

## Corporate Governance in Kongsberg Automotive Holding ASA

### 1 Implementation of the principles for Corporate Governance

KA's guidelines for Corporate Governance conform with the Norwegian Code of Practice For Corporate Governance of 21<sup>st</sup> October 2010 with amendment of 20<sup>th</sup> October 2011.

The Board of Directors has defined the Company's core values which are reflected in the document Code of Conduct. The Code of Conduct includes ethical guidelines and guidelines for corporate social responsibility, hereunder a ban on corruption and facilitation payments, prohibition of unlawful discrimination and 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 web pages.

### 2 Definition of KA's business

The objective is defined in the Articles of Association for the Company article 2:

*"The company's objective is to engage in 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. The Annual report contains a description of the Company's objectives and principal strategies.

### 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.

According to the Dividends Policy of the Company, returns to shareholders should be a combination of changes in share price and dividends. Dividends should reflect the results of the Company, while recognizing opportunities for new, profitable investments. Over time, the returns to shareholders should come more from an increased share price rather than through dividend distributions. The Board of Directors of KA considers that dividends over a period should average roughly 35 percent of the Company's net income.

The current loan agreement with the Banks sets restrictions on the Company's ability to pay out dividend. This is related to the gearing level of the Company. See notes in the annual report.

The General Meeting 9<sup>th</sup> June 2011 has granted a mandate to the Board of Directors to purchase up to 40,676,812 of its own shares.

The General Meeting 9<sup>th</sup> June 2011 further granted a mandate to the Board of Directors to increase the share capital by up to NOK 20,338,406. The mandate to increase the share capital is limited to defined purposes.

The Board of Directors has also by resolution of the General Meeting 9<sup>th</sup> June 2011 been authorized to obtain loans with a maximum of NOK 200,000,000 with a right to have the loan converted into shares by increasing the share capital by NOK 20,338,406.

The above mandates expire at the earlier of the next ordinary General Meeting or 30 June 2012.

#### **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 in general carried out through the stock exchanges or at prevailing stock exchange prices. Possible buy backs, will be carried out at market prices.

In the event of transactions between the Company and its shareholders, board directors or members of the executive management, or parties closely associated with such parties, independent valuation will be obtained if such transactions are not immaterial, provided that the transactions are not to be approved by the General Meeting according to law. Independent valuation will also be obtained for transactions within the same group of companies even if such companies involved have minority shareholdings.

#### **5 Freely negotiable shares**

The shares in KA are freely negotiable and there are no restrictions on negotiability in the Company's articles of association.

#### **6 General Meetings**

The notice of calling the General Meeting will be published on the Company's web pages; [www.kongsbergautomotive.com](http://www.kongsbergautomotive.com) no later than 21 days prior to the meeting. The notice will further be sent to all known shareholders within the same date. Supporting information, such as proposals for resolutions to be considered by the General Meeting and recommendations by the Nomination Committee shall be made available on the web pages at the same time. The supporting material shall be 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 web pages.

Shareholders who wish to attend the General Meeting shall notify the Company or its announced representative no later than 5 days prior to the General Meeting.

The notice calling the General Meeting will provide information on procedures the shareholders must observe at the General Meeting including the procedure for representation by proxy

Shareholders who can not attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings and available on the web pages. The form of proxy includes provisions that allows for instructions on the voting on each agenda item. The Company will nominate a person who will be available to vote on behalf of the shareholders as their proxy.

To the extent possible, members of the Board of Directors, the Nomination Committee and the Auditor will be present at the General Meeting.

The General Meetings is usually opened by the Chairman of the Board of Directors. The shareholders are encouraged to propose candidates to chair the General Meeting.

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

The Board of Directors and the chairman of the General Meeting shall in the event of elections ensure that the General Meeting is given the opportunity to vote separately for each candidate nominated for election to the Company's corporate bodies.

## **7 The Nomination Committee**

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to be paid to the Directors.

It follows from the Articles of Association for the Company § 5 that the Company shall have a Nomination Committee consisting of 3 members elected by the General Meeting for 3 years at a time, unless the General Meeting resolves otherwise. The members of the Nomination Committee may not have other functions in the Company. The General Meeting has adopted an instruction for the Nomination Committee which was revised in 2011. The instruction is available on the Company's web pages. Prior to each election of directors to the Board, the Board of Directors shall notify the Nomination Committee and the latter shall find eligible candidates for directorship to be elected by the General Meeting. The Nomination Committee's nominations shall be enclosed with the summons for the General Meeting.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee will be made available on the Company's web pages.

## **8 Board of Directors, composition and independence**

The Board of Directors shall according to the Articles of Association of the Company consist of 3 – 9 members of whom up to 5 members shall be elected by the General Meeting. The Board of Directors consists at present of five directors elected by the shareholders and three directors elected by the employees. Further information about the board directors is found in the annual report

All Directors to the Board elected by the General Meeting are independent of the executive management and material business contacts of the Company.

The term of office for the Directors to the Board is 2 years.

Information about the Directors to the Board is available on the Company's web pages.

## **9 The work of the Board of Directors**

The Board of Directors has issued Rules of Procedure for the Board of Directors as well as instructions for the Chief Executive Officer of the Company with the aim of establishing clear internal allocation of responsibilities and duties. Said procedure and instructions are available on the Company's web pages.

The Board of Directors has appointed a Compensation Committee and an Auditing Committee. The members of said committees are independent of the executive management.

The Board of Directors evaluates its performance and expertise annually by a self assessment.

## **10 Risk management and internal control**

The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and internal control arrangements.

The main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting are included in the notes to the annual accounts.

## **11 Remuneration of the Directors of the Board**

The remuneration paid to each Board member is specified in the notes to the annual accounts. The Directors hold no other assignment in the Company than the directorships to the Board and memberships to subcommittees to the Board.

## **12 Remuneration to the executive management**

The Board of Directors has established guidelines for the remuneration to the executive management. The guidelines are available on the Company's web pages and are communicated to the annual General meeting. Information about the remuneration paid to the executive management of the Company is included herein in notes to the annual accounts. Performance related remunerations such as bonuses and share option programs 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 taking into account the requirement for equal treatment of all participants in the securities market. A financial calendar for the Company is available on the Company's web pages.

All information distributed to the shareholders will be made available simultaneously on the Company's web pages.

## **14 Takeovers**

The Board of Directors has established guiding principles for how it will act in the event of a takeover bid. These are in compliance 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 available on the Company's web pages.

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

#### **15 Auditor**

The Auditor participates in the meetings with the Audit Committee and in the Board meeting that approves the financial statements and meets with the Board without the management of the Company present at least once a year. The Company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.