

An aerial photograph of a winding asphalt road cutting through a dense, lush green forest. Several cars are visible on the road, including a white car, a blue car, and a red car. The text 'CORPORATE RESPONSIBILITY REPORT 2020' is overlaid in the center of the image in a large, white, sans-serif font.

# CORPORATE RESPONSIBILITY REPORT 2020



**KONSGBERG**  
AUTOMOTIVE



**THE STORY OF KONGSBERG AUTOMOTIVE IS OF ORDINARY PEOPLE CREATING AN EXTRAORDINARY COMPANY. ITS ORIGINS TRACE BACK TO THE HISTORIC NORWEGIAN DEFENSE CONTRACTOR KONGSBERG VÅPENFABRIKK. THE FIRST COMMERCIAL AUTO PARTS TO BE PRODUCED AND DELIVERED WERE BRAKES AND DRIVE SHAFTS FOR VOLVO IN THE LATE 1950s. SINCE THEN, KONGSBERG AUTOMOTIVE HAS DEVELOPED FROM A SCANDINAVIAN AUTO PARTS SUPPLIER TO A GLOBAL LEADER IN ONE OF THE MOST COMPETITIVE AND COMPLEX INDUSTRIES IN THE WORLD.**

# CONTENTS

<b>EXECUTIVE STATEMENT</b> .....	4
<b>KONGSBERG AUTOMOTIVE AT A GLANCE</b>	
WORLDWIDE .....	7
BUSINESS SEGMENTS .....	9
<b>ETHICS &amp; INTEGRITY</b> .....	15
<b>CUSTOMERS</b> .....	16
<b>ECONOMIC PERFORMANCE</b> .....	17
<b>PRIORITIZING MATERIAL ISSUES</b> .....	18
<b>PEOPLE</b> .....	21
<b>PLANET</b> .....	28
CLIMATE CHANGE GOVERNANCE .....	28
CLIMATE CHANGE RISKS AND OPPORTUNITIES .....	28
2020 CARBON EMISSIONS .....	30
ENERGY, WASTE AND WATER .....	30
WASTE .....	30
WATER .....	30
<b>PRODUCTS &amp; SUPPLY CHAIN</b> .....	32

# EXECUTIVE STATEMENT

**2020 will be remembered for many years to come for the COVID-19 pandemic, and the challenges it brought to people around the world. Ways of life were changed at great speed and often without much, if any, forewarning as societies – people, organizations and governments – responded to the shifting nature of the disease.**

The uncertainty caused by these sudden changes, and the many tragic stories from affected communities placed great pressure and strain on all parts of society. But even during these hard times it was remarkable how people came together to support each other and work to overcome the challenges.

When the first national lockdowns came into force, they impacted the automotive industry and Kongsberg Automotive in ways that had never been seen before. Production levels fell, and in some cases, plants were closed for a period of time, with large numbers of the workforce furloughed. Our factories had to adapt quickly to a ‘new normal’ way of working to keep workplaces healthy and safe – social distancing, keeping all work surfaces clean, using face-masks etc. The pandemic required consideration of the wider implications of healthy workplaces. Office employees began working from home, and for those that had to go into

plants to work we looked at how they travelled to and from work. But even then, we saw there was more we could do to help our employees and their families stay safe, especially in areas where the infection rates were rising steeply. We gave our employees opportunities to get some of their basic necessities – food and hygiene products – without having to go to crowded shops and markets. Our Interiors business also used their upholstery skills to produce face-masks for our employees and communities.

Despite infection rates worsening through the year, the end of 2020 saw a recovery in the automotive industry and production levels returning to the levels from just 12 months before. While this has been positive for our business, employees and their families, it is with great sadness that we lost three colleagues in 2020 to COVID-19. Our heartfelt condolences go out to their families, friends and colleagues.



2020 also marked the first year of the decade critical in taking meaningful actions to limit global temperature rise and reduce the impacts of climate change for generations to come. Across our global footprint, we saw greater extremes in temperatures than in years gone by and extreme weather events with the potential to disrupt not just our business but the areas around our factories. Just as the response to the pandemic has required people to come together for the greater good, so climate change needs the same action. There is little time left to make a telling contribution, but it has to be made now, be comprised of clear and definite

actions, and not shy away from challenging the usual ways of working. In 2020, we made the strategic commitment to manufacture carbon neutral products by 2039, and as a part of this we are targeting the use of 100% renewable energy in all our facilities by 2030.

2020 brought challenges and tragedy to an extent that most of us did not expect to experience in our lives, but these also present us with opportunities to make profound changes for better ways of life for all for years to come. We look forward to helping build a more sustainable world.

# KA AT A GLANCE WORLDWIDE

KONGSBERG AUTOMOTIVE (KA) IS REPRESENTED IN 41 LOCATIONS, COVERING THE WORLD'S KEY AUTOMOTIVE MARKETS. KA FOLLOWS ITS CUSTOMERS TO WHERE THEY ARE LOCATED IN ORDER TO SERVE AND SUPPORT THEM IN THE BEST POSSIBLE WAY. THE ORGANIZATION IS COMMITTED TO MAINTAINING WORKFORCE FLEXIBILITY: 15% OF ITS TOTAL WORKFORCE ARE AGENCY WORKERS, COMPARED TO 11% IN 2019.



**11,234**  
EMPLOYEES IN  
**19**  
COUNTRIES  
WORLDWIDE

## NORTH & SOUTH AMERICA **4,098** EMPLOYEES

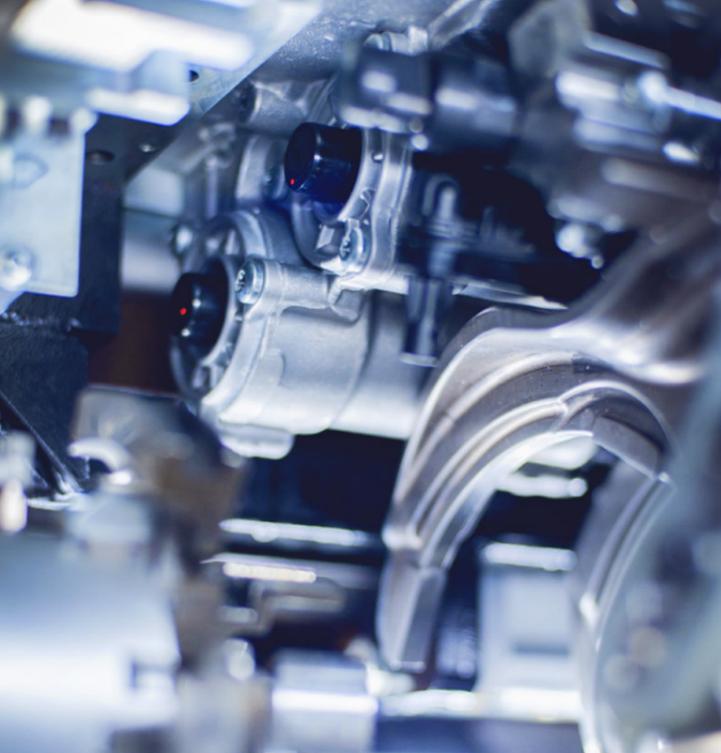
work at Kongsberg Automotive's sites in North and South America, consisting of eight manufacturing sites and two tech centers. Mexico is home to the largest Kongsberg Automotive workforce with 3,042 employees. The tech centers are located in the USA and Canada.

