INTRODUCTION
Modern slavery, including servitude, forced or compulsory labor, and human trafficking, 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.

Terma is committed to ensuring the prevention of modern slavery and human trafficking in our own business as well as our global supply chain. 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 a mechanical workshop in 1944. 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. Our long-standing relationship with the Danish Defence dates back almost 70 years. 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.

Terma is present in four distinct business areas; Aeronautics, Space, Surveillance & Mission Systems, and Support & Services, as illustrated in our business model. Geographically, Terma’s headquarters and one of two production sites are located in Lystrup (Aarhus), and the other production site in Grenaa, placing our core business operations in Denmark. Our international presence currently spans across the world, with offices in Germany, Belgium, the Netherlands, United Kingdom, United Arab Emirates, India, Singapore, and the United States. At the end of this fiscal year, Terma employs 1,470 people 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
Our business highly depends on a wide supplier base with 2,670 suppliers of goods and services located in 49 countries worldwide. Our suppliers are selected by trained and skilled Quality Engineers with domain knowledge against specific strict criteria. 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 business conduct. In addition, we require that our suppliers respect and support our commitment towards responsible and ethical business practices as formulated in our relevant policies, and we have implemented a process to screen suppliers for their level of compliance with our requirements. As part of this, we assess the risk of modern slavery and human trafficking occurring in our business and supply chains on an ongoing basis.

We acknowledge that components used in some of our products are at risk of modern slavery, of which we focus in particular on electronics components. These parts typically contain tantalum, tin, tungsten, and gold. These metals, often named 3TG, have become known as “conflict minerals” because they may in part be sourced from illegal mines in the Democratic Republic of Congo or neighboring countries where their exploitation and sales play a role in the ongoing civil war and local unrests. We recognize that “conflict minerals” generate an increased risk of modern slavery. Therefore, we have integrated this dimension in our procedures towards our suppliers.
Our business model

With this business model, we aim to illustrate the relations between our core business operations and our ethical commitment.

Key resources

- **Financial capital**
  Finance investments and production

- **Human resources**
  To operate our business, we depend on our highly skilled and diverse workforce

- **Natural resources**
  We rely on energy and water in our production facilities

- **Facilities**
  Two production facilities located in Denmark. In total, operations at 16 locations in 9 countries on 3 continents

- **Partnerships**
  Our business partners are essential for our operations and development

- **Supply chain**
  Supplies in goods, materials, and services to support our own production

Business activities

- **Mission-critical products, software, and services for space missions**
  +100 space missions and +1,000 space projects rely on Terma’s expertise and know-how

- **Airborne solutions and manufacturing of electronics and aerostructures**
  +2,800 aircraft rely on Terma’s self-protection solutions

- **Radar surveillance to secure national borders and critical infrastructure and to keep people safe**
  +2,500 SCANTER radars installed (coastal surveillance, Vessel Traffic Services, Surface Movement Radar, and naval applications)

- **Command and control systems and self-protection for naval vessels**
  10 regional navies and coast guards rely on Terma’s naval solutions

- **Maintenance, support, and update of Terma products in the global defense and security market**
  +4,000 radar systems, aircraft, and navies supported worldwide

Value creation

- **Revenue**
  We create value for our “shareholder” the Thomas B. Thygesen Foundation

- **Tax contributions**
  We comply with relevant legislation and pay our taxes in the countries where we operate

- **Responsible employer**
  We create work and train our team to maintain and develop competences/expertise

- **Customers**
  We enable our customers to keep people safe

- **Contribution to communities**
  We support the education of young people, and in 2017/18, we welcomed 32 interns, trainees, and students as part of their academic development

**CSR Compass**

"We are guided by one overall purpose: to deliver security for countries, alliances, and individuals; Security is a means to maintaining and developing prosperity and protecting human lives and sovereignty. In fulfilling this purpose, we conduct our business ethically, inspired by the UN Global Compact."
OUR PROGRESS
This year several important steps have been undertaken to assess the risk of and strive towards the prevention of modern slavery and human trafficking.

Our policies related to slavery and human trafficking
Terma is committed to respecting and protecting human and labor rights in all of our business operations. We acknowledge that through our own activities and those of our suppliers, there is a risk of causing, contributing, or being linked to negative impacts such as modern slavery and human trafficking.

In 2017, we have integrated this commitment in line with our pledge to uphold the Ten Principles of the UN Global Compact, specifically on the elimination of all forms of forced and compulsory labor, in a Human and Labor Rights Policy for Terma. The policy is applicable to all Terma employees and relevant third parties and expresses a zero tolerance towards engaging in any practice related to modern slavery in all its forms. It reflects our values and principles which align with internationally recognized universal standards as stated in charters, declarations, and guidelines such as the Universal Declaration of Human Rights and the International Labour Organisation’s (ILO) Declaration on Fundamental Principles and Rights.

Risk assessment
An initial overall risk assessment of our supply chain was conducted this year, to identify risks based on the different product categories and countries that we purchase from. This coming year, we plan to carry out a more thorough impact assessment and engagement of our supply chain. These assessments will allow us to manage risks in the supply chain, by developing future due diligence processes and establishing how we wish to engage with different groups of suppliers.

Training
This year Terma’s Ethics & Compliance department conducted training sessions with our Supply Chain Management and Procurement departments regarding CSR in the supply chain. These departments were a natural high priority and target audience, as we acknowledge that the highest potential risks of modern slavery and human trafficking are found in our supplier base. The training session provided a strong baseline for further training, and raised internal awareness on important ethical issues relevant for our employees’ everyday work. The coming year, we will schedule training sessions specifically related to human and labor rights.

GOING FORWARD
In recognition of the importance of the UK Modern Slavery Act, we are committed to periodically review and assess the risks in our own business operations and our supplier base. Continuous improvements are part of our year-on-year progress to learn and improve by understanding these risks and effectively take actions to prevent modern slavery and human trafficking in our value chain.

Over the course of the coming fiscal year, we will continue our journey by carrying out the next steps for Terma. One step will be to finalize and release our new updated Code of Conduct for Suppliers and Service Providers, with our expectations and minimum requirements towards our suppliers in relation to ethical business conduct. The Code of Conduct requires third parties to respect human and labor rights based on the principles of fundamental rights as set out in the ILO Conventions and to comply with applicable national law. Upon its release, it will allow for an improved framework for future audits in our supply chain.

At Terma, we believe our ethical business conduct is based on the support of our employees. In their daily work, our colleagues are those who will face dilemmas and have to make the right decisions. To further strengthen our compliance system, we have decided to implement a whistleblower solution to be known as Terma’s “Ethics Line”. It will be a web-based solution accessible for all relevant stakeholders to raise their concerns in case of suspected violations of our policies and rules, or any applicable legislation. Parallel to building our Ethics Line, an organizational function to handle any incoming reports will be established, with relevant training on investigation methods to be able to ensure the highest confidentiality and security for our whistleblowers.

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 ending on February 28, 2018.

For further information on our activities and progress, please see our Corporate Social Responsibility Report 2017/18.

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

Jens Maaløe
President & CEO

Per Thiesen
Executive Vice President & CFO

Steen M. Lynenskjold
Executive Vice President & COO