



**CORPORATE
GOVERNANCE**

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1 IMPLEMENTATION OF THE PRINCIPLES FOR CORPORATE GOVERNANCE

Kongsberg Automotive (KA)'s guidelines for Corporate Governance conform to the Norwegian Code of Practice for Corporate Governance of October 14, 2021, and the company's compliance with the 15 recommendations of the Code is explained in the following.

The Board of Directors has defined the company's core values which are reflected in the company's Code of Conduct. The Code of Conduct includes ethical guidelines and guidelines for corporate social responsibility, including a ban on bribery, corruption, and facilitation payments, the prohibition of unlawful discrimination, and the prohibition of forced and child labor. All suppliers to the company are required to confirm their adherence to these principles by signing a particular certificate. The company has further clear policies on environmental issues and health and safety. The policies are available on the company's website.

2 DEFINITION OF KA'S BUSINESS

The objective of the group is defined in the Articles of Association for the company, article 2:

The company's objective is to engage in the engineering industry and other activities naturally related thereto, and the company shall emphasize development, marketing and manufacturing of products to the car industry. The company shall be managed in accordance with general business practice. The company may co-operate with, establish, and participate in other companies.

Article 2 provides a clear description of the actual business of the company at present. Further, the Annual Report contains a description of the company's objectives and principal strategies. The Board of Directors evaluates the company's objectives, strategies, and risk profile every year to ensure that the company creates value for its shareholders in a sustainable manner and that financial, social, and environmental matters are considered.

3 EQUITY AND DIVIDENDS

The company shall have an equity capital which over a period of time is at an appropriate level for its objective, strategy, and risk profile.

The company's Dividends Policy of November 26, 2015, states the following:

Kongsberg Automotive shall create good value for its shareholders, employees, and society. Returns to shareholders will be a combination of changes in share price and dividends. The Board of Directors' intention is that dividends will be approximately 30% of the company's net income, provided that the company has an efficient capital structure.

At the Extraordinary General Meeting on January 29, 2021, a resolution was passed to consolidate the shares of KA at a ratio of 10:1. Following this resolution, the share capital of KA amounts to NOK 1,054,860,644.00, with a nominal share value of NOK 1.00.

The General Meeting held on June 10, 2021 granted a mandate to the Board of Directors to increase the share capital by up to NOK 105,486,064 for the purposes of (i) raising equity for the company's operations or acquisitions of other enterprises, (ii) using the company's shares as remuneration in connection with acquisitions and mergers, or (iii) issuing shares in connection with the company's long-term incentive program for employees.

The General Meeting of June 10, 2021 further granted a mandate to purchase up to 105,486,064 treasury shares.

The above mandates are time-limited and expire at the earlier of the next ordinary General Meeting or June 30, 2022.

4 EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH RELATED PARTIES

KA has only one class of shares and all shareholders in KA enjoy equal rights. Transactions in own shares are carried out through the stock exchange or at prevailing stock exchange prices. Possible buybacks will be carried out at market prices.

There were no significant transactions in 2021 between the company's shareholders, Board directors or members of the executive management, or parties closely associated with such parties and the company.

5 SHARES AND NEGOTIABILITY

The shares in KA are freely negotiable and there are no restrictions on the negotiability of the shares.

6 GENERAL MEETINGS

The notice to convene the General Meeting is published on the company's website (www.kongsbergautomotive.com) no later than 21 days prior to the meeting. Furthermore, the notice is sent to all known shareholders on the same date. Supporting information, such as proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee, are enclosed with the notice and also made available on the website at the same time. The supporting material is sufficiently detailed and comprehensive to allow all shareholders to form a view on all matters to be considered at the General Meeting. Documents that according to law shall be distributed to the shareholders may, according to the Articles of Association, be made available on the company's website.

Shareholders who wish to attend the General Meeting shall, according to the Articles of Association, notify the company or its announced representative no later than five days prior to the General Meeting.

The notice calling the General Meeting provides information on procedures the shareholders must observe at the General Meeting, including the procedure for representation by proxy.

Shareholders who cannot attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings and are also available on the company's website. The form of proxy includes provisions that allow for instructions on the voting on each individual agenda item. The company will nominate a person who will be available to vote on behalf of the shareholders as their proxy.

The Chairman of the Board of Directors and the Chief Executive Officer will attend the General Meeting and to the extent possible, other members of the Board of Direc-

tors, members of the Nomination Committee, the Auditor, and the Chief Financial Officer will also attend.

The General Meetings are usually opened by the Chairman of the Board of Directors. A person that is independent of the Board of Directors, the management, and the major shareholders is elected to chair the General Meeting and the shareholders are encouraged to propose candidates.