## EUROPE **5,506** EMPLOYEES

work in Kongsberg Automotive's largest region. The three largest manufacturing sites are located in Brzesc and Pruszkow in Poland with 2,528 employees and in Vrable in Slovakia with 903 employees. Additionally, Kongsberg Automotive has three European tech centers, which are located in Germany, Sweden, and Norway.

## ASIA **1,630** EMPLOYEES

work in this increasingly important market. Kongsberg Automotive operates six manufacturing sites spread across China, India, and Korea. The biggest manufacturing site is in Wuxi, China with 1,052 employees. Furthermore, KA has two tech centers which are located in China and India.



# KA AT A GLANCE POWERTRAIN & CHASSIS

The Powertrain & Chassis (P&C) segment of Kongsberg Automotive (KA) is a global leader in the design, manufacture, and testing of custom powertrain and chassis solutions that enhance the driving experience. KA engineers and manufactures products for world-leading makers of passenger cars and commercial vehicles. Its engineering presence now extends from primary design centers in Europe to the Americas and Asia.

## TURNING THE CORNER

Intense improvement plans during the past three years have resulted in better productivity, performance, and ultimately better profitability for P&C. These improvement actions in conjunction with strong efforts towards winning new contracts have reshaped P&C into a strong contributor to the overall success of KA.

Two Asian OEMs awarded Kongsberg Automotive the title of Supplier of the Year for its performance during 2020. KA celebrated significant safety milestones during the year, achieving ten years without an accident in its Yangsan, Korea facility and more than two years without an accident in Wuxi, China.

KA's financial performance in 2020 was exceptional despite COVID-19. Profitability improved significantly during the second half of 2020: new business contracts worth EUR 92 million were signed, significant improvements in net working capital management were made, and KA's Wuxi, China plant set new top line sales records.

Restructuring, downsizing, dramatically improving quality, nurturing key customer relationships, and generally improving operating capabilities globally provides P&C with a solid foundation to support strong growth in the automotive passenger car and commercial truck markets. These operational improvements and the significant new business wins in key electronic shifting and actuator

products allow this renewed, dynamic P&C division to turn onto a new, more profitable pathway.

P&C is now more competitive in the growing markets for mechatronic modules, especially for electromobility applications.

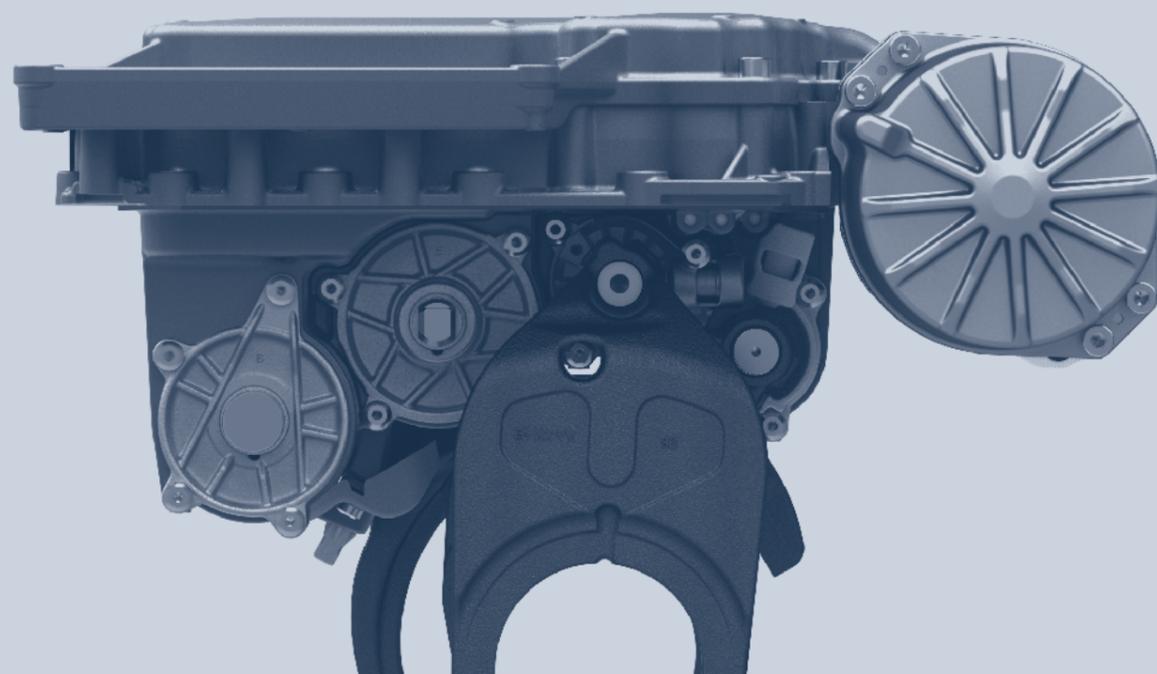
KA's wide range of in-house resources allows it to create custom solutions for OEM and Tier1 customers in many powertrain applications, including new market entries for EV propulsion. Customers have come to recognize KA as a trusted source for mechatronic solutions.

## PRODUCT PIPELINE

In 2020, KA extended its programs in traditional shifter and cable applications while investing heavily in electric products, enabling a greener transportation industry of the future.

KA's On-Highway business unit continues its strong growth. After positive developments in the Americas, the Chinese market is seeing a rapid increase in demand of AMT transmission technology.

KA continues to develop its shift-by-wire products in Europe and Asia. OEMs building the newest hybrid or electric vehicles require functional safety guidelines; KA's next generation of shift-by-wire products intends to meet those needs.



- > GEAR SHIFTERS FOR AUTOMATIC AND MANUAL TRANSMISSIONS
- > SHIFT CABLES AND TOWERS
- > GEAR AND CLUTCH CONTROL SYSTEMS INCLUDING ACTUATORS
- > VEHICLE DYNAMICS PRODUCTS FOR CABINS AND AXLES



# KA AT A GLANCE INTERIOR

Kongsberg Automotive (KA) develops and supplies a world-class range of interior comfort systems, light-duty cables, and actuators for the passenger car, commercial vehicle, and off-highway markets. Interior's innovations offer car makers easy integration, customization, and a real cost advantage. With its complete range of seat comfort products, developed and manufactured in-house, Interior is leading the market for integrated climate and comfort supply.

#### MEETING COMMITMENTS

After beginning rollout in 2019, Kongsberg Automotive's reliable manufacturing processes and top-tier quality are now fully installed across all Interior sites. In addition, Interior has deployed automation solutions in most product streams across all regions and piloted newer technologies in order to further enhance process efficiency.

During 2020, an already strong order book has become even stronger, despite the challenges the year has offered. KA has been awarded new contracts with both existing and new OEMs and Tier1 customers.

#### ADDING VALUE

Kongsberg Automotive's quality, service, and flexibility continues to be recognized by OEMs. This services short-term needs and provides value to the long-term plans of KA's customers. KA's product range is recognized as being well suited for coming developments, such as vehicle electrification and autonomous driving.

A new electromechanical actuator was launched by the Light-Duty Cable business area, expanding the product portfolio for medium-force applications. Keeping consumer convenience in mind, seat controls and cables are designed to ensure ease of use in any environment.

