



HUMAN RIGHTS IMPACT ASSESSMENT

DANISH LOCATIONS / 2021

Introduction

Terma is guided by one overall purpose: to deliver security for countries and individuals. Security is a means to maintaining and developing prosperity and protecting human lives, sovereignty, and democracy. We deliver advanced technologies to keep people safe, both in peaceful times and in times of conflict.

Terma is an international privately held company within the Aerospace, Defense, and Security industry, owned by the Thomas B. Thrige Foundation, tracing our origins back to 1949.

We are present in four distinct business areas: Aeronautics, Space, Surveillance & Mission Systems, and Support & Services.

We work closely with national defense forces, public authorities, and international organizations worldwide to provide security for people on land, at sea, and in the air.

In space, we are engaged in state-of-the-art projects enabling people to deal with new and future challenges, including the environment and climate change.

The UN Guiding Principles on Business and Human Rights

Operating in the Aerospace, Defense and Security sectors, we deliver products and services foremost in times of peace, but also in times of conflict. We recognize that we may become part of human rights impacts through our products, services, and the industry we belong to. These impacts can be positive or adverse.

One of the focus areas of Terma's CSR strategy *Allies in Responsibility* is human rights. Within this focus area, we aim to be in compliance with the procedural requirements set forth by the UN Guiding Principles (UNGPs).

We have updated our Employee Code of Conduct, where our [human rights policy](#) is included. We have updated the policy to improve alignment with the UNGPs. Moreover, we have conducted a human rights impact assessment.

What Is a Human Rights Impact Assessment?

The core of the UNGPs is know and show, meaning know your risks of impacts and communicate, how you manage such risks. For a company to know its impacts and to show, how the company addresses such impact, it needs to conduct regular human rights impact assessments.

A human rights impact assessment is a process for identifying, preventing or mitigating risks of adverse impacts from business operations and services on, at minimum, all 48 human rights listed in the International Bill of Human Rights. The 48 human rights include the ILO core labour rights.

Human rights impact assessments should provide an overview of where companies identify risks of adverse human rights impacts, and which actions and processes they have in place to prevent or mitigate these. We have decided also to identify, where we have positive impacts on human rights.

How We Conducted Our Human Rights Impact Assessment

We have had a systematic and structured approach to conducting our human rights impact assessment. We started by defining the scope of the assessment and chose to focus on our 3 Danish locations, including our headquarters in Lystrup. Our Danish locations in Lystrup, Grenaa and Herlev, are a mix of production and office facilities and cover approximately 83% of our total global workforce.

Subsequently, we went through one human right at a time and assessed the following for each of them:

- Do we have a policy and/or process to cover this right? If yes, what is it called, where is it located and who is responsible for it?
- Description of the adverse impact
- Description of affected stakeholders
- Description of policies, processes, and activities in place to prevent or mitigate the impact
- Description of how we monitor the effectiveness of the policies, processes and activities
- Comments

Departments across Terma have been part of collecting and validating data and information for the assessment. The data was thereafter consolidated into this document, which has been reviewed by relevant internal stakeholders and our CSR Board. In addition, we decided to have an external expert within human rights review this impact assessment.

How to Read Our Human Rights Impact Assessment

In the next couple of pages, you will receive a visual overview of the rights where Terma may be involved with potential impacts. For each of these, a description of the potential impact, who can be affected, as well as the processes we have in place to prevent or mitigate such impacts are described. Moreover, an overall description of how we track and monitor these impacts is described on page 4.

