



# REPORT ON THE NORWEGIAN TRANSPARENCY ACT

2022



**KONGSBERG**  
AUTOMOTIVE

# HUMAN RIGHTS IN KONGSBERG AUTOMOTIVE

**Kongsberg Automotive (KA) endorses human and labor rights and is committed to ensuring healthy, decent, and safe working conditions. This statement sets out the commitment and measures KA has taken during the financial year 2022 to ensure that human and labor rights are respected in all parts of its business and the supply chain.**

**This report is prepared in per the Norwegian Act relating to transparency and work on fundamental human rights and decent working conditions of June 18, 2021 (Transparency Act) section 5. KA further wishes to promote and facilitate transparency for customers who are subject to the German Supply Chain Law or the UK Modern Slavery Act.**

## **ABOUT KONGSBERG AUTOMOTIVE**

KA with affiliated companies is a global supplier of components and systems for the international automotive and vehicle industry. The company has its management headquarter in Zürich, Switzerland. The ultimate parent company of the group has its seat in Kongsberg, Norway and is listed on the Oslo Stock Exchange. KA operates at 33 locations in 18 countries, in the Americas, Europe and Asia and has currently 5,270 employees.

## **KA'S PRINCIPLES ON HUMAN RIGHTS AND WORKING CONDITIONS**

Since 2008, compliance with human rights has been addressed in Kongsberg Automotive's Code of Conduct (CoC). This requirement has been further developed in later revisions of the CoC, the latest in 2018 that require respect for human rights and specifically address inter alia the following principles:

- > Non-discrimination and equal opportunities
- > Non-tolerance for harassment
- > Respect for other people
- > Safe workplace – Health Safety & Environment
- > Protection of personal information
- > Non-tolerance of child labor and forced labor
- > Freedom of association
- > Protection of the environment
- > Non-tolerance of any form of bribery or corrupt practices
- > Free and fair competition

Everyone at KA is trained at onboarding on the CoC, and subsequent repeat trainings are conducted by e-learning, webcasts, distribution of written material, and classroom training. 1,111 employees participated in CoC training in 2022.

KA respects the right to collective bargaining and association—by the end of 2022, 72% of the employees were covered by collective bargaining agreements. Most KA employees work in countries where this topic is also locally regulated under labor rights. KA's Lost Time Injury (LTI) severity rate for the direct workforce in 2022 was 0.028.

Locations worldwide have implemented Human Resources (HR) policies and practices concerning human and labor rights. Furthermore, all KA locations comply with local legislation that respects the guidelines of the International Labor Organization (ILO).

- Additionally, through
- > Continually improved and certified health and safety management systems
  - > Transparent recruitment, career management, and remuneration systems and processes
  - > Yearly regular performance and career management review, and
  - > Training and development opportunities

KA not only provides safe and healthy working conditions but also contributes to the well-being of its employees.

Discrimination and harassment are not tolerated. KA is committed to providing equal opportunities to all employees. KA ensures equal pay for equal work, the ratio of basic salary and remuneration of women to men was 131.05% at the end of 2022.

KA applies the same standards for working conditions in all its plants worldwide.

KA has established a whistleblower platform operated by a third-party allowing employees and others to report suspected irregularities via phone or web in any language spoken at the KA locations. Anonymous reporting and subsequent communication are made possible. KA's General

Counsel receives the reports, and is responsible for investigations of reported irregularities with the head of HR. In 2022, KA received five reports.

In 2023, KA intends to create its Human Rights Policy and further strengthen its due diligence within its operation.

## **KA'S RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT**

KA has more than 1,400 direct material suppliers in 37 countries and more than 7,000 indirect suppliers in 46 countries. With the strategic aim to work with global and local suppliers and build a diverse supplier portfolio of the companies, in 2022, KA had a footprint of almost 400 direct material suppliers in the Americas, approximately 300 suppliers in the Asia Pacific region, and more than 700 suppliers in Europe (excluding the part of the business divested during the year).

For indirect purchasing, KA worked with more than 7,000 Tier 1 suppliers, most being local to the KA plants they served. About 84% of direct material purchase spend goes to local suppliers. KA is proud to contribute to local economic development, and local employment, and decrease KA's environmental impacts through local purchasing (defined as a supplier located in the same geographical region – the Americas, Europe, Asia Pacific). KA plans to measure the same local purchasing footprint for indirect purchasing.

About 80% of the annual purchasing spend is with around 22% of the suppliers, representing approximately 200 direct material suppliers and 1,000 indirect suppliers. The procurement of components, goods, and services in KA is managed and coordinated by a central corporate purchasing function supported by colleagues at KA's global locations.

## **Requirements towards suppliers**

Human rights and decent working conditions throughout the supply chain are of utmost importance to KA. The sus-

tainability team in KA's Purchasing department regularly evaluates the company's approach, conducts due diligence, and works towards expanding the company's approach.