Interior is currently developing next-generation pneumatic core components to future-proof KA's portfolio to coming specifications and anticipated functions in seat support, multi-contour, and seat massage systems.

The trend of moving seat ventilation systems away from active conditioning continues. Consequently, KA has seen further orders of high-profile programs utilizing seat ventilation systems. These systems offer significantly more energy-efficient cooling.

#### PRODUCT PIPELINE

Product evolution continues at Kongsberg Automotive, and so do new program launches with major OEMs.

The market for vehicle surface heating is seeing growth in both fitment rate and demand for ancillary products, such as panel heaters for the driver's side of the vehicle, also referred to as "comfort cocoons".

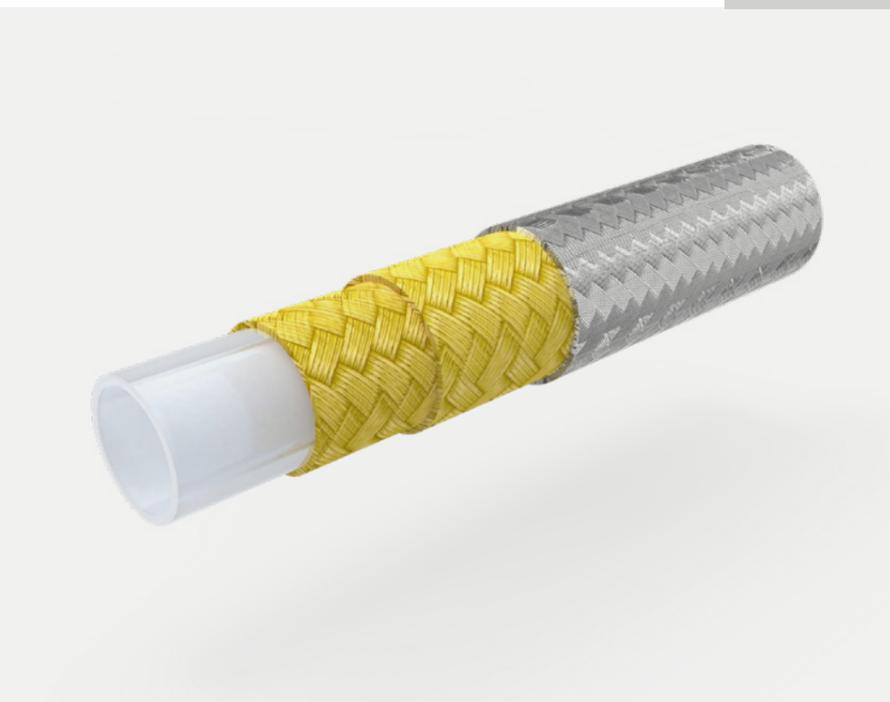
- > SEAT CLIMATE SYSTEMS
- > SEAT SUPPORT SYSTEMS
- > LIGHT-DUTY CABLES
- > ELECTROMECHANICAL ACTUATORS
- > PANEL HEAT SYSTEMS FOR ELECTRIC CARS



## KA AT A GLANCE SPECIALTY PRODUCTS

**Kongsberg Automotive (KA)'s Specialty Products segment consists of three business units: Couplings, Fluid Transfer Systems, and Off-Highway. These niche product business units are driven by an entrepreneurial focus on innovation and growth.**

- > COMPRESSED AIR COUPLINGS
- > FLUID TRANSFER SYSTEMS INCLUDING SPECIALIZED HOSES, TUBES, AND ASSEMBLIES
- > OFF-ROAD PRODUCTS FOR VARIOUS INDUSTRIES, INCLUDING STEERING COLUMNS, DISPLAYS, PEDALS, AND HAND CONTROLS
- > OTHER NEW INNOVATIVE PRODUCTS UNDER DEVELOPMENT



### COUPLINGS

KA's Compressed Air Couplings business unit is a technology leader focused on supplying state-of-the-art products to the global commercial vehicle market.

The focus on safety, durability, and sustainability ensures delivery of high-quality engineered products to a wide range of customers in the commercial vehicle segment. The Raufoss ABC™ product range provides customers with advantageous, flexible solutions that can be tailored to their specific requirements. KA's couplings ensure an airtight system and maximal system air flow ensuring a fast brake reaction. The optimized system builds provide the lowest possible lifetime cost for the vehicle owner. The Couplings business unit has transformed from a single manufacturing location to having a global presence, serving customers on location globally. Couplings expanded its manufacturing footprint by launching production in KA's Cluses plant, to better serve and expand its customer base in southern Europe. To increase production capabilities not only in Europe, but also in China and North America, Couplings has invested further in automation.

Couplings has continuously grown its market share in China, Europe, and the Americas over the past decade. The global vehicle market appreciates the benefits of lighter weight, easier assembly, high functionality, flexibility, safety, quick and easy system testing, and validation, resulting in a growing demand.

Product development: Couplings' engineering and development activities were focused on innovation projects, expanding the product portfolio for new applications and markets.

### FLUID TRANSFER SYSTEMS

KA's Fluid Transfer Systems (FTS) business unit is an innovative supplier of technical hoses and hose assemblies.

FTS has continued to secure new business contracts in the commercial vehicle segment with market leading OEMs, including development contracts for next-generation coolant systems for hybrid trucks.

FTS has won several new business contracts in its passenger car business and has developed greater market access with battery coolant lines for electric vehicles and air-suspension assemblies for both electric and hybrid cars.

In various industrial markets, FTS supplies PTFE hoses and assemblies for hoses. In 2020, KA's patented Ultiflex™ product line continued to gain market share in both food and pharmaceutical applications while KA's industrial smooth-bore PTFE hose range maintained market leadership.

Despite the unique challenges that 2020 presented, FTS is well-positioned to harness the expected market recoveries in all the industries it serves.

### OFF-HIGHWAY

KA's Off-Highway business unit supplies engineered solutions in steering systems as well as both mechanical and electro-mechanical driver controls to the following markets: powersports, construction, agriculture, and outdoor power equipment.

In 2020, Off-Highway continued to expand its product portfolio with new electronic driver controls for powersports and outdoor power equipment applications. These new products answer demands coming from both existing and new KA customers and allowed the Off-Highway business unit to grow.

Despite 2020's challenges, Off-Highway continued to grow, developing new products and expanding its customer base in all market segments served. This has put KA and Off-Highway in a very good position to take advantage of the expected market recoveries in 2021.

# CUSTOMERS

# ECONOMIC PERFORMANCE

Kongsberg Automotive is proud to serve leading OEMs and Tier1 suppliers in automotive, commercial vehicle, and off-highway markets globally.

Information on Kongsberg Automotive's financial performance in 2020 is available in the Annual Report, downloadable here >>>



# ETHICS & INTEGRITY



**FOR MORE THAN 60 YEARS, KONGSBERG AUTOMOTIVE'S CULTURE HAS BEEN THE BASIS OF ITS ACHIEVEMENTS AND IT WILL CONTINUE TO CARRY THE GROUP INTO THE FUTURE. OUR VALUES SERVE AS GUIDES IN OUR EVERYDAY WORK LIFE, OUR WORK RELATIONS AND DAY-TO-DAY DECISION-MAKING.**

## INTEGRITY

Keeping our promises demonstrates our integrity. We seek to maintain a spirit of transparency and honesty in everything we do. This obligates us to guide each other, our customers, and other stakeholders in the best possible direction.

