

2017

CORPORATE RESPONSIBILITY REPORT



TP Aerospace

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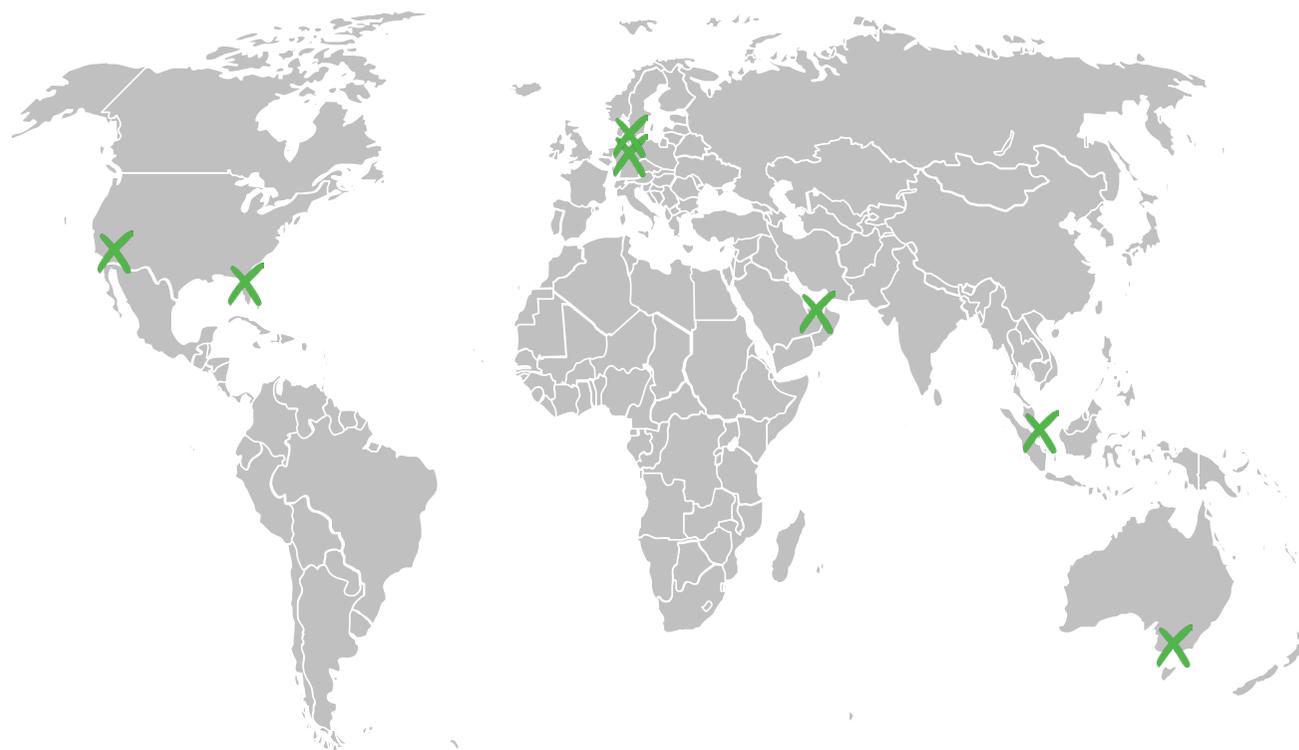
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This report covers the calendar year 2017 and is TP Aerospace's first report on our corporate responsibility performance. The report constitutes our Communication on Progress to the UN Global Compact as well as our reporting in compliance with the Danish Financial Statements Act §99a.



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

We welcome feedback on its contents.

FOREWORD BY THE CEO

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With the rapid growth of global aviation, and with 2018 marking our 10th year in operation, we are proud that TP Aerospace has managed to take on the role as market leader within its niche. Yet, we also recognize the responsibility that comes along with our increasing operations and global presence; a responsibility to do our part to ensure that aviation grows in the most sustainable manner possible.

Operating in the aftermarket, and with a business model rooted in the reuse and recycling of parts, we believe we are on the right track.

However, we have early on identified a need for a more structured approach to working with corporate responsibility throughout the Group. Therefore, we took a big step in 2017, and became signatory to the United Nations Global Compact. Not only because we strongly believe in and support the ten principles of the Global Compact, but also because it provides a good framework for strategically incorporating ethical, social and environmental concerns into all aspects of our business.

In light of this new commitment, our focus in 2017 has been on defining the direction for the entire Group and on identifying the best way for TP Aerospace to integrate corporate responsi-

bility concerns into the every-day business to achieve the best results.

I now feel that the direction is clear, and with some very ambitious targets going towards 2021, we are now ready to *get down to business* and start implementing the necessary procedures, systems and policies to succeed on these targets. Especially, we identify a strong need to implement mechanisms that allow us to collect data and follow our progress on several corporate responsibility challenges, and we acknowledge that this work will span over the next couple of years.