KA works to identify relevant human and labor rights issues based on the applicable international and local regulations and guidelines, its corporate responsibility strategy, industry and customer requirements, and benchmark analyses.

KA focuses on the following human and labor rights when determining the requirements that the company puts on suppliers and carrying out supplier risk assessments:

- > Protection of freedom of association and collective bargaining
- > Non tolerance and prevention of child labor
- > Non tolerance and prevention of forced labor (including modern slavery)
- > Non tolerance and prevention of harassment and discrimination
- > Commitment to occupational health and safety
- > Commitment to decent working conditions (working hours, wages, and benefits etc.)
- > Commitment to the safeguarding of human and labor rights in sourcing practices

Suppliers are required to adhere to the same high standards as KA does to itself. The relevant principles and requirements are set out and communicated to the supply chains in KA's Supplier Declaration document (commitment to the Supplier Sustainability Manual), which all suppliers are required to commit to by signature as part of the contracting process. At the end of year 2022 81% of the annual yearly direct material purchase spend was with suppliers who formally signed or acknowledged the Supplier Declaration. This ratio was 10% for indirect suppliers where continual improvement is aimed.

A commitment to respect Human Rights has been a part of KA's General Purchasing Conditions from 2012. It is further stated that failure to comply with this provision will be regarded as breach of contract in which case KA may terminate any purchase order if the breach is not rectified.

KA has also published a position statement on conflict minerals due diligence and conducts an annual data collection process for smelter validation. The response rate was over 80% in 2022.

In the future, KA will work on further strengthening the risk mitigation process via user defined reporting and supplier engagement. KA joined the Responsible Mineral Initiative in 2022 to support the abolition of human and labor rights violations regarding conflicting minerals in the supply chain.

#### **Supplier sustainability risk assessment and development**

KA requires direct materials suppliers to report on their governance and management approach, corporate sustainability, environmental, social, and ethical issues, with a special focus on human rights, labor rights, and working conditions. KA expects its suppliers to have an effective policy and management system for fundamental human rights and decent working conditions, to offer training for their workforce on the relevant issues, and to communicate the necessary requirements to their own suppliers. This information is collected from suppliers through a standardized, evidence-based self-assessment questionnaire. The questionnaire has been developed and promoted by CSR Europe and Drive Sustainability and is widely used in the automotive industry ([SupplierAssurance](#)). It enables KA to identify gaps in suppliers' existing governance and management approaches to human and labor rights, working conditions, health and safety, environment and energy management, business ethics, and responsible sourcing.

By the end of 2022, more than 305 suppliers, covering 71% of KA's yearly direct material purchasing spend, excluding suppliers and spend covered by divestments during the year, shared or conducted risk assessments with KA. The information and evidence provided were validated by an independent third party. All suppliers are provided with feedback and recommendations on how to improve their governance and management systems following the assessment of their questionnaires. KA is committed to giving

precedence to suppliers with low sustainability risks, including human rights. Suppliers that are classified by the Purchasing department as having high or medium sustainability risks are supported in their development and low risk suppliers are preferred in future business decisions. In 2023, KA has started the sustainability risk assessment with indirect suppliers.

To ensure effective monitoring of KA's compliance, including human and labor rights, KA encourages reporting any concerns or breaches that may occur. In 2022, no breaches were reported.

Beyond this, KA uses a global media risk screening tool for its suppliers, their industries, and their geographical locations. This tool raises an alert if any potential human or labor rights issues have been publicized. Whenever an alert is raised, the responsible buyer is informed immediately and is required to take appropriate actions to investigate the matter.

Within KA's central Purchasing department, sustainability training, including human and labor rights as well as decent working conditions, is provided to all department members. 110 purchasing employees participated in a sustainable purchasing training, including human and labor rights in 2022, and at the end of the year 69.1% of purchasing employees were trained.

#### **Mitigation measures with suppliers**

Suppliers that do not sign the Supplier Declaration or fail to undertake the sustainability risk assessment are invited to a dialogue with KA Purchasing function to determine how the supplier's standards can be improved. KA seeks to replace suppliers that do not reach expected standards despite improvement measures. However, KA's purchasing function is working diligently to increase the response rates and performance of suppliers. Based on the risk assessments direct feedback and recommendations are given for corrective action plan development and implementation. In 2022, KA did not conduct any on-site audits on its supplier's sites to verify whether they complied with the principles on human rights and working conditions. There will always be a potential risk for incorrect or inaccurate reporting or ineffective implementation. KA intends to initiate on-site audits of selected suppliers with focus on potentially high-risk locations and preferred suppliers with development needs.

KA has established a whistleblower platform operated by a third-party allowing employees, and external stakeholders to report suspected irregularities by use of phone or web in any language spoken at the KA locations.

Since the Norwegian Transparency Act entered into force on July 1, 2022 to date, KA has not disclosed any significant failure to comply with its standards on human rights and decent working conditions in its own plants and facilities nor among its suppliers.



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