## TEAMWORK

Be supportive of each other's efforts. Be loyal to one another and to business decisions. Involve and include across functions and units. Care for each other, both professionally and personally.

## ACCOUNTABILITY

We accept responsibility for our actions and live by our Code of Conduct. We are transparent in our reporting and make decisions through experience and good judgment.

## CREATIVITY

Creativity is problem-solving, and we believe in solving the impossible. We never settle for the first, easiest, or quickest solution. We carefully analyze, research, and create custom solutions that make our products stand out.

**Kongsberg Automotive places the highest importance on integrity and ethical conduct. The ethical standards expected of a top tier automotive supplier are set out and maintained by a set of policies and procedures of which the key document is our Code of Conduct.**

The Code of Conduct sets the tone of our ethical performance, how we expect employees to act when representing the company. It is available in 13 languages and is communicated to all employees. Training and guidance on the Code of Conduct are available to all employees through classroom style training, workshops, and an e-learning program. The training focuses on relevant ethical dilemmas to ensure that employees understand the Code and their responsibilities.

We maintain a dedicated whistleblowing service, available through internal reporting channels and our website, for anyone to report any suspected misconduct relating to that set out in our Code of Conduct. This whistleblowing service is confidential and anonymous, without retaliation. All reports or concerns are investigated by Kongsberg Automotive's Compliance Committee.



# PRIORITIZING MATERIAL ISSUES

Deciding on which sustainability issues should be our highest priorities for the coming years, we primarily consider two things:

- the degree we perceive the issue to be a risk to the business achieving its strategic aims over the next three to five years.
- the importance it has to our stakeholders

However, prioritization of an issue is not set in stone. Many internal and/or external factors could raise or lower the importance of a particular issue against other issues.

The most notable change in our matrix for 2020 from 2019 is the pandemic. The risk of a pandemic to the business is an issue that previously we considered to be very unlikely and therefore was not included in our list of priority issues. 2020 has changed this assessment of the risk, given the impact to both our business and our customers. Managing our business through the pandemic and its impacts on our workforce, operations and business is a key priority for 2021.

The other significant change in the matrix this year is that climate change and reducing our business's carbon footprint has also increased in importance. Producing carbon neutral products is now a strategic aim for Kongsberg Automotive, with a target to use 100% renewable energy in all our facilities by 2030. Customers and investors have increasing expectations for us to communicate more on how we manage the impacts of climate change on our business. We expect governments to implement legislation in the coming years to encourage organizations to reduce their carbon emissions, including potential taxes on carbon. We expect that the automotive industry will also experience significant change over the next 10 to 15 years as restrictions on the sale of petrol and diesel cars come into force.



# PEOPLE



## 17 SITES ACHIEVED IN 2020

The health and safety of our employees has always been a fundamental priority, but the pandemic meant we had to think about how to keep our employees healthy in ways we had not had to do before.

It required quick responses to arising challenges and flexibility in changing the ways we worked: we enabled social distancing by modifying the set-up of our factories and shift patterns and supported our office workers in making their homes their places of work. But as infection rates rose around the world, we understood that keeping our employees healthy extended beyond our facilities to how they travel to and from work and helping their families to stay healthy too.

The pandemic brought pressures and stress for people both in work and in their personal lives. As the first national lockdowns came into place, many of our workforce were put onto government furlough schemes while production levels were severely impacted. As the year progressed and we had more clarity about future production levels, we were able to bring these employees back to work, all while complying with the different workplace rules and regulations in the different countries.

Our employees responded with resilience and adaptability to the challenges of 2020. Our collective response to the pandemic meant we were able to maintain healthy work environments, limiting the spread of the virus.

### SUPPORTING EMPLOYEES AND THEIR FAMILIES THROUGHOUT THE PANDEMIC

### 33% IMPROVEMENT IN NUMBER OF INJURIES IN 2020 FROM 2019



#### DIVERSITY AND RESPECT

We are committed to creating and maintaining a diverse workforce and ensuring a culture of respect in our work environments. With facilities located on four continents and supply chains that spread even further around the world, we believe that a more diverse workforce will only serve to make our company stronger and more successful.

By the end of 2020, our headcount was 11,234 employees. Women currently make up just over 47% of the total workforce and 17% of the Global Leadership Team. The Board of Directors is comprised of three women (37.5%) and five men (62.5%). Of our total workforce, just over 25% are aged under 30 years of age, over 52% are between 30 and 50 years of age, and 22% are over 50 years of age.

We encourage our employees and their families to respect others both in and out of the workplace. In 2020, in response to rising cases of violence against women in some of the countries where we are located, we held an initiative where employees could demonstrate their commitment to equal rights for all genders and that we stand together in not tolerating any discrimination or violence against women. The response from our employees was great. In Mexico, as cases of domestic violence increased during the lockdowns, we made sure that our female employees had information on what support services are available to any victims.

#### JOB OPPORTUNITIES FOR PEOPLE WITH DISABILITIES

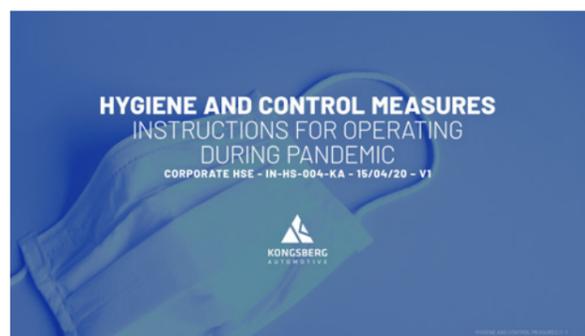
Our Nuevo Laredo plant in Mexico provides job opportunities for people with disabilities who have not previously been employed. With opportunities from production operators to warehousing and within human resources, we support our colleagues as they learn new skills, grow in confidence, and feel as valued members of their teams. These opportunities have helped our colleagues become more independent and rely less on their parents' support in other day to day activities. Our colleagues, and the important roles they have in their teams, help to make richer, more content, and better performing work environments.



**PROTECTING OUR EMPLOYEES DURING THE PANDEMIC IN 2020**

Health activities in 2020 were dominated by actions to make safe and healthy work environments. With approximately 50% of our workforce located in Mexico (27%) and Poland (23%), we were susceptible to sharp rises in the infection rates in these countries in the second half of 2020.

The pandemic situation was monitored and controlled by our Corporate Disaster Team supported by local Disaster Teams in each facility. Regular COVID-19 employee communication was commenced in January and the company contingency plan was activated from February with pandemic plans introduced in all our facilities worldwide. Drawing on best practice, we quickly established a set of clear instructions for our sites to ensure the highest standards of hygiene and protection against COVID-19.



The stringent controls that were put in place in our facilities meant that most of the infections within our workforce occurred outside our facilities. In 2020, approximately 340 employees tested positive for COVID-19 with the majority making full recoveries.

**SAFE WORKING ENVIRONMENTS**

As the pandemic started to spread globally in the beginning of 2020, we established guidance for our facilities to establish socially distanced working, the use of facemasks at our facilities, regular handwashing, and cleaning of all work areas. We restricted business travel to only the absolute necessary and restricted visitor access, with strict protocols being implemented for any visitor to our facilities.