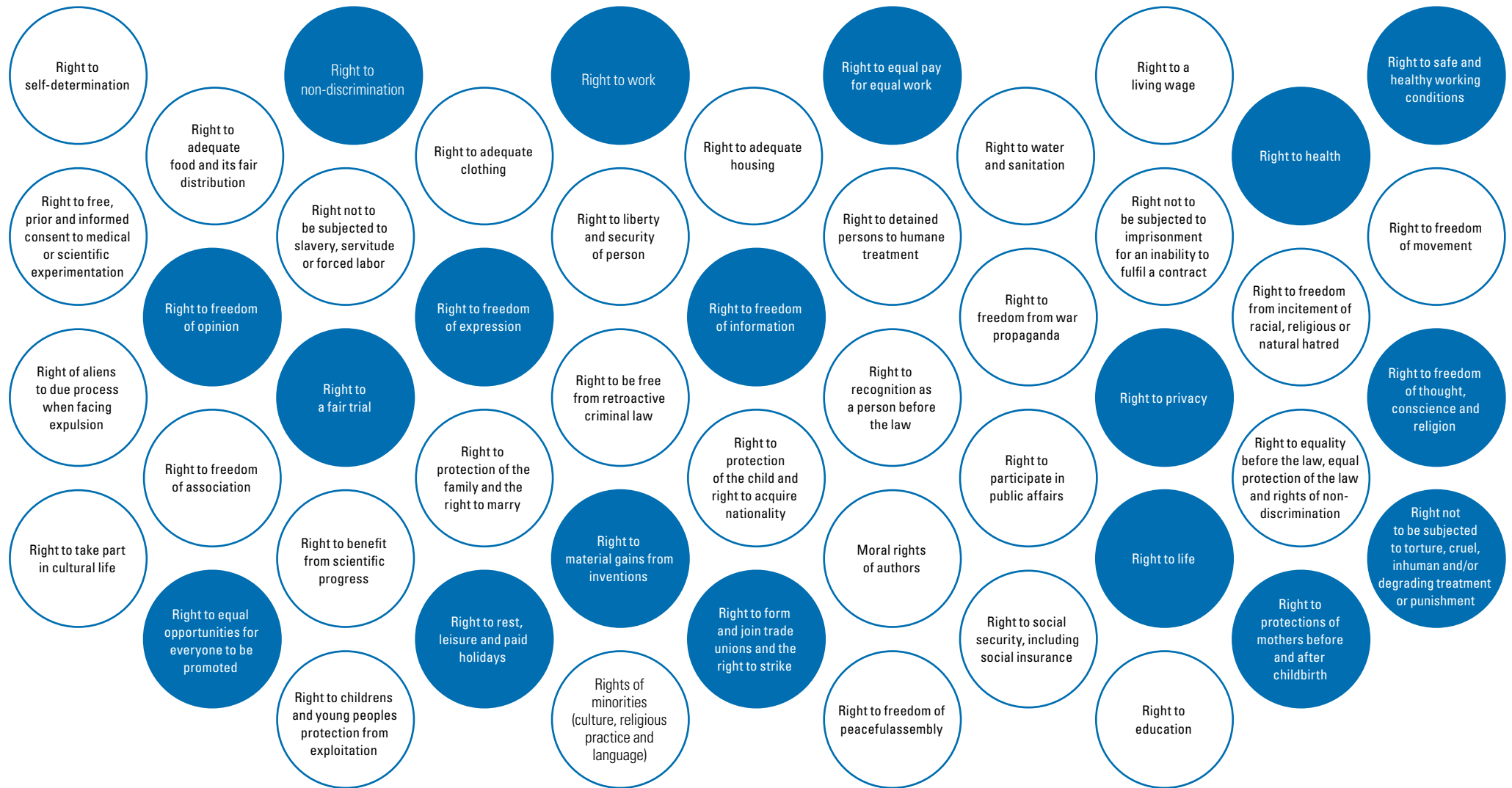
On page 11, you will find the rights areas, where Terma has identified that we are not likely to cause or contribute to adverse impacts.

The human rights impact assessment is Terma's first assessment and covers potential impacts. In our year 2 human rights impact assessment, which will be made in 2022, actual impacts will also be addressed.

We would very much appreciate your feedback. Ideas to better prevent or mitigate adverse impacts, experiences of impacts or any other remarks to our assessment will be received with gratitude.

