



REPORT ON THE NORWEGIAN TRANSPARENCY ACT

2023



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 2023 to ensure that human and labor rights are respected in all parts of its business and the supply chain.

This report is prepared in accordance with the Norwegian Act relating to enterprises’ transparency and work on fundamental human rights and decent working conditions of June 18, 2021 (“Transparency Act”) section 5 and the Canadian Fighting Against Forced Labour and Child Labour in Supply Chains Act assented to on May 11, 2023 (the “Forced and Child Labour in Supply Chains Act”). KA further wishes to promote and facilitate transparency under the other recent examples of anti-forced labour initiatives such as the United States’ Uyghur Forced Labour Prevention Act (“UFLPA”), the United Kingdom’s 2015 Modern Slavery Act, the European Union’s deforestation regulation, its draft regulation on forced labour, the European Union’s Corporate Sustainability Due Diligence Directive (“CSDDD”) which has recently been approved by the European Parliament as well as South Korea’s proposed bill on Human Rights and Environmental Protection for Sustainable Business Management. Although KA is not directly subject to the German Supply Chain Act (“LkSG”), this report also serves as reference for KA’s customers and suppliers who are subject to the obligations contained therein.

ABOUT KONGSBERG AUTOMOTIVE

The Kongsberg Automotive group is a global automotive and industrial applications provider. The company is headquartered in Kongsberg, Norway, and is listed on the Oslo Stock Exchange. KA operates in 17 countries with 32 locations worldwide and employs ~ 5,300 employees. It operates two business areas (Drive Control Systems and Flow Control Systems).

KA'S PRINCIPLES ON HUMAN RIGHTS AND WORKING CONDITIONS

Since 2008, compliance with human rights and working conditions 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 requires respect for human rights and specifically addresses, 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. In 2023, 962 employees completed the training and sign-off of the CoC on SuccessFactors.

KA respects the right to collective bargaining and association — by the end of 2023, 63% 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 Incident Rate (per million hours worked) for the direct workforce in 2023 was 0.94.

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

Additionally, through

- > Continually improved and formally 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 66% at the end of 2023.

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 Compliance Committee consisting of KA's CFO, CHRO and General Counsel receives the reports, and is responsible for investigations of reported irregularities. In 2023, KA received 44 reports through such platform.

In 2024, KA intends to create a specific Human Rights Policy and further strengthen its due diligence within its operations.

KA'S RESPONSIBLE SOURCING AND SUPPLY CHAIN MANAGEMENT

KA has more than 1,590 (2022: 1,400) direct material suppliers in 39 (37 in 2022) countries and approximately 6,900 (7000 in 2022) indirect suppliers in 44 (46 in 2022) countries. With the strategic aim to work with global and local suppliers and build a diverse supplier portfolio, in 2023, KA had a footprint of almost 600 (400 in 2022) direct material suppliers in the Americas, approximately 300 (300 in 2022) suppliers in the Asia Pacific region, and more than

700 (700 in 2022) suppliers in Europe (excluding the parts of the business divested during the year 2022).

For indirect purchasing, KA worked with approximately 6900 (7000 in 2022) Tier 1 suppliers, most being local to the KA plants they served. About 86% (84% in 2022) 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 7% of the suppliers, representing approximately 200 direct material suppliers and approximately 300 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 sustainability 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 labour 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 labour rights when determining the requirements that the company puts on suppliers and while carrying out supplier risk assessments:

- > Child labour and young workers
- > Wages and benefits
- > Working hours

- > Modern slavery (i.e. slavery, servitude and forced or compulsory labor and human trafficking),
- > Ethical recruiting
- > Freedom of association and collective bargaining
- > Non-discrimination and harassment
- > Women's rights
- > Diversity, equity, and inclusion
- > Rights of minorities and indigenous peoples
- > Land, forest and water rights and forced eviction
- > Use of private or public security forces

Suppliers are required to adhere to the same high standards as KA applies on itself. The relevant principles and requirements are set out and communicated to the supply chain in KA's Supplier Declaration (commitment to the Supplier Sustainability Manual), which all suppliers are required to commit to by signature as part of the contracting/supplier onboarding process. As of end of year 2023 84% (81% in 2022) of the annual yearly direct material purchase spend was with suppliers who formally signed or acknowledged the Supplier Declaration. On the indirect supplier side, the ratio was 10%, where continual improvement is aimed for.

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, which allows KA to terminate any purchase order if such breach is not rectified.

KA has committed to responsible mineral sourcing. In 2023 KA has enlarged its due diligence scope and added cobalt and mica to the already examined minerals tin, tungsten, tantalum, gold. KA has published a position statement on conflict minerals, has extended due diligence activities and conducts an annual data collection process for smelter validations. The response rate was 85% (80% in 2022) on CMRT and 63% on EMRT (new in 2023). KA has identified 34 smelter of concern and continues to take appropriate measures to escalate and improve.