Communication of the guidelines, and the needs and benefit to employees to follow the guidance was a key component in our pandemic response. Throughout the year, we provided literature for our employees explaining how they could keep themselves and their families safe. We also produced videos and posters and training sessions to communicate the key messages in various engaging ways, reinforcing the message that not only do we need to take care of each other within the workspace, but also outside of work too.



One of the first lines of defense against the virus and potentially spreading it to many people in an enclosed area such as a factory or office was to ensure that anyone displaying symptoms did not interact with others until they recovered. In the first few months of the lockdown our plants installed technology at their facilities that could check the temperature of each individual entering the building. Whenever someone with a high temperature was identified they were asked to self-isolate at home and take a COVID-19 test if they could safely access a test facility in their area.



Using technology, where available and reliable, aided our COVID-19 response. In our offices and laboratory in Michigan, United States, employees used the State of Michigan's MI Symptoms app to gauge whether users may be at risk for COVID-19. From November, all employees need to complete the MI Symptoms survey before entering the building. Whenever an employee is assessed to be at risk they must stay at home until their risk rating changes.

Another approach to limit the spread of the virus in our workplaces was mass testing at our plants in areas where infection rates were rising quickly. This allowed us to identify any infected individuals, especially those that are asymptomatic, and ensure they isolated safely from the rest of our employees. Our Vrable plant in Slovakia and Mulsjo plant in Sweden were two of our plants to use mass testing effectively within our facilities.

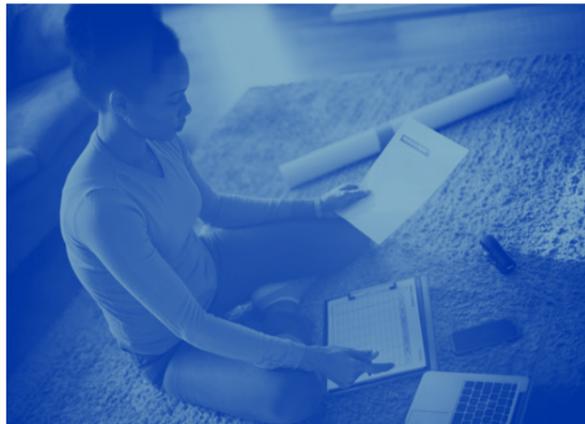
Our Reynosa plant in Mexico flanked its mass testing efforts with its own track & trace program, in response to the high infection rates in Mexico during the middle to end of 2020. Employees who tested positive were connected by chat, so they were able to share information on support services they can access from local health services. This connection also allowed colleagues to stay in touch and provide emotional support to each other throughout their recoveries.

The financial strain of lockdowns, self-isolations and quarantines cannot be underestimated. For many people, isolating at home without income only created extra stress at a time when the main focus for their energy should have been on getting better. Where we could, we tried to relieve our employees of some stress during these critical times. In our Willis plant in Texas, in the United States, we supported infected employees at the onset of our first positive cases by paying their wages during the two-week quarantine period. Through the months of June to August, the plant offered employees paid coverage throughout their quarantine period if they provided a positive test result.



Our Vrable plant in Slovakia worked directly with any employee who tested positive and supported them with information on what they need to do and what support they could access from national institutions.

Early into the pandemic, we instructed all employees who could perform their work activities from home to do so. Shift schedules and patterns were adjusted to ensure that social distancing and cleaning tasks could be maintained to provide safe working conditions in our facilities, but we recognized that there was more we could do to protect our employees. Public transport was identified as a high-risk area for infections and so some of our plants that did not already provide transport arranged private buses for employees. Where transport was already provided, modifications were made to ensure that the best practice guidance on social distancing and clean surfaces were maintained through increasing the amount of transport or modifying the seating arrangements.



#### SUPPORTING EMPLOYEES AND THEIR FAMILIES

Keeping our employees safe during work hours and in our facilities can only do so much in limiting infections. Mexico in particular went through a period in 2020 when the infection rate was rising steeply in the general population. We wanted to support our employees and their families in helping them secure some of their basic needs and helping reduce the need they had for mixing in the general population at such a critical time. Our plants in Nuevo Laredo, Matamoros and Ramos Arizpe in Mexico responded by organizing regular fruit and vegetable markets in their facilities for employees so their families did not have to go to crowded shops and markets.

Many of our plants provided packs for our employees and their families that contained essential items for keeping themselves protected against the virus. In our Pruszkow plant, the packs contained face masks, a warm face covering for the winter and a sanitizer wristband and hand gel.



During the first wave of infections in Mexico, our plants came up with some initiatives to involve employees and their families in spreading key messages on how to stay safe while going about their daily lives. Each plant asked employees to freely make a pledge to keeping themselves and their families safe by signing our “Kongsberg Automotive Family Safety Commitment”.

One of the most effective initiatives were a series of videos of the families of some of our employees speaking about their experiences with COVID-19 and how to protect their loved ones. Recognizing the importance of people staying at home, the plants gave the employees board games to keep them and their families entertained together at home. The plants also involved the employees’ children to design posters on staying healthy outside of work that were then displayed in prominent spaces in the workplaces.



#### USING SKILLS TO MAKE FACEMASKS

**AT THE START OF THE LOCKDOWN PERIOD, OUR INTERIOR SEGMENT PUT THEIR UPHOLSTERY SKILLS AND EQUIPMENT TO USE IN THEIR LOCATIONS IN EUROPE AND MEXICO TO MANUFACTURE NON-MEDICAL, REUSABLE FACE MASKS.**

Dana Vojtekova, a Process Engineer at our Vrable plant commented: “We used the available machines to make samples. It was an interesting process, trying out different designs, and cleaning the machines after each time a new sample was made. It was difficult to find the material we needed, but we managed and got the approval to start production.”

We donated thousands of these facemasks to various good causes and local aid organizations in Germany, Austria, Poland, and France, including the Bavarian Red Cross in Munich, the Franziskuswerk Schönbrunn village for disabled people near Vienna, the City Councils of Pruszków and Warsaw in Poland, and the Industry Apprenticeship Learning Centre in Cluses in France.

**4 MONTHS  
WITH 0 ACCIDENTS  
COMPANYWIDE**

**LESS THAN 1 ACCIDENT  
PER 1 MLN PERSON HOURS**

### HEALTH & SAFETY

All our manufacturing facilities have aligned their safety management systems to the new ISO 45001 standard. Several facilities have achieved certification to this safety standard in 2020, with all remaining plants planned to become certified by the end of 2021.

2020 saw the successful external recertification of all our manufacturing locations to the ISO 14001 Environmental Management Systems standard. This standard ensures that our plants consider the environmental impact of their work and set targets for improving their environmental performance.

Objectives and plans for continuous improvement of HSE performance were set and communicated in early 2020. Key performance indicators were reviewed regularly by executive and senior management, and in response to changing priorities and issues through the year we adjusted our plans accordingly. As a result, we continued to make good progress in improving our HSE performance year on year.

### IMPROVED SAFETY RECORD

Safety is always a fundamental priority for us, and despite the challenges of COVID-19 (including rapidly changing situations, such as employee turnover, new process and protocols) 2020 was our best year yet for safety performance.