Terma's Human Rights Impact Assessment Findings

The highlighted rights are the ones where Terma may have a potential impact.

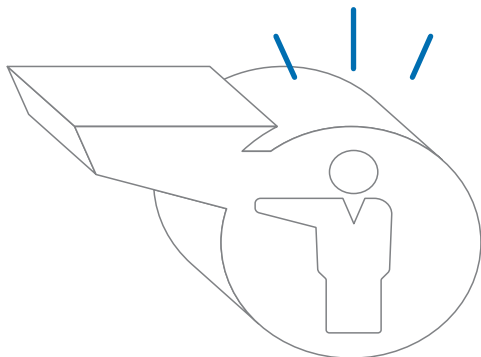


Tracking and Monitoring

Employees, as well as external stakeholders, can make use of Terma's reporting channel, *Ethics Line* where they can report concerns if they suspect that serious or illegal misconduct or other potential wrongdoing are taking place. Human rights has been included in the list of topics they can report on, which enables us to track how many issues related to human rights have been reported on, as well as the specific nature of the issues, and thereby assess where we need to strengthen our procedures.

Moreover, all our employees can report concerns in our internal case management system *Tell us your concerns*. The reporting channel is for concerns that do not fall into the scope of *Ethics Line*. When choosing the topic to report on, employees are among others faced with a long list of human rights to choose from. This enables us to more specifically identify which human rights have been impacted, such as the right to non-discrimination or the right to privacy. In addition, employees can report issues to and engage with the HR Department, their Working Environment Representative, Work Council or other relevant departments.

All of the above reports and stakeholder engagement enable us to track the effectiveness of our processes and actions and provides us with valuable insight and knowledge on areas of improvements.



Description of Potential Impacts

Right to non-discrimination

There is a risk that employees or job applicants may feel or be discriminated against. For instance, to be able to work at our Danish locations in Terma, applicants have to be security cleared, which entails that they have to comply with various requirements set by the Danish Defense Intelligence Service. Applicants that do not live up to these requirements cannot obtain a job at Terma.

To address this, job applicants are made aware of the security clearance process and requirements in the interview process. Moreover, all employees receive our Employee Code of Conduct, which describes our zero-tolerance policy towards all forms of discrimination and harassment. Moreover, it is mandatory for all employees to undergo the Code of Conduct training. Diversity is valued and managers are trained in refraining from discriminating in recruitment and promotion processes.

Right to work

When hiring employees there is a risk that employment frameworks and conditions lack details. Some employees may not receive adequate descriptions of their job responsibilities and skill requirements.

When employees are hired, they receive contracts describing standard terms, such as working hours and terminations. Moreover, they receive policies and procedures describing requirements for training and the general terms of their employment. In Terma's annual employee development and performance review, employees and managers agree upon the employee's tasks and targets.

Right to equal pay for equal work

The gender pay gap still exists in Denmark and therefore we may impact equal pay for equal work in hiring, negotiations and promotions.

Decisions on compensation are based on an employee's qualifications, performance, and behavior, and other legitimate business considerations. Terma will always follow local regulations on equal pay, including reporting to public authorities on specific salary statistics as required.

Right to safe and healthy working conditions

By having both production facilities as well as office facilities, employees can be faced with situations where their working conditions may be impacted. Physically with accidents and injuries particularly in working with heavy machinery, routine tasks, electromagnetic radiation and hazardous chemicals. Moreover, employees' mental well-being may be affected by stress.

We have concrete initiatives and processes in place to minimize this impact, such as implementing our Safety Excellence Program across all locations within the next couple of years. The focus is on having a safe and healthy working environment free from accidents and injuries. In addition, initiatives within our focus area Employee Health and Mental Well-being are also being implemented within the next couple of years. All the above initiatives are part of the 3-year CSR strategy, Allies in Responsibility.