The General Meeting follows a procedure that allows the shareholders to vote on each individual matter, including on each individual candidate nominated for election.

The company's website will further provide information regarding the right of the shareholders to propose matters to be considered by the General Meeting.

The Articles of Association for the company do not prescribe any exception from chapter five of the Act on Public Limited Liability Companies.

Meeting and are available on the company's website. The Nomination Committee stays in regular contact with major shareholders, Board directors, and management.

The Nomination Committee's recommendation to the General Meeting includes reasons for its recommendation and relevant background information on the nominated candidates and current directors, and furthermore an assessment of how the candidates meet the company's needs for expertise, capacity, and diversity.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee is available on the company's website, where the shareholders are encouraged to propose candidates for directorships.

The remuneration to the Nomination Committee is determined by the General Meeting.

7 NOMINATION COMMITTEE

It follows from the Articles of Association for the company §5 that the company shall have a Nomination Committee consisting of three members elected by the General Meeting for three years at a time unless the General Meeting resolves otherwise.

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to the directors and members of the Board committees.

The members of the Nomination Committee for 2020/2021 are Tor Himberg-Larsen (chairman), Synnøve Gjønnes, and Lasse Johan Olsen.

All members of the Nomination Committee are independent of the Board directors and members of management and have no other functions in the company. The General Meeting has adopted an instruction for the Nomination Committee, which is available on the company's website. The Committee's nominations and recommendations are enclosed with the summons for the General

8 BOARD OF DIRECTORS, COMPOSITION, AND INDEPENDENCE

The Board of Directors shall, according to the Articles of Association of the company, consist of between three and nine members, of whom up to five members shall be elected by the General Meeting. The Board of Directors elects its chairman according to §6-1,2,2 of the Public Limited Liability Companies Act. The Board consists, at present, of the following directors elected by the General Meeting: Firas Abi-Nassif (chair), Ellen M. Hanetho, Emese Weissenbacher, Gerard Cordonnier, and Peter Schmitt. The following directors have been elected by and among the employees: Siw Reidun Wærås, Bjørn Ivan Ødegaard, and Knut Magne Alfsvåg. All Board directors elected by the General Meeting are elected for periods of one year and are eligible for re-election. All Board elections are based on a simple majority vote. The Board directors are independent of executive management and material business contacts of the company. More than two of the Board directors elected by the General Meeting are independent of the main shareholders.

Participation in Board meetings and Board committees in 2021 was as follows:

	BOARD MEETINGS	COMPENSATION COMMITTEE	AUDIT COMMITTEE
FIRAS ABI-NASSIF	14	5	
ELLEN M. HANETHO	14		6
EMESE WEISSENBACHER	12		6
GERARD CORDONNIER	14	5	6
PETER SCHMITT	15	5	
BJØRN IVAN ØDEGAARD	15	3	
LEIF HÅVARD STRØMHAUG	6		
TONJE SIVESINDTJET	6	2	
KNUT MAGNE ALFSVÅG	9		
SIW REIDUN WÆRÅS	9		

Due to the COVID-19 pandemic, most Board meetings were held as audio/video conferences.

Information about the shareholdings of the Board directors is included in the annual report and is also available on the company's website.

9 WORK OF THE BOARD OF DIRECTORS

The Board of Directors holds the ultimate responsibility for managing the group and for monitoring day-to-day management and the group's business activities. The Board of Directors is also responsible for establishing control systems for the group. The Board's responsibilities also include developing and adopting the company's strategies.

The Board of Directors has issued Rules of Procedure for the Board as well as instructions for the Chief Executive Officer of the company with the aim of establishing a clear internal allocation of responsibilities and duties. The Rules of Procedure include regulations pertaining to agreements with closely related parties. The Rules of Procedure are available on the company's website. The Board schedules at least six Board meetings per year. Additional Board meetings are held when deemed necessary.

The Board hires the CEO, defines the work instructions, and decides on the CEO's remuneration.

The Board of Directors has appointed a Compensation Committee and an Audit Committee. The members of said committees are independent of executive management. The authority of the committees is to make recommendations to the Board.

The Board of Directors evaluates its performance and expertise regularly by means of self-assessment. This assessment is usually executed using questionnaires which are completed by each director, followed by a common review.

10 RISK MANAGEMENT, INTERNAL CONTROL, AND FINANCIAL REPORTING

10.1 RISK MANAGEMENT AND INTERNAL CONTROL

Risk assessment is a management responsibility. Its objective is to identify, evaluate, and manage risks that could reduce an individual unit's ability to achieve its goals.