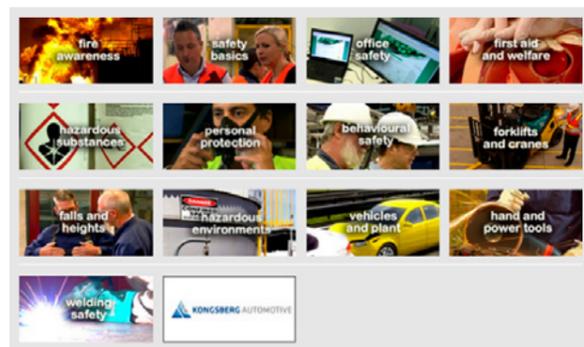
In 2020, we reported 16 injuries, an improvement of 33% over the 24 injuries in 2019. We had an average of less than one accident for every million person hours worked in 2020. 17 manufacturing locations reported zero accidents in 2020 (an improvement from 15 locations in 2019). In 2020, we achieved four calendar months companywide with zero accidents.

Over the last four years we have achieved a 66% reduction in the number of reported injuries, and these results demonstrate our focus on Health & Safety and ensuring the necessary resources, employee engagement, training and awareness, improved work processes, and ergonomics analysis is given across the company.

### HEALTH & SAFETY TRAINING

We use an online training platform to deliver all Health & Safety training across our facilities worldwide. This allows us to ensure the quality of our training and the messages we want to communicate to staff are consistent and in line with our strategic ambitions for Health & Safety. Employees with computer access can access the training directly, and for our factory workers the training modules are used as one source of information in group training sessions in combination with the knowledge and experiences of our dedicated Health & Safety staff that deliver the training. All the online training platform content is tailored to suit regional requirements and is delivered in the most commonly spoken regional languages.

The platform offers 117 training modules covering all aspects of Health & Safety in the workplace. In 2020, modules were added on COVID-19 and how to maintain healthy work environments. A total of 2,126 e-learning training modules were taken in 2020.



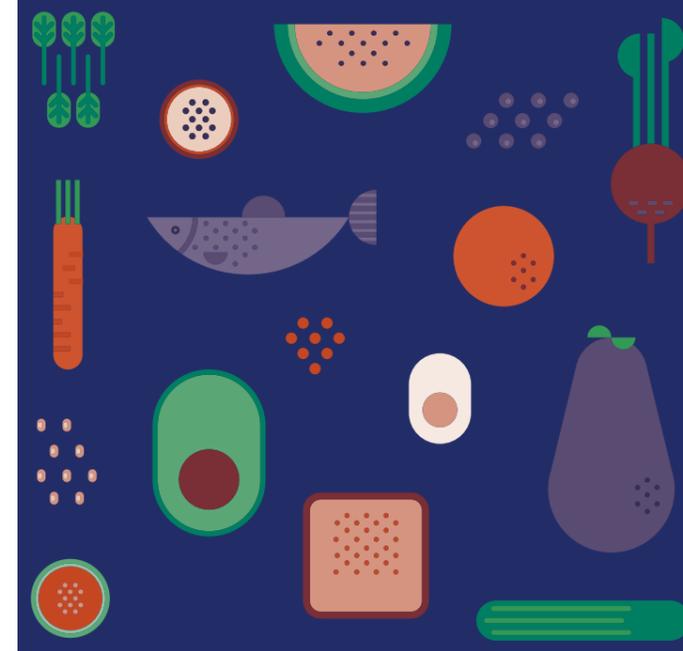
Screenshot of our Safetyhub training home page

Our Health & Safety teams in each plant also deliver monthly bespoke Health & Safety training to the employees in the plant that is focused on the day-to-day manufacturing activities and identified Health & Safety risks for these activities. Each plant has an HSE Committee comprising of shop floor employees and plant management that, amongst other responsibilities, identify day-to-day Health & Safety risks.

### HEALTH & WELLBEING

With the challenges that COVID-19 presented and the disruptions to the usual ways of working it was important that we supported the wellbeing of our employees as they responded to rapid change. Some examples of this support are:

- Our plants in Mexico and the plant in Yangsan, South Korea, provided their employees with training on managing stress. The training gave employees tools to cope with anxiety in critical moments, and recommendations on how to improve mental wellbeing. Our Pruzskow plant in Poland also delivered training through their Talent & Development Specialist to give employees guidance on recognizing stress and its effects and how to communicate and seek support from others in times of need.
- Each of our Mexican plants have a psychologist present on-site at specific times through the working week that employees can access for support.
- Our Brzesc plant in Poland and Matamoros plant in Mexico provided free flu vaccinations to their employees to limit the spread of other viruses in the workplace.
- In Norway, our Hvitvingfoss plant provided access for employees to psychologists through both an external company and through the employees' health insurance. Part of the support services included a program to help employees overcome any addictions.
- In the UK, all employees now have access to a financial wellbeing service. Employees can access this service and use the tools to plan budgets and manage debts, allowing them to take control of their financial situation and achieve their savings goals.
- Many plants, such as our Siofok plant in Hungary, provided free fruit to their employees as healthy snacks throughout the workday.



## ALIMENTACIÓN SALUDABLE

**UNA ALIMENTACIÓN SALUDABLE ES MUY IMPORTANTE DURANTE LA PANDEMIA DE COVID-19. LO QUE COMEMOS Y BEBEMOS PUEDE AFECTAR A LA CAPACIDAD DE NUESTRO ORGANISMO PARA PREVENIR Y COMBATIR LAS INFECCIONES Y PARA RECUPERARSE DE ELLAS.**

Aunque ningún alimento ni suplemento dietético puede prevenir ni curar la COVID-19, una alimentación saludable es importante para el buen funcionamiento del sistema inmunitario.





**THERE WILL BE  
A NEED FOR  
EMPLOYEES WHO  
ARE SUFFICIENTLY  
QUALIFIED  
TO OPERATE  
SOPHISTICATED  
EQUIPMENT AND  
WHO CAN DESIGN  
PRODUCTS TO  
SUIT EMERGING  
TECHNOLOGIES**

#### **SUPPORTING THE NEXT GENERATION OF ENGINEERS**

In the coming years, one of the medium- to long-term challenges for engineering companies is increased competition for a declining pool of skilled engineers. The numbers of students progressing with studies in the STEM – Science, Technology, Engineering & Math – subjects have been in decline for some years, but with advances in technology involved in manufacturing processes and the vehicles of the future there will be a need for employees who are sufficiently qualified to operate sophisticated equipment and who can design products to suit emerging technologies.

With this in mind, many of our plants partner with local education institutions to support and promote STEM subjects, and especially engineering in higher education and as future job opportunities.

Our Willis plant in Texas works with Texas A&M's College of Engineering Internship/Co-op program to bring in engineering students for a semester, the program usually being the length or equivalent of an academic term. The plant has managed to strike the right balance between the interns' learning goals and the work to be done. Interns can gain valuable experience in developing new products and modifying existing ones, working on areas from design and manufacturing activities through to laboratory testing.

Our Brzesc plant in Poland works with four local schools, organizing visits to the plant and taking them on plant tours. With a focus on Engineering, Mechanics, Logistic and Mechatronics, the plant organizes internships for the students and funds prizes and awards for the students.

In the UK, our Normanton plant participated in the UK-wide Big Ideas program, an award-winning STEM and enterprise program, by mentoring students from a local secondary school who help them develop solutions to a sustainability-related problem that was important to them. Developing the ideas and business cases allowed the students and mentors to develop entrepreneurship, teamwork, and presentation skills and broaden their knowledge of how STEM skills can be applied universally.