We track the effectiveness of our actions and policies with employee satisfaction surveys and workplace assessments (Arbejdspladsvurderinger), as well safety KPI's such as near-misses, Lost Time Injuries Frequency Rates and accidents. These indicators provide us valuable insight and knowledge on areas of improvements.

Right to equal opportunities for everyone to be promoted

There is a possibility that unconscious bias may lead to discrimination in promotion processes as people tend to promote others that resemble themselves. Moreover, they may unconsciously promote based on other reasons than legitimate business reasons. Therefore, we may impact the right to equal opportunities for everyone to be promoted.

To prevent this, we train our managers in unconscious biases to ensure that all work-related decisions are solely based on merits. The importance of diversity and inclusion is a key element in the promotion process and therefore included in the training to managers. Moreover, various policies and processes, such as People Review, have been implemented to provide transparency and guidelines to both managers and employees

Acknowledging that we operate in industries traditionally dominated by men and that women merely represent 20% of our management positions, we have set a target for 3% annual increase in the female composition of leadership.

Right to rest, leisure, and paid holidays

There is a risk that some employees may experience overtime. Moreover, some employees may not have the possibility to take the full amount of vacation time given due to increased workload, while some employees may choose to refrain from holding vacation. Therefore, we may have an impact on our employees right to rest, leisure, and paid holidays.

Overtime can be required at times, both at the production sites and at the offices, which has been taken into account when determining the salary.

We strive to ensure that our employees have work-life balance and we have implemented initiatives to support this. Moreover, we provide paid holidays consisting of 5 weeks holidays + 5 days' time-off for our employees in accordance with the Danish Holiday Act.

Right to form and join trade unions and the right to strike

There is a risk that employees may feel compelled to become a member of a certain union.

We do not have any policies or procedures that hinder employees to form or join trade unions. We are part of an overall collective agreement under the Confederation of Danish Industry covering a wide variety of trades and positions regardless of actual union membership. Moreover, this right is specifically mentioned on the list of subjects employees can choose to report on in our reporting channel, Tell us your concerns. This enables us to monitor and track whether actual impacts exist on this right.

Right to protection of mothers before and after childbirth

As a production company there may be a risk that pregnant employees, who have not yet informed their managers, are subject to work conditions that might be harmful for them. Moreover, employees on maternity leave may risk that their work responsibilities and tasks have changed upon returning from leave. Finally, there is a risk of unconscious bias in considering maternity leave in promotion and hiring processes.

We have processes in place to ensure that pregnant employees are not subject to harmful work conditions. Moreover, we provide 23-26 weeks paid maternity leave, 4 weeks prior to birth and 19-22 weeks after birth, as well as paid leave in case of pregnancy or birth related illness. Finally, seniority continues during maternity leave.

Employees returning from maternity leave are ensured the same level of responsibility.

Moreover, Terma provides recruitment training which among others focuses on unconscious bias in promotion and hiring processes.

Right to health

Terma is guided by one overall purpose: securing people through advanced technology. Security is a means to maintaining and developing prosperity and protecting human lives, sovereignty, and democracy. We deliver advanced technologies to keep people safe, both in peaceful times and in times of conflict.

Through our products, services, and the industry we belong to, we may become involved in positive and adverse impacts on right to health.

Positive impacts

We have a range of products which have positive impacts on various stakeholders' health.

We have positive contributions on the health and safety of our end users, such as pilots on missions delivering security around the world. While in the air, pilots in aircraft are subject to high levels of noise in the cockpit stemming from their surroundings and acoustically transmitted in their communication equipment. We have created a product which reduces fatigue, stress, and hearing damage caused by this noise.

We also have positive contributions on the health of citizens, such as those placed in communities in the proximity of wind turbines. The high-intensity lights required to ensure that aircrafts do not collide with the turbines can appear intrusive to wind farm neighbors and animals. Our product helps minimize light pollution and thereby improves the health of the surrounding communities and ecosystems, as well as solves societal challenges related to the placement of wind turbines.