We are looking forward to continuing our corporate responsibility journey, and in the meantime, I hope you find this report an interesting read!

Best Regards

Peter Lyager
CEO

KEY FACTS



HQ

Copenhagen, Denmark



USDm **86.6**
revenue 2017



7

locations globally



+230

employees at year-end

ABOUT TP AEROSPACE

#4

TP Aerospace is the leading aftermarket supplier of wheels and brakes, carrying the world's largest ready-to-go inventory in the market for most commercial, regional and commuter aircraft types.

We source wheels and brakes in the aftermarket, i.e. from aircraft companies or tear-down companies, and run them through our in-house MRO shops to secure consistent quality. From storage in one of our warehouses, the units are sold to aircraft operators through our trading or program divisions. All wheels and brakes sold through programs enter a circular flow, enabling the parts to be reused or recycled.

In 2017, we landed a revenue of USD 86.6 mill. compared to USD 62.9 mill. in 2016., corresponding to an increase of 38%.

During the same period, our global workforce increased from 177 to 234 people, and our global reach expanded further as our facilities in Dubai and Melbourne respectively came into full operation while also a new facility in Las Vegas was acquired.

CORPORATE RESPONSIBILITY

Being a responsible employer, corporate citizen, supplier and business partner is a core part of our identity, and we have always placed strong expectations upon ourselves to conduct business with a high level of integrity.

During the first steps on our journey to adopt a more structured approach to corporate responsibility, we have conducted risk assessments, materiality assessments and stakeholder analyses. We have established a global governance structure, developed a 2021 strategy and set forth a *global policy commitment* that builds on the ten principles of the UN Global Compact and covers the areas of human rights, including labor rights, environment and anti-corruption.

In 2017, we reviewed the 17 Sustainable Development Goals and the underlying goals, and concluded that in light of our corporate responsibility strategy, we actively contribute towards achieving the following goals:



OUR PEOPLE

#5

We rely on the skills and commitment of our people and a healthy society to drive and grow TP Aerospace, and we believe in treating people, whether inside or outside our organization, with basic dignity and respect.

Thus, we do not only care about fostering a healthy and trusting work environment, we also care about how our business operations are potentially impacting people's, enjoyment of their human rights.

HUMAN RIGHTS

We are strongly committed to respecting the human rights of our people and of anyone else potentially affected by our operations as we believe that this constitute the baseline for human dignity.

Our corporate responsibility policy builds on the UN Guiding Principles on Business and Human Rights, and we use these guidelines as a framework for understanding human rights in a business context.

Going forward, a due diligence process will be established to help identify, prevent and mitigate potential human rights impacts caused by our

business.

SAFETY CONCERNS

Safety in the workplace is a fundamental right and prerequisite for well-being and job satisfaction, and operating in the aviation parts industry, our greatest safety risks are those related to working at one of our MRO shops and warehouses.

In the past year, no lost time injuries occurred at any of our facilities, and the few smaller incidents were immediately remediated.

During 2017, we increased our focus on global knowledge sharing and we initiated the establishment of a global safety standard.

At our largest MRO shop, located in Germany, we appointed safety representatives among the workers on the shop floor and established a safety committee consisting of the safety representatives as well as an external consultant.

The safety committee conducts regular safety reviews of all work stations and prepares monthly reports for the Group's Executive Manage-

ment.

Going forward, similar initiatives will be implemented at all other facilities, and a global safety committee will be established to create more coherence across our global operations and increase the possibility for knowledge sharing on safety matters.

Additionally, a global system for reporting incidents and accidents is currently being established to enable the gathering of safety performance data.

DIVERSITY & INCLUSION

It is TP Aerospace's policy to always hire candidates who are most qualified for a given position. However, we recognize that diversity is a quality in itself in order to develop different views, ideas and analyses. We are therefore actively promoting a diverse workforce, and we define diversity in terms of gender, nationality, personal and professional experience, cultural background and other diversity factors.

We strive towards a balanced gender composition at all management levels, and by end 2017, 20% of our global management group were fe-

male. Additionally, 40% were non-Danes. An overarching goal for 2018 is to implement global human resource procedures and systems to enable the collection of detailed HR data and thus gain a better objective indicator of our performance and progress on diversity and other HR related matters.

With a highly diverse workforce comes a responsibility to provide an inclusive and supportive working environment, where all employees are valued and where the individual thrives, develops and feel motivated.

At the core of our efforts for a continuously inclusive working environment lies a fundamental value of respect; Respect for other people and for their differences, and we continuously strive to undertake initiative to promote this value and do not tolerate any kind of harassment or discrimination.

Additionally, we strongly believe in entrusting our employees with freedom and responsibility to perform their tasks, which will not only increase motivation but also enable an environment where everyone can reach their potential.