**“** We want to support our local community whenever we can, and what better way than to build students' interest and excitement in the STEM subjects. It's invigorating to see the students develop their ideas and grow in confidence as the program progresses. More than ever before, young people are thinking about sustainability and their futures and we are proud to support them to make positive changes.”

**MARK SPENCE, NORMANTON'S PLANT MANAGER**



#### LOCAL COMMUNITY

Our facilities, both the plants and offices, are active participants in their local communities. Despite the pandemic limiting the ability of people to get together, they still managed to provide support their communities in 2020.

Our Matamoros plant in Mexico supported local elementary schools where employees' children go to school thanks to donations of lightbulbs. The plant also donated basic supplies – face masks, and sanitizing gel and alcohol – to a local hospital.

Our Epilá plant in Spain donated computer equipment to La Purísima School for deaf children in Zaragoza to help the children with their studies.

In July 2020, Hurricane Hanna brought heavy flooding to the area surrounding our Reynosa plant in Mexico. While it did not affect production at the plant, it did affect the areas where some of our employees and their families live. Not only did the plant provide food parcels to the affected employees and their families, but it also provided 100 of these parcels to a home shelter set up in a public auditorium in Reynosa to support flooded families.

## PLANET

### KA'S COMMITMENTS

**CARBON NEUTRAL PRODUCTS**

**100% RENEWABLE ENERGY**

In 2020, Kongsberg Automotive took a big step on its journey to being more sustainable by making the commitments to purchase 100% renewable energy by 2030 and produce carbon neutral products by 2039.

Our vision is to make a meaningful contribution to society's efforts to tackle climate change and support our customers' strategic goals to offer more sustainable products. Kongsberg Automotive works to reduce the carbon emissions created by its business operations and its products, helping customers meet their ambitions of making lower emission producing end products. Kongsberg Automotive also uses its influence to create positive change in its supply chains and change work practices around the world to be more sustainable.

Through the Carbon Disclosure Project (CDP), we report annually on climate change risks and the management of, and efforts to reduce, the carbon emissions created by our manufacturing activities. Kongsberg Automotive's latest CDP Climate Change report is available on its website and via the QR code .

#### CLIMATE CHANGE GOVERNANCE

The Board of Directors and Global Leadership Team (GLT) are responsible for the organization's strategic direction regarding climate change. They regularly review material climate change issues that are raised through either Kongsberg Automotive's business segments (operational issues) or its corporate climate change experts (strategic issues).

Our plants, with the support of corporate functions, are responsible for the day-to-day management of risks and opportunities related to climate change at their sites. Organization-wide initiatives are set by corporate teams. A delegation-of-authority process is in place, through which significant climate change risks and decisions on mitigation actions are raised to the governance bodies for discussion.



**CLIMATE CHANGE RISKS AND OPPORTUNITIES**

Our key climate change-related risks and opportunities can be summarized as follows:

**CLIMATE CHANGE RISKS**



**Changing market**

Our customers have a focus on lowering the emissions generated by their products. They require lighter and more efficient products from their supply chain. For any products designed a number of years ago there is a risk that the market may become restricted for them.

Prices can be subject to large fluctuations in response to relatively minor changes in supply and demand and a variety of additional factors beyond our control, including government regulation, capacity, and general economic conditions.



**Disruption to supply chains by extreme weather**

Disruptions to supply chains through extreme weather events has the potential to affect our contractual obligations to customers. We are assessing supply routes through the NatCat system to understand the probability of extreme weather disruptions. Where risks are identified as high, we are working with suppliers on mitigation plans.



**Cost of carbon**

There is a risk that governments, in response to the need to act decisively to meet their Paris Agreement commitments, introduce a cost to carbon through legislation in order to incentivize businesses to achieve aggressive carbon emission reductions.

The current price of carbon under the EU ETS is approx. 20 Euros per metric ton, though it is accepted that a better price for carbon that will prompt more meaningful changes from participating companies is 50 Euros per metric ton.



**Increased costs of energy and supplies**

Increased costs of energy and supplies due to the volatility in energy and commodity markets could lead to higher prices and reduced profitability. We have exposure to market fluctuations in the price of the following major raw materials: steel, copper, zinc, aluminum, polymer resins, and electronics. A sudden fluctuation in the market conditions could impact our financial position, revenues, profits, and cash flow. The raw material sourcing cost is also exposed to customs and duties and politically driven changes of those.



**Impact of greater changes in temperatures and weather on manufacturing facilities**

There is a risk that higher or lower seasonal temperatures than usual, more frequent hurricanes, higher levels of snowfall, etc. could impact manufacturing facilities leading to CAPEX expenditure to ensure safe and efficient work environments.

**CLIMATE CHANGE OPPORTUNITIES**



**Development of new products or services in response to changes in customer requirements**

Our automotive customers have a focus on reducing the emissions generated by their products. This leads them to require lighter and more efficient components for their products from their supply chain that help achieve higher fuel efficiencies, reduce end-product weight, and use less energy.



**Use of lower-emission sources of energy**

Where it is practical to install renewable generation at our plants, this would have the benefit of reducing our carbon footprint and moving us closer to our 2030 target of only using renewable energy. It will also provide us with more certainty on the cost of energy over the long-term and protect us from price fluctuations in energy markets.

Currently, 34% of purchased electricity is generated from renewable sources. Five of our manufacturing facilities – four in Scandinavia and the Brazilian facility – purchase 100% renewable electricity. Two facilities have installed solar panels that provide some of the energy they use, and other plants are in the process of assessing the feasibility of installing renewable generation at their facilities.



**Resource efficiency**

Reducing energy usage and waste in manufacturing facilities leads to more efficient processes and equipment being installed, resulting in reduced OPEX spend.



**Recycling**

The move to circular economies and a focus on reducing, reusing, and recycling materials to eliminate waste to landfill presents an opportunity to design products that require less raw material inputs.

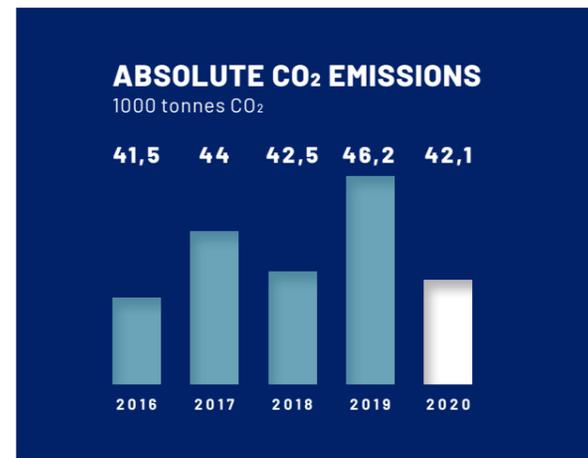
**SCOPE 1 EMISSIONS:** 2,667 METRIC TONS CO<sub>2</sub>  
(3,054 METRIC TONS CO<sub>2</sub> IN 2019)

**SCOPE 2 EMISSIONS:** 39,513 METRIC TONS CO<sub>2</sub>  
(43,212 METRIC TONS CO<sub>2</sub> IN 2019)

**2020 CARBON EMISSIONS**

The majority of our carbon emissions are associated with the electricity used in manufacturing (Scope 2 or indirect emissions). Our plants consume limited amounts of fuel directly at site (Scope 1 or direct emissions), most commonly for heating, forklifts, and in canteens.

categories to our supply chain emissions, we are using this information as a starting point to inform a more strategic approach to these emissions that we will begin to develop in detail through 2021.



