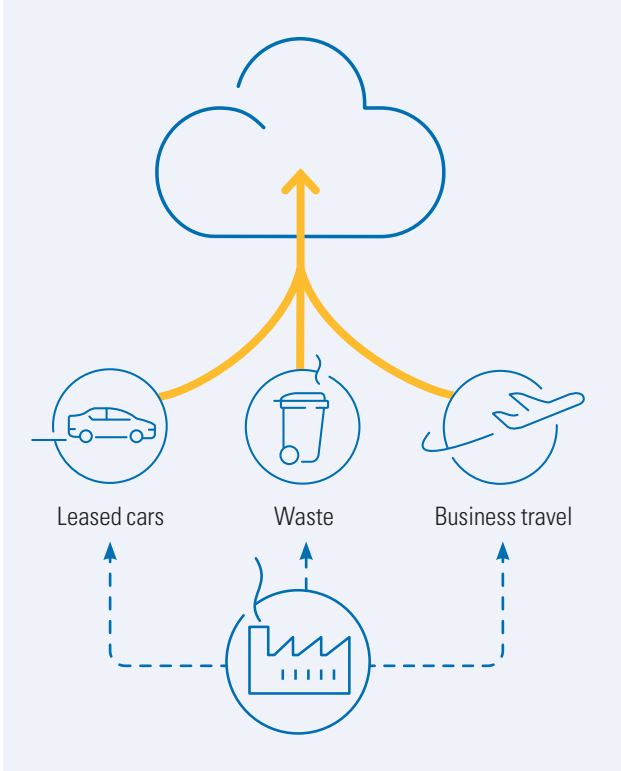
Scope 2 Indirect Emissions



Energy indirect GHG emissions in metric tons of CO₂ equivalent



Scope 3 Other Indirect Emissions



Other indirect GHG emissions in metric tons of CO₂ equivalent



Partnership with Velkommen Hjem

Terma has decided to enter into a strategic collaboration with Velkommen Hjem (Welcome Home) – both through donations and through employees mentoring veterans.

Over the last 60 years, Denmark has sent more than 40,000 men and women on international missions. Many veterans continue a military career when they return home, but many also use their military skills and experience in a civilian career. Velkommen Hjem is an association, founded by several Danish companies, which helps veterans transition from the military to the civilian labor market. Through specially designed mentoring courses, veterans are able to clarify their career wishes and competencies and smoothly transition to a civilian career.

At Terma, we have many colleagues who are veterans, and we as a company have a strong understanding of how a private company can benefit from military competencies.

Kick-off

Senior Vice President in Terma Aerostructures A/S, Jørgen Laursen, was Terma's first manager to become mentor in the strategic collaboration. Jørgen was matched with veteran Nicolai Andreasen.

While still employed with the Danish Armed Forces, Nicolai chose to tell his superior and colleagues that he wanted to search for a new job. This created the opportunity to activate his network most appropriately. But the road to a new non-military job was even more challenging than he had expected.

Nicolai contacted Velkommen Hjem and joined a course. All courses begin with a two-day kickoff where the new veterans meet businesspeople, mentors, former participants, and the people behind Velkommen Hjem. For most of the participants, the kickoff is both an energy boost and an eye-opener.

The Mentor Approached his Boyhood Dreams

After the course, the veterans were assigned one of the mentors to guide, help, and support the veteran during a six-month transition period. Nicolai was matched with Jørgen Laursen who always had the dream of being a soldier, as his father was deployed with the peacekeeping forces for the UN in Gaza.

» Due to various handball injuries, it was not possible. And therefore it was with great pleasure that I was allowed to get closer to the life of a soldier, to understand Nicolai's everyday life, what he had experienced, and not least to understand which qualifications Nicolai had acquired during 13 years in the Armed Forces" tells Jørgen.

» Terma is among the largest defense companies in Denmark, and many of our products have been developed to protect and secure soldiers from Denmark and our allies in mission. Personally, I respect our deployed soldiers very much, they all "take one for the team", and so obviously it is also my duty, as well as Terma's, to help when a young soldier wants to join the private labor market after serving the in the Armed Forces."

Qualification Matrix

Jørgen believes that in general, a lot of the qualifications gained through the Armed Forces can be used directly in the private labor market.

» ... However, Nicolai and I needed to spend some time to understand and clarify which educational elements are defense-related and which may be used in the private labor market. It soon became evident to us that we had to demystify elements and make them recognizable to companies and their management. One simple example; to plan a military operation can be compared to a Sales and Operations Planning (S&OP) process – very well-known in the business world. In both cases it is very important to understand requirements, capacity analyses, budgeting, staffing, and not least



On the left Nicolai Andreasen and on the right Jørgen Laursen

the timely stage of execution. Therefore, Nicolai made a recognizable qualification matrix which became a permanent element in his applications and his CV."

Cultural Understanding is a High-Rated Qualification

During deployment, a soldier gains international experience and cultural skills.

