



UK Modern Slavery Act Statement

FISCAL YEAR 2020/21

Introduction

Terma is committed to ensuring the prevention of modern slavery and human trafficking in our own business, as well as in our global supply chain.

Modern slavery, including human trafficking, servitude, forced, or compulsory labor, is a global issue that transcends countries, sectors, and industries. It constitutes some of the most severe human rights abuses in the global society today.

This statement highlights the progress and steps undertaken by Terma in support of this commitment and is published in compliance with the UK Modern Slavery Act 2015.

Our Business

Terma is an international privately held company within the Aerospace, Defense, and Security industry, owned by the Thomas B. Thirge Foundation. We have deep and proud roots in Denmark, tracing our origins back to 1944.

Terma is present in four distinct business areas; Aeronautics, Space, Surveillance & Mission Systems, and Support & Services, as illustrated in our business model below.



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.

Terma's expertise and capabilities are within technological niches, and our products are part of larger solutions in multi-partner projects. Therefore, our business highly depends on building partnerships and strong alliances.

Geographically, Terma's headquarters and one of two production sites are located in Lystrup (Aarhus). The other production site is located in Grenaa, placing our core business operations in Denmark.

Our international presence spans across the world, currently with offices in Germany, Belgium, the Netherlands, United Arab Emirates, India, Indonesia, Singapore, and the United States. Terma employs 1752 committed employees worldwide.

Terma has been signatory to the UN Global Compact since April 2017. We have committed ourselves to support the Ten Principles, which have guided and inspired our work with Corporate Social Responsibility (CSR), including human and labor rights.

Our Global Supply Chain

As part of a highly technological industry, delivering mission critical solutions, it is only natural that we place strict requirements on our suppliers, in terms of quality, specifications, and general professional and ethical business conduct. Our suppliers are selected by trained and skilled quality engineers against specific strict criteria.

In addition, we require that our suppliers adhere to legal requirements and to environmental, anti-corruption, and human and labor rights requirements and standards.

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Our Progress

In recognition of the importance of the UK Modern Slavery Act and the UN Guiding Principles on Business and Human Rights (UNGPs), we continuously work with human rights, and assess the robustness and efficiency of our processes and procedures.

Allies in Responsibility

This fiscal year has marked the first year of our CSR strategy, *Allies in Responsibility*. Taking a business-driven approach, the strategy is the formulation of the next three years' key CSR ambitions, action points, and commitments. The strategy contains six focus areas: Anti-Corruption, Diversity, Employee, Health & Mental Well-being, Employee Safety, Human Rights, and Responsible Supply Chain Management.

Moreover, *Allies in Responsibility* is a means to support the collective discourse and become a trusted partner within the sustainable development agenda. Therefore, all six focus areas are carefully aligned with specific UN Sustainable Development Goals (SDGs). This will cement Terma's position as a valued and trusted employer, business partner, and customer.



We support the UN Sustainable Development Goals

Ethics Line

It is important to take our compliance temperature regularly to strengthen our compliance culture and mindset. In 2019, Terma's global multilingual whistleblower system *Ethics Line* was established. It 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.

Terma's Ethics Committee presents an annual report to the Board of Directors on the status of the *Ethics Line*. If any cases are reported, the topics reported on and other statistical anonymized information are presented in the report. This information is also disclosed in [Terma's annual CSR report](#).

Going Forward

The upcoming fiscal year marks the second year of our 3-year CSR strategy, *Allies in Responsibility*.

Responsible Supply Chain Management and Human Rights represent two of the six focus areas of the strategy and specific targets, and activities have been set as described below.

Responsible Supply Chain Management

As part of the CSR strategy, a 3-year roadmap has been developed which is comprised of the development and implementation of an overall responsible supply chain management program. The program includes various processes such as defining a risk landscape of our suppliers, strengthening conflict mineral processes, and due diligence mechanisms.

The development of our responsible supply chain management program is a close collaboration between our Global Supply Chain and Quality Department, and our CSR & Compliance Department. We believe that this collaboration is key to ensuring that we can integrate due diligence mechanisms and various processes into existing workflows and processes, and thereby render the process more effectively and intuitively.

During the year, we have undergone three steps:

STEP 1

The first step was to map existing processes, as well as requirements to assess gaps. Actions based on these gaps were determined, and the following tasks were completed.

All sourcing categories were risk assessed based on industry sector risks and potential impacts on human rights, the environment, and corruption. In addition, the risk of conflict minerals being present in the sourced product was a key element we looked at as conflict minerals are commonly associated with severe human rights impacts. Belonging to the technology sector, a lot of the materials and products we source contain 3TGs: tin, tantalum, tungsten, and gold. Therefore, it was essential for us to include the risk of conflict minerals in our risk assessment.

