# Anti-Corruption Compliance Program

## EXTRACT OF KEY ELEMENTS

To guide our employees, ensure good business conduct, and live up to legal requirements, Terma has developed an Anti-Corruption Compliance Program.

The program describes why and how we work with anti-corruption, and covers the most common forms of corruption, such as bribery, kickbacks, facilitation payments, conflicts of interest, commercial bribery, probation of payments to public officials, embezzlement, fraud, and extortion.

The program is aligned with among others the requirements of the U.S. Foreign Corrupt Practices Act and the UK Bribery Act.

This program is a condensed version of Terma's Anti-Corruption Compliance Program highlighting the main elements. The full program with detailed processes, procedures, and analyses is an internal document available to Terma employees.

**The program is structured into 7 steps:**

**Step 1:** Top-level Commitment

**Step 2:** Risk Assessment

**Step 3:** Policies and Procedures

**Step 4:** Training and Communication

**Step 5:** Due Diligence

**Step 6:** Monitoring and Internal Control

**Step 7:** Reporting, Incentives and Disciplinary Measures

# STEP 1: TOP-LEVEL COMMITMENT

Corruption is a global challenge that requires global solutions. Companies cannot solve it on their own, but they have an important role to play.

We, at Terma, take our role in the fight against corruption seriously. Working with integrity is one of our core values, and our values are embedded throughout the organization.

We engage in anti-corruption efforts, establish processes and procedures, and continuously strengthen the compliance culture and mindset among our employees.

Top level commitment is essential in ensuring dedication, focus, and compliance within anti-corruption. Our work within anti-corruption is authorized, endorsed, and supported by our Board of Directors and CEO & President.

## Governance

Responsibility for anti-corruption is anchored in Terma's CSR & Compliance Department, where The Head of CSR & Compliance is also a member of the Ethics Committee handling whistleblower cases from Terma's Ethics Line, as well as functions as administrator of Terma's internal case management system Tell us your concerns.

This enables an alignment, overview of cases and knowledge, as well as ensures that the same case is not investigated in two different places.

The CSR & Compliance Department is responsible for ensuring that the Anti-Corruption Compliance Program's policies and processes are being followed. The department performs monitoring and internal control, as explained in Step 6: Monitoring and Internal control.

To ensure transparency and a robust compliance program, regular status on the program, as well as findings derived from internal control and monitoring, are presented by the Head of CSR & Compliance to Executive Management.

Every quarter, the Board of Directors receives management reports about the Anti-Corruption Compliance Program's performance, incidents, and results of internal controls and monitoring, and thereby can ensure that required changes are made. Moreover, anti-corruption risk assessment is sent annually to the Board of Directors, who has oversight of the program.

The Anti-Corruption Compliance Program is updated annually by the CSR & Compliance Department based on feedback from training sessions, reports received in our case management and whistleblower system, findings from internal audit and review of process, as well as changes in legislation and best practices in the field.

These updates enable us to close and mitigate possible gaps in the program and strengthen our compliance efforts and compliance culture.

# STEP 2: RISK ASSESSMENT

Terma conducts country risk assessments, job function risk assessments, as well as enterprise risk assessment in order to assess the main corruption risks we face.

The combination of these risk assessments enables us to ensure that our employees are properly trained based on the level of inherent corruption risk.

## Country risk assessment

Country risk assessments are based on Transparency International's Corruption Perceptions Index (CPI). We map the countries we are physically located in, as well as the countries where we do business and where our main customers and third parties are located.

This gives us a depiction of the size of our presence in these countries, their corresponding ranking on the CPI, as well as the corruption level and challenges these countries face.

## Job function risk assessment

The risk assessments of the various job functions at Terma have been conducted by interviewing management in the different departments and business areas.

The job functions' key tasks were described, as well as the inherent key corruption risks their job function is prone to. The job functions were then categorized into the following risk profiles: low, medium, and high.

These risk profiles are linked to specific levels of anti-corruption training, described in Step 4: Training and Communication.

## Enterprise risk assessment

When assessing our main corruption risks, we look at the interactions we have internally and externally, the third parties we do business with, the sectors we operate within, as well as the countries we are located in and conduct business in. For each risk identified, the likelihood and impact of the given risk is assessed.

Risk assessments are not static and therefore need to be revised and updated annually. Terma has established procedures for annual risk assessment, for risk assessment of new employees when hired, and for risk assessment of employees that change departments and/or job functions.
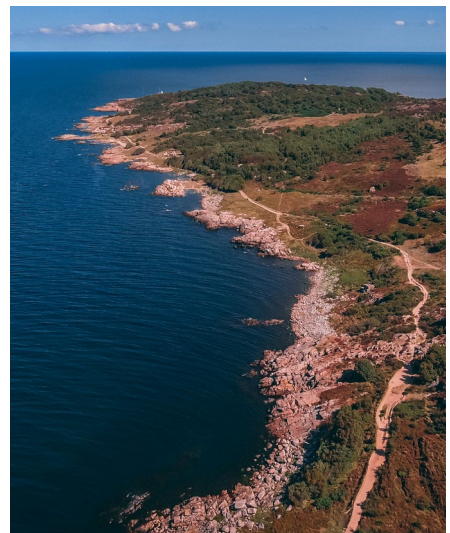
# STEP 3: POLICIES AND PROCEDURES

Terma's Employee Code of Conduct is divided into five overall topics: Anti-Corruption & Business Ethics, Human Rights, Security, Environment, and Global Trade Compliance.