Adverse impacts

Our products can be involved in situations that can result in adverse impacts on various stakeholders' health. We deliver components to vessels and fighter aircrafts. The vessels and fighter aircrafts can be used in peace keeping missions, as well as in conflict situations. When used in conflicts, the vessels and fighter aircrafts can impact the physical and mental health of individuals.

Processes

The majority of our products are subject to export control regulations. Prior to exporting these products, relevant authorities consider 3 factors before granting an export license. Whether the destination country respects human rights and respects international humanitarian law, the internal situation in the country of final destination, and lastly the preservation of regional peace, security and stability.

Furthermore, Terma conducts due diligence on our third parties in regards to human rights, environment and anti-corruption. We recognize that we are linked to impacts through our business relationships. Therefore, we require our business relationships to adhere to the UN Guiding Principles and OECD guidelines, as described in our Business Relationship Code of Conduct.

Right to material gains from inventions

There is a possibility that employees who have invented a product/solution might feel that they are not properly rewarded for their invention. Employees are made aware of our policy regarding the management of intellectual property rights, as it is included in the employment contract, which they sign and thereby accept the terms.

In cases where an individual or group of employees have significantly exceeded expectations, and by doing so, have created exceptional value for Terma, a one-time award can be granted at the discretion of Terma. Any such award shall be approved by HR and a representative of Executive Management.

Right to life

Operating in the Aerospace, Defense and Security sectors, we deliver products and services that are used both in times of peace and in times of conflict. They are often owned for extended periods of time, 15-20 years, where the majority of times they are used for maintaining peace. We recognize that we may become part of impacts on Right to Life; through our products, services, and the industry we belong to. These impacts can be positive or severe adverse impacts.

Positive impacts

Our self-protection equipment protects vessels and aircrafts and thereby can save the lives of the crew. Moreover, our radars have various purposes. The radars used in airports and with wind turbines ensure that planes do not collide and thereby protect the lives of the passengers and crew. The radars on vessels can be used for search and rescue missions, as well as navigation to ensure that the vessels do not collide and thereby put the safety and lives of the crew at risk.

Adverse impacts

Our products will, from time to time, be involved in situations that can result in severe adverse impacts. For instance, we deliver components to vessels, such as command and control systems, that might be used in conflict situations and thereby impact lives. Moreover, we deliver components to fighter aircrafts. These aircrafts are used in conflict situations, as well as peace keeping missions. When used in conflicts, the aircrafts can impact the lives of citizens.

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Right not to be subjected to torture, cruel, inhuman and/or degrading treatment or punishment

There is a possibility that some employees might use harsh statements, bullying or a hard-verbal tone when communicating with or disciplining employees. The affected employees might feel they have been subjected to degrading treatment.

Terma has a clear zero-tolerance policy towards all forms of discrimination and harassment. This stand is communicated in Terma's Employee Code of Conduct, which employees receive when hired and must be trained in it. Moreover, our CEO has stressed the importance of an inclusive workplace free from harassment in a letter to all employees.

If employees have been subjected to harassment or witness others being subjected to harassment, they can report it to their direct manager, HR, their Work Environment Representative, as well as to the reporting channel Tell us your concerns.

Right to a fair trial

There are instances where Terma might be involved in a court case. As in every other court case, there is a risk that a party may impact the judicial process.

In Terma our internal and external lawyers are required to comply with relevant laws and ethical regulations applicable to the profession.

Right to freedom of thought, conscience, and religion.

There is a risk that employees do not feel comfortable expressing their thought and religion to their colleagues, either in their clothing or opinions.

Terma promotes diversity and freedom of thought, conscience, and religion. We do not hinder employees from wearing any clothing or symbols that expresses their faith. We want a rich mix of people with different perspectives and backgrounds and a working environment which is free from discrimination.

Right to privacy

Terma might impact this right as we process and handle employee's and external stakeholders' personal data daily. Moreover, we may also impact this right by using video surveillance at our locations.