JOB SATISFACTION

We are continuously striving to strengthen the relationship between TP Aerospace and our people through the measuring of job satisfaction and engagement. We believe this is key to maintaining a strong, qualified and loyal workforce and to strengthening our business results.

In 2017, we established a work environment organization and conducted our first workplace assessment at our headquarters in Copenhagen, which led to minor findings for which action plans were developed.

During 2018, we aim to broaden the scope of our workplace assessment and conduct another survey at our headquarters.

Additionally, we will start implementing similar assessments at our other locations to gain a global perspective on our employees' job satisfaction.

PRODUCT & BUSINESS ETHICS

#7

High business ethics is at the core of how we conduct business, and we want to supply high-quality products to a market characterized by fair competition.

QUALITY & PRODUCT SAFETY

TP Aerospace is certified to AS9120, an aerospace specific quality standard which includes ISO 9001:2008. During 2017, we implemented additional training and procedures to increase our quality performance and comply with the recent update of AS9120. In late 2017, we passed the audit for the updated AS9120 Rev B standard in Europe, and we expect to receive the same certification in Asia Pacific and North America in early 2018.

BRIBERY & CORRUPTION

We have a zero tolerance towards corruption and bribery, and operating in a highly global and competitive business environment, we acknowledge the risk of being implicated in such illegal and unethical behavior.

In 2017, we conducted a risk assessment to identify our exposure to different types of corruption as well as high-risk regions and job func-

tions within the Group. On the basis hereof, we developed and released our first Code of Conduct that clarifies the company's commitments and standards within the scope of responsible business conduct.

In 2018, we will start adding anti-corruption clauses to employment contracts to ensure our employees' compliance with our standards. Likewise, we will implement Code of Conduct training to increase awareness and understanding of the Code and provide employees with guidance on how to handle difficult situations.

FACILITATION PAYMENTS

We are committed to working actively towards the elimination of facilitation payments but are highly challenged by the cultural acceptance of such payment in some areas of the world.

In 2018, we will strive to assess the extent of the issue by implementing a system for reporting demands for facilitation payments, whether they are made directly or through third parties. We expect that increased transparency on this matter will help us define necessary steps for further action.

GIFTS & HOSPITALITY

We consider gifts and hospitality a natural part of today's business environment and at TP Aerospace, accepting or offering courtesies play a part in how we build and maintain strong business relations.

However, we are committed to never give and accept courtesies that could be perceived as bribes or otherwise conflict of interests. In 2017, we therefore implemented strict guidelines for when gifts and hospitalities are accepted within TP Aerospace.

CLIMATE & ENVIRONMENT

#8

Operating in an industry that undeniably has adverse impacts on the environment, we strive to take action to continuously minimize the environmental footprint of our operations.

REDUCING EMISSIONS

TP Aerospace's direct emissions, defined as scope 1 emissions of the Greenhouse Gas (GHG) Protocol, are limited to a few company cars globally.

Thus, our greatest carbon footprint derive from indirect emissions from two main sources: electricity used at our facilities (scope 2 of the GHG Protocol) and transportation of parts (scope 3 of the GHG Protocol).

A vast amount of our electricity use derives from our MRO shops where we run heavy machinery requiring a lot of power. As part of our strategy, we have committed to continuously evaluate the opportunities for converting to renewable energy at all our facilities. Starting at our headquarters, we have engaged in a partnership with our energy company to invest in the production of wind energy corresponding to our use of electricity, thus becoming carbon neutral at our facility in Copenhagen.

The transportation of goods between TP Aerospace and our customers as well as between different TP Aerospace locations is outsourced to third party freight companies. However, we are committed to doing our part in reducing the carbon footprint of these operations by optimizing logistics procedures without compromising our commitment to our customers.

During 2017, we have undertaken initiatives to reduce the number of transactions through internal awareness training and efforts to increase communication internally and between TP Aerospace and our customers. Additionally, we have established guidelines to increase the use of transportation modes with a smaller environmental impact, such as sea freight, rather than higher impact transportation modes.

In 2018, we will continue the implementation of these initiatives and continue to develop our data foundation to objectively measure our performance going forward.

WASTE MANAGEMENT

Operating in the aftermarket, reuse of parts and the prolonging of product lifetime are at the core of our business model.

In 2017, we increased focus on our waste management around our core products: wheels and brakes, and we engaged in a partnership with a recycling company in Denmark, allowing all end-of-life wheels and brakes to enter a full circular circuit through the separation of all materials within the parts and enabling it to be converted to raw materials, reused and live on in new products.

Going forward, we will work to identify solutions for similar procedures at our other locations to ensure that all wheels and brakes reaching end-of-life within the TP Aerospace Group of companies are recycled properly.

TPAerospace

tpaerospace.com

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IT'S THAT SIMPLE