» ... Leaders in the Armed Forces who return, just like Nicolai, from deployment filled with cultural and international experience can easily use these in the private labor market, where diversity is on the agenda in almost all companies", says Jørgen.

Business Knowledge was a "Total Eye-Opener"

As Jørgen's mentee, Nicolai experienced a lot of presence, professional feedback, and not least alternative ways of thinking, leading to experiences which opened Nicolai's eyes to a world he was about to enter.

» ... Jørgen has been super engaged and taken on the project. He started with his own "mini kickoff" where we spent most of one whole day to get to know each other. He offered personal profiling and feedback which helped me express my management capabilities and bring them into play in my job seeking and not least in my job interviews" tells Nicolai, continuing:

» ... We spent some time finding out which line of business could be relevant for my motivation and at which level, and where my capabilities could be brought into play – and this turned out to be a bit of a problem. The reason I selected a job as an officer was that management and having to do with people motivated me. Large and small decisions have to be made on a daily basis which have an impact on myself and the people with whom you work and are responsible for. After having slept on it, Jørgen called me and suggested that I

could visit Terma for a week to see all the different departments. This was a total eye-opener to me, and I realized that the knowledge that I gained would have taken me many coffee meetings and weeks to obtain. Therefore, I could focus my job seeking on areas where my motivation would be met, and capabilities used in the best way. At the same time, Jørgen succeeded in giving me peace of mind, also in the finest way, when I did not succeed in getting an appointment for an interview."

Peace of mind is necessary, as Nicolai and many other veterans experience that success takes – but then suddenly, it all comes true.

» ... Suddenly, all things moved, and interest from companies started to appear. I actively contacted a number of networks and recruiting companies. It all succeeded, and I have been offered a job as production manager in a high-tech company from January 2022" tells a satisfied Nicolai.



This Christmas, our employees also had the possibility to donate their Christmas present to Velkommen Hjem. This resulted in an impressive amount of DKK 102,400, which Jes Munk Hansen, CEO and President, presented to the Director of Velkommen Hjem, Helene Djursø who stated:

» We are overwhelmed by the large amount that Terma's employees have chosen to donate, and we look forward to spending the money on even more kickstart courses with our mentors, so that they are prepared when they start up new programs with the war veterans".

Reporting Channels

Terma has two reporting channels *Ethics Line* and *Tell us your concerns*.

Ethics Line is Terma’s global multilingual whistleblower system which offers a confidential and safe channel where any employee or third party can report concerns if they suspect that serious illegal misconduct or other potential wrongdoing is taking place. Employees and third parties can report anonymously or by name to the system.

Tell us your concerns is our global internal case management system solely dedicated to Terma employees. It is for all concerns, incidents, and issues which do not qualify for reporting via Terma’s *Ethics Line*. *Tell us your concerns* enables us to take our compliance temperature and assess whether there are any issues that might become serious if not addressed. It enables us to take a proactive approach and continuously improve our business operations, processes, and communication.

Reported Cases

All cases are confidential, regardless of whether the cases are reported to *Ethics Line* or *Tell us your concerns*. An annual report, limited to the number of reported cases and their topics, is sent to the Boards of Directors, Executive Management as well as communicated to the whole organization.

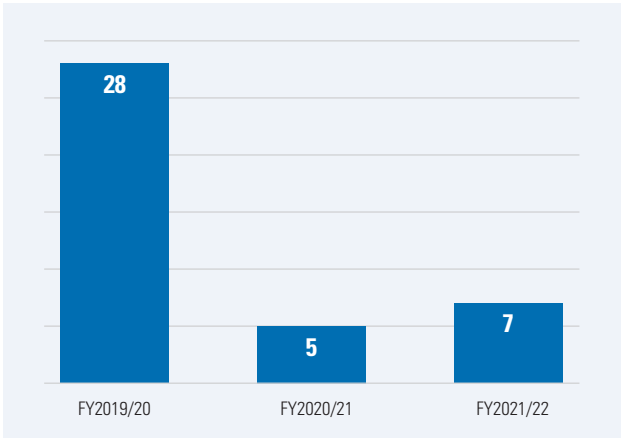
ETHICS LINE

During the financial year 2021/22, Terma received 0 whistleblower cases via *Ethics Line*. Only Terma's Ethics Committee and the Chairman of the Terma A/S Board, and when relevant the Chairman of the Terma Inc. Board, have access to the reported cases. The Ethics Committee comprises General Counsels of Terma' and Terma Inc., as well as the Head of CSR & Compliance. Last financial year 2020/21, we did not receive any new cases, while in the financial year 2019/20 we received 2 whistleblower cases.

TELL US YOUR CONCERNS

Terma’s internal reporting channel *Tell us your concerns*, solely dedicated to Terma employees, received 7 cases during the financial year 2021/22. Only the specific investigator and the Head of CSR & Compliance have access to the reported cases which are treated in a confidential manner.

Cases in *Tell us Your Concerns*





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