Developments in the automotive industry represent a material risk factor for the group's performance. Analyses are performed to estimate the impact of different development scenarios within the industry on the group's future performance and financial strength. This provides important inputs to the Board's overall discussions of risk appetite and risk allocation.

The assessment of operational risk is linked to a unit's ability to achieve its goals and implement its plans. The process covers risks deriving from losses and falling profitability associated with economic cycles, altered framework conditions, and changed customer behavior, for example, and the risk of losses resulting from inadequate or failing internal processes, systems, human error, or external events.

The assessment and handling of risk are integrated into the group's value-based management system. The management system is intended to ensure that there is a correlation between objectives and actions at all levels of

the group and the general principle of value creation for KA's stakeholders.

The group has a separate, independent Internal Audit unit, which follows an annual internal auditing program approved by the Audit Committee. The manager of Internal Audit reports to the Board Audit Committee and to the CFO. Audit reports are sent to group management following each internal audit. The group's Board of Directors, including the Audit Committee, is kept informed of the current status and approves the auditing program.

10.2 FINANCIAL REPORTING

The Kongsberg Automotive group publishes quarterly financial statements in addition to the annual report. Internal reports are produced monthly and quarterly, in which the performance of each business area and product segment is analyzed and evaluated against forecasts. KA's consolidated financial statements are prepared by the group accounting team, which reports to the group CFO.

Prior to discussions with the Board, the Audit Committee performs a preliminary review of the quarterly financial statements and annual report, with a particular emphasis on the subjective valuations and estimates that have been made. The external auditor attends all Audit Committee meetings.

A number of risk assessment and control measures have been established in connection with the publication of the financial statements. Internal meetings are held with the business areas and subsidiaries, as well as a meeting with the external auditor, to identify risk factors and measures associated with material accounting items or other circumstances. Similar meetings are also held on a quarterly basis with various professional environments within the group, with a particular focus on any market changes, specific circumstances relating to individual investments, transactions, and operating conditions, for example.

In the KA Finance Manual, the group addresses frequently occurring items affecting accounting, record-keeping, internal accounting controls, and financial

reporting within the consolidated group. The document contains the most relevant accountancy- and reporting-related issues for all reporting units and sets a precedence for distinctive reporting throughout the group. The KA reporting process follows a standard schedule applicable to all reporting units.

11 REMUNERATION TO THE BOARD OF DIRECTORS

The remuneration paid to each Board director is specified in the Remuneration Report, which is made available on KA's website. The remuneration is proposed by the Nomination Committee and approved by the General Meeting. The directors hold no function in the company other than the directorships of the Board and memberships of committees to the Board. The Board directors are not entitled to performance-related compensation and are not granted or entitled to any share options.

12 REMUNERATION TO THE EXECUTIVE MANAGEMENT

The Board of Directors has established guidelines relating to remuneration to executive management, which are presented to the Annual General Meeting for consideration. The guidelines are available to shareholders and are included in the appendices to the notice for the Annual General Meeting. The remuneration to executive management is reviewed annually by the Compensation Committee and the Board. Each year, the Board prepares a report on the compensation and benefits provided to senior personnel in accordance with the Act on Public Limited Liability Companies, section 6–16b. Information about the remuneration paid to the executive management of the company is included in the notes to the annual accounts. Performance-related remuneration, such as bonuses and share option programs, are based on the company's financial results and are subject to absolute limits.

13 INFORMATION AND COMMUNICATION

The Board of Directors has established guidelines for the company's reporting of financial and other information based on openness and compliance with the requirement for equal treatment of all participants in the securities markets. A financial calendar for the company is available on the company's website.

All information distributed to shareholders is made available simultaneously on the company's website.

14 TAKEOVERS

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. These are compliant with article 14 of the Code of Practice. The main elements of these principles are included in the Rules of Procedures for the Board of Directors and are available on the company's website.

There are no defense mechanisms in the Articles of Association for the company or any underlying documents, nor are there any measures implemented to limit opportunities to acquire shares in the company.

If an offer is made for the company's shares, the company's Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. The Board should consider whether to arrange a valuation by an independent expert.

The Board of Directors shall not seek to hinder or obstruct takeover bids for the company's activities or shares unless there are particular reasons for this.

15 AUDITOR

The Auditor presents the main elements of the plan for the auditing of the company to the Audit Committee on an annual basis. The Auditor participates in all Audit Committee meetings and the Board meeting where the annual financial statements are approved. The Auditor further meets with the Board without the management of the company present at least once a year. The Auditor reviews the internal controls of the company and presents the results of its review to the Audit Committee together with any weaknesses identified and proposals for improvements. The company has established guidelines for the Auditor's and associated persons' non-auditing work. The compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.

March 14, 2022