The Code assembles our main policies and highlights the behavior and culture we value in Terma. Moreover, it provides guidance to all our employees. The Employee Code of Conduct is publicly available on Terma's website.

Terma's Anti-Corruption Policy is part of the Code of Conduct and is supported by a number of policies and procedures, such as, but not limited to, Terma's Gift & Hospitality Policy and Procedure, and Terma's Charitable and Political Contributions Policy.

All Terma's policies and procedures are located in Terma Business System (TBS).

# STEP 4: TRAINING AND COMMUNICATION

Training and communication are vital steps to ensure compliance with Terma's policies and procedures.

## Training

We have a risk-based approach to training of our employees. We have categorized our employees into three risk profiles, as described in Step 2: Risk Assessment.

The type and frequency of training will vary depending on which risk profile the employee's job function belongs to. See the figure beneath for a depiction of the risk profile categorization.

To ensure that the training remains relevant and deals with the current issues our employees face, the specific anti-corruption e-learning, and the face-to-face training are updated annually. The updates are among others based on reported incidents, the data collected, and feedback received from the training workshops.

## Communication

The Anti-Corruption Compliance Program is available to all Terma employees. The program itself is not mandatory for all employees to read.

Elements that are essential for employees to be aware of such as the Anti-Corruption Policy, relevant procedures and training are communicated to all employees, and relevant guidance and instructions have been developed and distributed.

External stakeholders are made aware of our efforts within anti-corruption via this condensed version of our Anti-Corruption Compliance Program, our Anti-Corruption Policy in our Employee Code of Conduct, our CSR report, and our CSR section on Terma's website.

Any questions connected to the program can be directed to the Head of CSR & Compliance.

| Risk profile | Type of mandatory training | Frequency of training |
|---|---|---|
| Low | Employee Code of Conduct | Every 2 years |
| Medium | Employee Code of Conduct | Every 2 years |
| | Anti-corruption e-learning | Every year |
| High | Employee Code of Conduct | Every 2 years |
| | Anti-corruption e-learning | Every year |
| | Face-to-face | Every year |

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

## STEP 5:
## DUE DILIGENCE

Conducting proper due diligence is crucial when engaging with third parties. For each third party there is a relevant due diligence process. The level of due diligence is based on the corruption risk the third parties can pose.

As a basis, all contracts with third parties and suppliers include our anti-corruption provisions and require them to comply with our Business Relationship Code of Conduct.

The relevant departments across Terma own the various due diligence processes, such as our Global Supply Chain Management Department is responsible for conducting due diligence on suppliers and service providers, while due diligence on all other third parties is conducted by the CSR & Compliance Department. Moreover the Legal Department is responsible for conducting third party sanction screenings.

# STEP 6: MONITORING AND INTERNAL CONTROLS

Monitoring and internal control are essential components to ensure that Terma's Anti- Corruption Compliance Program is robust and that procedures are followed.

The CSR & Compliance Department is in charge of the regular monitoring and internal control of the Anti-Corruption Compliance Program's policies and procedures. Internal control comes in the form of random checks such as, but not limited to, contract screenings, gift and hospitality registration, due diligence, training completion etc.

The CSR & Compliance Department is also responsible for reviewing the program annually to ensure its relevance and effectiveness. Feedback from employees received during training sessions, as well as input from the organizations, and incidents during the year, are all used, among others, when updating and reviewing the program.

The results of monitoring and internal controls are communicated to Executive Management and every quarter to the Board of Directors through management reports.

# STEP 7: REPORTING, INCENTIVES, AND DISCIPLINARY MEASURES

To ensure transparency and a robust compliance program, regular status on the program, as well as findings derived from internal control and monitoring, are presented to the Executive Management as well as to the Board of Directors.

Status and progress on our anti-corruption efforts are described annually in our CSR report, which also serves as our Communication on Progress (COP) report to the UN Global Compact. As whistleblowing data is confidential, only the number of reported incidents are communicated in our CSR report.

## Reporting channels
Terma has two reporting channels which enable us to monitor the compliance culture at Terma. Tell us your concerns, our internal case management system, enables our employees to raise concerns and for us to spot trends or incidents, before they might become serious non-compliance issues.
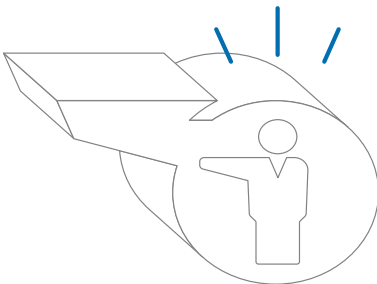
While Terma's whistleblowing system Ethics Line, is used if employees experience a serious breach of Terma's Employee Code of Conduct, policies, and/or procedures and do not feel comfortable reporting their concerns to their manager. Ethics Line can also be used by our external stakeholders, such as employees of third parties to Terma.

## Incentives
Incentives schemes across the whole of Terma are aligned with Terma's anti-bribery objectives and do not inadvertently undermine our anti-corruption efforts and commitments.

## Disciplinary measures
Disciplinary measures apply to a variety of compliance breaches. For instance, not complying with the Employee Code of Conduct, the Anti-Corruption Policy, and other relevant policies and procedures, as well as not passing training tests a certain number of times, not attending training, and/or not taking training timely.

Disciplinary measures can be a statement in the employee's HR profile, an oral warning, a written warning, and in the most severe cases, dismissal, as described in our Employee Code of Conduct.