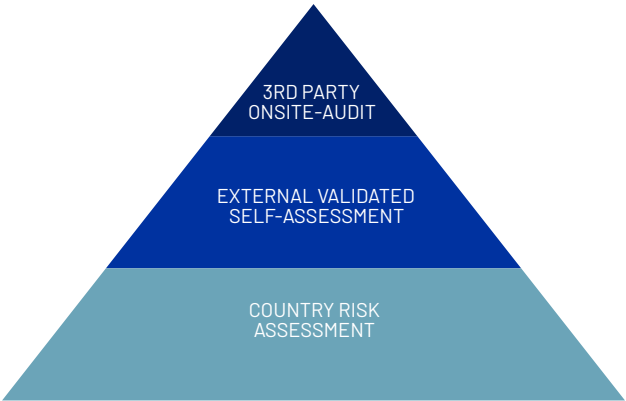
In the future, KA will work on further strengthening the risk mitigation process via user defined reporting

and supplier engagement. KA has joined the Responsible Mineral Initiative in 2022 to support the abolition of human and labour rights violations regarding conflict and extended minerals in the supply chain.

SUPPLIER SUSTAINABILITY RISK MANAGEMENT

KA’s supplier sustainability risk prevention and mitigation approach in the areas of human and labour rights, responsible employment, health and safety builds upon three levels:

- I. The ESG related risks of the country where the supplier is located are analysed.
- II. Suppliers are expected to share or conduct an evidence based, externally validated self-assessment questionnaire.
- III. KA has on-site sustainability audits conducted by third parties.



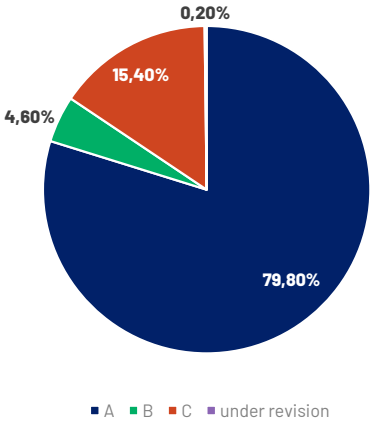
This approach provides KA with insights into risk exposures and enables to prevent and mitigate effectively not only human rights related, but also environmental and ethical risks.

Country risk assessment

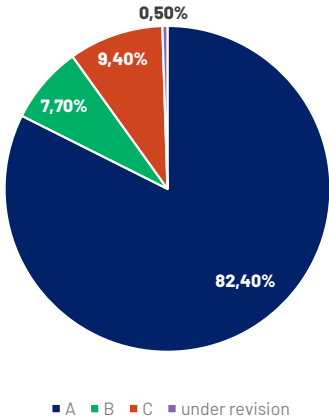
Most of KA’s suppliers are located in low-risk countries.

In case of suppliers in high-risk countries, KA is identifying the related risks and taking steps to improve performance.

DIRECT SUPPLIERS' COUNTRY RISK SCORE BY SPEND



INDIRECT SUPPLIERS' COUNTRY RISK SCORE BY SPEND



Assessment

KA requires direct material 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), and KA also accepts other similar sustainability assessments such as e.g. EcoVadis. This assessment 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 2023, more than 350 (305 in 2022) suppliers, covering 78% (71% in 2022) of KA's yearly direct material purchasing spend (excluding suppliers and spend covered by divestments during 2022), 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.

In sourcing, 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 also started the sustainability risk assessment efforts with indirect suppliers.

KA approaches its Tier 1 suppliers directly and regularly and expects them to roll down supplier sustainability requirements to their own suppliers.

On-site audits

In 2023 KA has developed an on-site sustainability audit

checklist aligned with latest human and labour legislation requirements including further sustainability topics (compliance, environmental responsibility, responsible employment, health & safety, sustainable purchasing) and conducted two pilot 3rd party on-site sustainability supplier audits in China and India. KA's main goal with these on-site audits is to support supplier development and continuous improvement, and to get a deeper understanding of the root causes of ineffective implementation of management processes and actions regarding environment, social and ethical areas and their non-conformities. Based on the findings, KA not only requires and supports supplier development, but also improves its due diligence processes. KA works with local certified auditors to ensure deep knowledge on local legislation, language and culture. The results of those on-site audits are then shared with suppliers, who are supposed to develop action plans to remedy such non-conformities.

Potential violations of human rights and working conditions including environmental obligations by our direct and indirect suppliers as well as the areas of concern outlined above can also be reported to KA's SpeakUp system, a communication tool which allows to raise concerns confidentially, anonymously, and in local language, accessible by employees and third parties via web portal and local telephone numbers. KA's "reporting a concern" procedure for its supply chain is used to process tip-offs or complaints about potential human rights and environmental law violations in the supply chain of KA. In 2023, no breaches were reported.

Further, KA avails itself of a global media risk screening tool for its suppliers, their industries, and their geographical locations. The tool raises an alert if any potential human or labour 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.

KA's central Purchasing department provides sustainability training including human and labor rights as well as decent working conditions, with trainings addressed to

the entire Purchasing population. In 2023, 94 (110 in 2022) purchasing employees participated in such sustainable purchasing training, including human and labor rights. By end of year 2023 88% (69.1% in 2022) 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 to determine how the supplier's standards can be improved. KA seeks to replace suppliers that do not reach expected standards despite improvement measures. KA Purchasing is working diligently to increase the response rates and performance of suppliers. Direct feedback and recommendations are given to suppliers following the risk assessment so that a corrective action plan can be developed and implemented. KA intends to increase on-site audits of selected suppliers with focus on potentially high-risk locations and preferred suppliers with development needs.

In 2023 KA has not identified any forced labour or child labour in its activities and supply chains therefore no remediation activities were needed.

Since the Norwegian Transparency Act entered into force on July 1, 2022 to date, KA has not experienced 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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A U T O M O T I V E

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