Moreover, to supplement these risk assessments, Transparency International's Anti-Corruption Perception Index, as well as the World Bank's list of Fragile and Conflict Affected situations, were used.

Together, the above assessments, variables, and data created a framework for which we could rate suppliers into low, medium, and high-risk categories. The level of risk category determined which due diligence process they needed to undergo.

STEP 2

Once the suppliers were placed into risk categories and the due diligence process flow was defined, the supporting material needed to be developed. Our existing supplier code of conduct was replaced by a [Business Relationship Code of Conduct](#) aligned with the UNGPs and the OECD guidelines, and a self-assessment tool was also developed.

STEP 3

After all documents and processes were created, a condensed version of our [Responsible Supply Chain Program](#) was written and published on our website along with the [Business Relationship Code of Conduct](#). It is important for us to be transparent about our efforts and our requirements.

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Next Steps

Implementation is the last and most important step. If a process is not embedded within the organization and there is no ownership and support, then the process will not be successful.

To ensure a successful implementation, training materials, checklists, and other guidance will be developed in the coming year. Moreover, in-person training sessions will also be held and are planned for Q2 2021. Once the relevant departments are trained, the procedures will be set in motion. All new suppliers and existing suppliers with whom we are re-negotiating contracts will have to undergo the due diligence process in order to be an approved supplier to Terma. In addition, we will reach out to our suppliers to obtain their reports on conflict minerals. The data retrieved will help us finalize Terma's conflict mineral reporting template by end FY2021/22.

At the end of the strategy period, having completed all of the above-mentioned activities, Terma will be able to reach our target: *all required active Terma suppliers will have undergone our responsible supply chain management due diligence process.*

Human Rights

Human Rights is an essential focus area for Terma where we aim to be in compliance with the procedural requirements set forth by the UN Guiding Principles (UNGPs). To achieve our aim and the targets set, we have, during the year, developed a Business Relationship Code of Conduct, updated our Human Rights Policy and conducted our first human rights impact assessment.

Business Relationship Code of Conduct

Operating in the Aerospace, Defense, and Security sectors, we recognize that we may become part of impacts on human rights. We recognize that we may become linked to such impacts through our business relationships. Therefore, we also require our business relationships to adhere to the UNGPs.

In this connection, we have updated our Supplier Code of Conduct into a Business Relationship Code of Conduct which can be [read here](#). It is aligned with internationally agreed standards for responsible business conduct, the UNGPs and the OECD Guidelines.

Human Rights Policy

During the year, our [human rights policy](#) was updated and aligned with the UNGPs. External expertise was consulted to review the policy to ensure that it fulfilled the procedural requirements of the UNGPs. Moreover, the policy was approved by the Board of Directors.

The policy is part of the updated [Employee Code of Conduct](#) which was launched in January 2021. All employees received the Code and are trained in all its elements. Human rights are part of the training where employees are presented with the 48 human rights as listed in the International Bill of Human Rights.

Human Rights Impact assessment

Another activity undertaken this year was to conduct a human rights impact assessment for our three Danish locations, including our headquarters in Lystrup. Our Danish locations constitute 83% of our employees.

The process included identifying risks or potential impacts against all 48 human rights, assessing actions, processes and systems to prevent or mitigate potential impacts, and indicators to measure effectiveness. The impact assessment can be [read here](#).

Next Steps

Next year, we will commence human rights impact assessments for our overseas locations. This will be a close collaboration between the CSR & Compliance Department and relevant stakeholders in the overseas locations as it is important that the assessments are embedded in the locations. This will also ensure that these locations have the knowledge and capacity to update the assessments going forward.

Our current human rights impact assessment (year one) only focuses on potential impacts. As part of establishing our human rights due diligence process, we will revisit our impact assessment annually for the Danish locations and assess and address any actual human rights impacts during the year. Also, we intend to engage our employees, who are potentially impacted stakeholders, by encouraging them to read our assessment and provide for suggestions for improvements in preventing or mitigating impacts.

Approval

This statement is prepared and published pursuant to Section 54(1) of the UK Modern Slavery Act 2015 and constitutes the slavery and human trafficking statement for Terma A/S and its subsidiaries worldwide for the fiscal year 1 March 2020 till 28 February 2021.

For further information on our activities and progress, please see our [Corporate Social Responsibility Report 2020/21](#).



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The statement is approved and signed by the Executive Management of Terma A/S.

Jes Munk Hansen
CEO & President

Per Thiesen
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Steen M. Lyneskjold
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