To accommodate this, Terma has developed guidelines that are available for all employees. In these, they can read what type of data is stored, how we handle and process the data, as well as how they can receive access and information. This is also communicated to external stakeholders when collecting their data. Moreover, all employees are trained within personal data, as part of their Employee Code of Conduct training. Furthermore, relevant employees receive additional training on GDPR and personal data.

In connection with video surveillance, the purpose is not to monitor employees, but is used to counter criminal activities. The placement and the purpose of the video surveillance has been presented to the Collaboration Committee (Samarbejdsudvalg). Guests are informed of video surveillance on Terma's locations via signs and in compliance with national legislation.

Right to freedom of opinion

Operating in the defence, aerospace, and security sector, Terma's business framework and conditions are shaped and regulated by policy makers, governments, and other authorities in our external business environment. Consequently, it is a prerequisite for our business operations to maintain an ongoing dialogue with political stakeholders. As part of this, we may shape and influence opinions and thereby impact this right.

Our interactions with our external business environment are conducted based on our principles of responsible lobbying. This means that in engagements, Terma employees, board members, and third parties, must adhere to the highest ethical standards and Terma's Employee Code of Conduct. For monitoring purposes, we keep track of our political interactions with senior government officials. This includes meetings, visits at Terma premises, exhibitions, and export promotion delegations. At the EU level, Terma is registered in the EU Transparency Register.

Going forward, we will develop a specific written policy on responsible lobbying which we are lacking today.

Right to freedom of expression

All employees are subject to a confidentiality clause, as well as guidelines on social media communication, which may hinder their freedom of expression.

Due to the sensitive nature of the industry we operate in, employees are not free to share all information they receive in the scope of their employment. All employees are security cleared and in the application process for security clearance they are made aware of confidentiality requirements. Moreover, they sign a confidentiality clause in their employment contract. In addition, employees must follow Terma's social media guidelines when expressing themselves on social media.

Right to freedom of information

Employees may feel that they do not receive adequate information to perform their work properly.

Terma continuously train employees so they receive relevant knowledge, information, and tools to perform their work properly. Moreover, Terma has Work Environment Councils and a Collaboration Committee (Samarbejdsudvalg) who inform employees of changes, initiatives, as well as informs employees of the company's situation with regards to operations, economy, and competitiveness. Lastly, it is the manager's responsibility to ensure that their employees are informed of relevant issues.

No Impacts

Terma has assessed and identified that we do not have any potential impact on the below listed rights.

Right to self-determination

We do not have any potential impact on this right, as we do not build offices or production facilities that may impact indigenous people rights.

Right to a living wage

All our employees are covered by collective agreements or the Salaried Employees Act with a minimum wage that is deemed adequate for a living wage.

Right to social security, including social insurance

We do not have any potential impact on this right, as our employees are covered by Danish social welfare schemes. To supplement this, we provide private health insurance to our employees in order for them to receive timely treatment and care. In addition, pension schemes, maternity and paternity leave, disability coverage, as well as sickness benefits are offered.

Right to children's and young people's protection from exploitation (no child labor)

We do not have any potential impact on this right. We follow Danish legislation regarding the employment of people under 18. If employees are hired under 18 years, they are only allowed to perform light office work. Moreover, they are covered by collective agreements.

Right to adequate food and its fair distribution

We do not have any potential impact on this right. Terma offers a voluntary canteen scheme for all employees with a wide range of nutritional options, which is partly subsidized by Terma. Employees who do not wish to be part of the scheme can choose to bring their own food.

Right to adequate clothing

We do not have any potential impact on this right. Terma offers all necessary protective and adequate work clothes and equipment at no cost to all employees who need it to fulfil their tasks. Guests and other employees also have access to these when visiting for instance production facilities.

Right to adequate housing

We do not have any potential impact on this right, as we do not offer housing and the jobs we offer do not require overnight facilities.

Right to water and sanitation

We do not have any potential impact on this right, as in all our Danish locations, there is access to clean, potable water, as well as adequate sanitation facilities.