**ENERGY, WASTE AND WATER**

All our plants collect energy consumption data, and each was targeted in 2020 to decrease Energy Intensity (annual energy consumption per total product sales) by 1% from their 2019 level. In 2020, companywide Energy Intensity remained constant with the 2019 level at 102 kilowatt hours for every 1000 Euro of total product sales. Absolute energy use reduced by 13% to 109 million kilowatt hours from approximately 125 million kilowatt hours in 2019. This was mainly due to the impact of COVID-19, as manufacturing utilization was reduced particularly in the second quarter. Our plants also worked on energy conservation initiatives with many continuing the conversion to LED lighting and two locations now using roof-mounted solar panel installations.



Our Mullsjo plant in Sweden replaced two old diesel forklift trucks with new electric forklifts. These are used for loading and unloading trucks and moving plastic and metal components between the different buildings at their facility. By changing to these new forklifts, the plant will save over 14,000 liters of diesel each year. Given that Mullsjo is one of our plants that purchases 100% renewable energy, using these trucks, the plant does not create any carbon emissions.

In 2020, we made the first steps to understand and quantify our supply chain (Scope 3) emissions. Using our 2019 purchasing spend data and the Quantis Scope 3 evaluator we calculated emissions for a number of categories, including purchased goods and services, capital goods, business travel, employee commuting, and downstream transportation and distribution. As the data only gives us an approximate idea of the contributions of the different

**WASTE**

Our plants seek opportunities to increase the amount of materials that are reused or recycled. In 2020, our aim was a reduction of 1% of the annual amount of waste sent to landfills or requiring special treatment compared to annual sales (the Waste Index). The Waste Index improved by 16% in 2020 to 1.33kg/1000€ compared with 1.58 in 2019. Our absolute amount of waste reduced by 27% to 1.4 million kilograms in 2020 from 1.9 million kilograms in 2019. Notably, eleven manufacturing locations were landfill free in 2020.

**WATER**

Even though our business is not water intensive, we still measure water usage at our plants and set the target for our plants to reduce usage by 1% from the previous year. We achieved a 14% reduction in overall water usage, using 108,993 m<sup>3</sup> in 2020 compared to 125,610m<sup>3</sup> in 2019.



# PRODUCTS & SUPPLY CHAIN



**The automotive industry has a critical role to play in the move to creating more sustainable ways of life. The industry is aiming to make vehicles with lower lifetime emissions, from creating fewer emissions in the manufacture of parts through to the emissions created through use of the vehicles.**

We aim to be a technological leader. At the heart of our technology development is a dedicated team of around 550 highly skilled engineers spread across our global tech centers located in Canada, China, Germany, India, Norway, the U.S., and Sweden.

#### NEW WUXI SHOUFANG PLANT IN CHINA

In March, during the height of pandemic disruptions in the country, we opened our newest plant in China with the first products delivered to customers in April. The plant has been established to support the growth of our Interior business segment.

The plant is already producing seat heating and seat ventilation systems, while in 2021 lumbar support systems will begin to be manufactured in the plant.

#### NEW TECHNOLOGY CENTER IN INDIA

In 2020, our Interior segment continued to expand its electronic and software engineering presence by estab-

lishing its technology center in India. The new technology center enables Interior to accelerate electronics engineering and product innovation and to offer more products with enhanced functionalities to customers.

#### AWARD-WINNING PLANTS

During 2020, the performance of some of our plants was recognized by some of our customers.

- ▶ Our Reynosa plant in Mexico was awarded with the GM Supplier Quality Excellence Award 2019. We were proud to be one of a small number of suppliers to GM to be chosen for quality and delivery performance from out of around 20,000 suppliers.
- ▶ Our Couplings team in Wuxi, China was awarded the Product Development Excellence Award 2020 by Dongfeng Motor Corporation.
- ▶ Our Matamoros plant in Mexico was honored to receive the Ford Q1 Award.



## 30% WEIGHT SAVINGS

### REAR AXLE STABILIZER FOR TRUCKS

#### REAR AXLE STABILIZER FOR TRUCKS

Our new rear axle stabilizer is a key part of a customer's new truck range that has been recognized for its innovative suspension and improved handling and stability.

Working with the customer on the design, the new stabilizer has been moved directly beneath the axle to provide direct roll load transfer into the stabilizer which greatly improves roll behavior. With high strength forged link arms, a high strength tube formed with innovative new forming technology and a unique welding method, the compact design provides 30% weight savings over traditional solid rod stabilizers and provides a compact solution that can withstand extremely high loads.

#### ELECTRIC CLUTCH ACTUATOR (ECA)

The actuator is designed to help a key customer take a step closer to a fully electrified future. Replacing a pneumatic actuator in the transmission platform in their heavy-duty vehicles, the actuator enables precise positioning and fast actuation, reducing torque interruption and improving control performance. By maintaining a constant operating stroke, the performance of the clutch remains constant throughout its life. Moving away from compressed air, which can be energy inefficient and prone to leaks, the ECA helps improve the fuel efficiency of the vehicle.

#### SUPPLY CHAIN SUSTAINABILITY

Raising sustainability standards of our supply chains remains an important focus for us. However, the pandemic limited the development of our supply chain sustainability program. Even though the pandemic meant we put on hold the external sustainability audits for some selected suppliers that we had planned, we continued to strengthen our systems and evaluate our suppliers' management of sustainability issues using the Sustainability Self-Assessment Questionnaires (SAQ) on the NQC platform.

When onboarding new suppliers and making sourcing decisions for new projects, all suppliers are evaluated



## IMPROVING FUEL EFFICIENCY

### ELECTRIC CLUTCH ACTUATOR

for the degree of management they have over sustainability issues:

-  Working Conditions and Human Rights
-  Health and Safety
-  Business Ethics
-  Environment Supplier Management
-  Responsible Sourcing of Raw Materials

We aim to work with suppliers whenever gaps and improvement opportunities are identified through these assessments.

We also used the NatCat system to assess our suppliers and their supply routes for extreme weather risks that may disrupt supply. Where a risk is identified, we work with the supplier to ensure that mitigation actions are put in place before we begin to receive goods from them.

#### CONFLICT MINERALS

We operate a due diligence process to identify risks and take action to ensure conflict minerals (Tin, Tantalum, Tungsten and Gold) used in our products do not directly, or indirectly through the supply chain, finance or benefit armed conflicts. In-scope suppliers are annually requested to provide information regarding used smelters or refiners for minerals. Reports from our suppliers are consolidated into the Kongsberg Automotive Conflict Minerals Report for distribution to customers. In 2020, all identified smelters and refiners were conflict free and successfully completed an assessment against the Responsible Minerals Assurance Process, RMAP standard.

**In 2021, we will begin collecting information from our supply chains and the origins of any Cobalt used in our products.**



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**REPORT CONTEXT**

We report annually on our CR performance. The reports cover the entirety of our activities and operations. No previously stated information has been recalculated and restated in this report.

*Please contact James Hubbard, CR Expert at [james.hubbard@ka-group.com](mailto:james.hubbard@ka-group.com) with any questions regarding this report.*