UK Modern Slavery Act Statement

Fiscal year 2019/20

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. Thrige Foundation. We have deep and proud roots in Denmark, tracing our origins back to 1949.

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

AERONAUTICS
Airborne solutions and manufacturing of electronics and aerostructures.

SPACE
Mission-critical products, software, and services for space missions.

SUPPORT & SERVICES
Maintenance, support, service, test equipment, and consumables.

SURVEILLANCE & MISSION SYSTEMS
Radar surveillance to secure national borders and critical infrastructure.

SECURING PEOPLE THROUGH ADVANCED TECHNOLOGY
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 Denmark, the US, Netherlands, Germany, Belgium, France, Singapore, UAE and India. Terma employs 1,639 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.

We have a wide supplier base with approximately 2,300 suppliers of goods and services worldwide.

**OUR PROGRESS**

Taking a business-driven approach, we have throughout the year worked to develop an ambitious and suitable strategy. The CSR strategy is called **Allies in Responsibility**.

**Allies in Responsibility** is the formulation of the next 3 years’ key CSR ambitions, action points, and commitments. The strategy contains 6 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 6 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.

**Due Diligence**

Last year, we hired a specialized third-party consultant to assess the majority of our key suppliers that we use in our production process. The consultant is one of the recognized leaders within this field and one of its core competences is the process of collecting assessments for customers. They have a huge database over suppliers and collected assessments which was one of the main reasons for choosing them as they could tap into the database instead of asking all suppliers again. Even with all their experience and knowledge, they still had difficulties in receiving the responses from the suppliers, who were asked to document their processes within human trafficking and slavery, anti-corruption, and conflict minerals.

When evaluating the process, we concluded that we have the needed setup internally to both reach out and follow-up on collection of assessments, as we already have the daily contact with our suppliers. But we also acknowledge the resources and time needed, not just to receive the data, but to receive a certain level of data quality for it to be useful in our due diligence work. We have therefore included these experiences and lessons learned in our approach to driving responsible supply chain management and our due diligence efforts, which are being strengthened over the next 3 years as part of our CSR strategy.

**Ethics Line**

It is important to regularly take our compliance temperature to strengthen our compliance culture and mindset. Last year, 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 beginning of the first year of our 3-year CSR strategy, *Allies in Responsibility*.

Responsible Supply Chain Management and Human Rights represent 2 of the 6 focus areas of the strategy and specific targets, and activities have been set as described below.

**Responsible Supply Chain Management**
A 3-year roadmap has been developed to enable us to achieve our target: all required active Terma suppliers have undergone our responsible supply chain management due diligence process.

It is comprised of an overall responsible supply chain management program that includes various processes such as defining a risk landscape of our suppliers, strengthening conflict mineral processes, and due diligence mechanisms.

The data received in the assessments gathered by the previously mentioned external third party will also be analyzed to gain knowledge of the type of questions our suppliers have difficulty answering and if there is a need, for instance, for capacity building suppliers and relevant internal stakeholders within specific areas.

Once all processes and procedures are finalized, we need to implement the program, so all relevant internal and external stakeholders are aware of the processes and requirements set. Hence, one important element of the implementation is training for relevant departments and employees.

The development of our responsible supply chain management program is a close collaboration between our Global Supply Chain Department, our 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 work flows and processes, and thereby render the process more effective and intuitive.

**Human Rights**
Our aim within human rights, as described in our CSR strategy, is to be in compliance with the procedural requirements set forth by the UN Guiding Principles (UNGP).

To comply with the procedural requirements of the UNGP, we need to update our current human rights policy, conduct human rights impact assessment, and assess our current remediation systems.

We will, as part of our CSR strategy and our work with the UNGPs, identify and assess human rights impacts that Terma may cause, contribute to or be linked with. Having a diverse product portfolio, Terma operates in various business areas as a global player in the aerospace and defense industry. Consequently, the challenges and opportunities connected to human rights will vary according to the specific area.

Therefore, we will conduct human rights impact assessments for each business area.

Furthermore, during the next 3 years, we will focus on training and awareness to ensure that Terma employees are familiar with their human rights, as they can seem unspecific and intangible. Therefore, as part of our new strategy, we have an ambition to translate all 48 human rights into concrete everyday examples relevant for our employees at all locations.

**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 2019 till 29 February 2020.

For further information on our activities and progress, please see our Corporate Social Responsibility Roadmap & Report.

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

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Per Thiesen
Executive Vice President & CFO

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