Right to education

We do not have any potential impact on this right, as our operations do not interfere with our employees' access to education facilities. We offer various courses and development opportunities for employees inside and outside the workplace.

Right to take part in cultural life

We do not have any potential impact on this right, as our employees can freely participate in cultural events. They do not live at the workplace and are only at the workplace for a fixed number of hours. They therefore have access and time to partake in cultural events.

Right to benefit from scientific progress

We do not have any potential impact on this right. As a technology company, we aim to secure people through advanced technology. We engage in partnerships with universities, research centers, companies and so on to develop products and solutions to meet societal challenges and issues. For instance, participating in projects within space to monitor climate change.

Moral rights of authors (protection of copyrights)

We do not have any potential impact on this right, as we have a strict policy to credit all used pictures. Pictures are a mix of internally owned pictures and pictures from other organizations. The credits are listed in our photo database to ensure that employees use the proper accreditation.

Right to free, prior, and informed consent to medical or scientific experimentation

We do not have any potential impact on this right, as we do not conduct any medical or scientific experimentation, where employees or others are asked to test products.

Right not to be subjected to slavery, servitude or forced labor

We do not have any potential impact on this right, as our employees can freely resign from their employment. Terma's resignation terms are clearly stated in the employee's contract, which they sign and thereby confirm the terms and conditions.

Right to liberty and security of person

We do not have any potential impact on this right, as we do not restrain anyone; employees can freely leave at any time. If anyone is caught trespassing, we will immediately inform the police.

Right of detained persons to humane treatment

We do not have any potential impact on this right, as we do not detain any people.

Right not to be subjected to imprisonment for an inability to fulfil a contract

We do not have any potential impact on this right. Inability to fulfill a contract is not punishable by imprisonment in Denmark.

Right to freedom of movement

We do not have any potential impact on this right, as Terma does not withhold travel documents and identity cards for our employees. Employees can freely travel.

Right of aliens to due process when facing expulsion (seeking asylum)

We do not have any potential impact on this right, due to the nature of the work performed at our locations in Denmark.

Right to be free from retroactive criminal law

We do not have any potential impact on this right, as in Denmark, there is not retroactive law.

Right to recognition as a person before the law

We do not have any potential impact on this right, as all the employees we hire in Denmark have the appropriate resident papers. Therefore, they are allowed to work and are recognized by Danish law.

Right to freedom from war propaganda

We do not have any potential impact on this right. Terma operates in the Defence industry and therefore supplies products that can be used in conflicts and wars. However, we never engage in any war propaganda.

Right to freedom from incitement of racial, religious, or national hatred

We do not have any potential impact on this right, as we do not tolerate any form of incitement of racial, religious, or national hatred.

Right to freedom of peaceful assembly

We do not have any potential impact on this right, as employees can gather freely and discuss issues, as well as hold announced union meetings without Terma interfering.

Right to freedom of association

We do not have any potential impact on this right, as Terma does not have any policies or procedures that hinder employees to form or join associations.

Right to protection of the family and the right to marry

We do not have any potential impact on this right, as we do not have any policies or procedures that hinder employees from dating and/or marrying co-workers.

Right to protection of the child and right to acquire a nationality

We do not have any potential impact on children's rights due to the nature of the work and tasks conducted in our Danish locations.

Right to participate in public affairs

We do not have any potential impact on this right, as Terma does not have any policies or procedures that hinder employees to participate in public affairs, for instance joining and campaigning for a political party and voting.

Right to equality before the law, equal protection of the law and rights of non-discrimination

We do not have any potential impact on this right, as all the employees we hire in Denmark have the appropriate resident papers and therefore are allowed to work, be recognized and equally treated by Danish law.

Rights of minorities (culture, religious practice, and language)

We do not have any potential impact on this right. In Denmark, there is only one recognized minority, the German minority in Southern Denmark, which we do not have any potential impact on.
