

RULES OF PROCEDURE FOR THE BOARD OF DIRECTORS OF Kongsberg Automotive Holding ASA

Adopted at a board meeting held on 6 June 2005 and amended on 30 April 2008

1. PURPOSE

- 1.1 The purpose of these Rules of Procedures is to lay down rules on the work and administrative procedures of the Board of Directors of Kongsberg Automotive Holding ASA (the “Company”).
- 1.2 To the extent permitted by law, the Board of Directors can decide to make exceptions from these Rules of Procedure.

2. RESPONSIBILITIES OF THE BOARD OF DIRECTORS

- 2.1 Pursuant to section 6-12 of the Public Limited Companies Act, the Board of Directors is responsible for the management of the Company. The responsibilities of the Board of the Company include the following:
 - a. The Board of Directors shall ensure that the Company's business activities are soundly organised;
 - b. The Board of Directors shall supervise the Company's day-to-day management;
 - c. The Board of Directors shall draw up strategies, plans and budgets for the Company's activities;
 - d. The Board of Directors shall keep itself informed of the financial position of the Company, and shall be responsible for ensuring that the Company's activities, accounts and asset management are subject to adequate control;
 - e. The Board of Directors shall initiate such examinations as it finds necessary for the performance of its duties. The Board of Directors must initiate such examinations if so demanded by one of its members;
 - f. The Board of Directors shall appoint the Company's CEO, approve his/her terms of employment and remuneration during the course of employment;
 - g. The Board of Directors shall draw up guidelines for the remuneration of the other executive members of Management in the KA Group, to be

- further decided by the CEO;
- h. The Board of Directors shall review the CEO's statements on the Company's activities, positions and profit/loss development;
 - i. The Board of Directors shall review and approve the Company's annual accounts, and issue an annual directors' report as required by section 3-1 of the Accounting Act;
 - j. The Board of Directors shall monitor the level of the Company's equity. If the equity is lower than can be deemed sound, the Board of Directors shall take immediate action. Within a reasonable period of time, the Board of Directors shall call a general meeting, give the general meeting an account of the Company's financial position and propose measures to provide the Company with a sound equity. The same shall apply if it must be assumed that the equity of the Company has been reduced to less than half the share capital, in which case a general meeting must be called within six months; and
 - k. The Board of Directors shall consider all matters of an extraordinary nature or of major importance to the Company.

3. RESPONSIBILITIES

- 3.1 The Board of Directors has the following main responsibilities:
 - a. Strategy (objectives, strategic plans, framework for operational plans, business plans, budgets);
 - b. Control (Risk profile and risk management, internal management routines and control systems, financial reports, analysis, budget management, auditor reports, customer satisfaction, working environment, legal requirements, internal and external environmental issues);
 - c. Organisational matters (Organisational structure, business areas, distribution of responsibility and authority, resource allocations, competence development); and
 - d. Evaluation etc. (Board evaluation, evaluation of CEO).

4. ADMINISTRATIVE PROCEDURES

- 4.1 The Board of Directors shall once a year adopt schedules for board meetings to be held during the next six months.
- 4.2 Further, the Board of Directors shall annually prepare a working plan for its activities, adapted to the size and organisation of the company. The working plan shall be based on the main responsibilities of the board and its fulfillment of these. Issues related to these main responsibilities shall be discussed in board meetings. The working plan shall be prepared in cooperation with the CEO.
- 4.3 The Chairman and the CEO shall prepare a draft working plan to be discussed and decided at the board meeting in December.

- 4.4 The Board carries the main responsibility for the management and activities of the company. The management of day-to-day operations is delegated to the CEO.
- 4.5 The delegation to the CEO and Board expectations in this respect should be communicated directly to him/her and be supplemented by a set of written instructions. The CEO shall report on the day-to-day operation in board meetings.
- 4.6 The Board shall annually evaluate its activities and competence, and report the results of the evaluation to the nomination committee. The report should include an evaluation of the composition of the Board and to which extent the Board members individually and as a group fulfill the objectives set for the Board's activities.
- 4.7 The Chairman, or in his/her absence the Deputy Chairman or the CEO, shall convene Board Meetings according to the schedule decided by the Board, or as they otherwise find necessary or desirable. Normally, the Board shall be convened six times per year.
- 4.8 Each member of the Board of Directors and the CEO may demand that a board meeting be convened to discuss specific matters. Each Board member may require reports and investigations. Such inquiries should be addressed to the Chairman of the Board.
- 4.9 Board meetings shall normally be convened by at least five days' prior written notice. The notice shall include an agenda of the meeting and such documents which may be necessary to give the Board of Directors satisfactory grounds on which to base its discussion. However, the Chairman may, if necessary, decide to convene board meetings by telephone and/or by shorter notice and/or to distribute relevant documents after the notice has been sent.
- 4.10 A member who is unable to attend a board meeting shall notify the Chairman or the CEO as soon as possible. Upon receiving such notice the Chairman and/or CEO shall, if applicable, give notice to an alternate member of the Board of Directors to participate in the meeting.
- 4.11 The Board of Directors shall normally deal with matters at meetings. The Chairman may, however, decide that the Board of Directors shall deal with a matter by way of a telephone meeting or a video conference or in writing. However, (i) each member of the Board of Directors and CEO may always demand that a question be discussed at a meeting, and (ii) the Company's annual accounts and the directors' report shall always be discussed at a meeting.
- 4.12 Board meetings shall be chaired by the Chairman, or in his/her absence, by the Deputy Chairman. If neither of these is present, the Board of Directors shall elect a chairman for the meeting.

5. QUORUM - MAJORITY REQUIREMENTS

- 5.1 The Board of Directors constitutes a quorum if more than half of its members are present or participate in the discussion of the matter in question.

- 5.2 The adoption of a resolution by the Board of Directors shall require that the majority of the members who have participated in the discussion of the matter have voted in favour of the proposal. In the event of a parity of votes, the Chairman shall have the casting vote.
- 5.3 In connection with elections or appointments, the person who achieves the highest number of votes shall be regarded as elected or appointed. The Board of Directors may decide in advance that a new vote will be held if none of the candidates achieve a majority of the votes cast.
- 5.4 In the event of a parity of votes in connection with the election of the Chairman, the Deputy Chairman or a chairman of a board meeting, the election shall be decided by lot. In other cases of parity of votes, the chairman of the meeting shall have the casting vote.

6. DISQUALIFICATION

- 6.1 A board member may not participate in the discussion or decision of issues which are of such special importance to such board member or to any related person (as defined in section 1-5 of the Public Limited Companies Act) of the board member that he/she must be regarded as having a major personal or financial special interest in the matter.
- 6.2 A board member may not participate in the discussion of a matter concerning a loan or other credit or the furnishing of security for his/her debt or any related person (as defined in section 1-5 of the Public Limited Companies Act).

7. MINUTES OF BOARD MEETINGS

- 7.1 The minutes will be sent to the members. The minutes shall be received by the recipient two weeks after the meeting was held, at the latest.
- 7.2 Any wish for a change of a resolve must be notified to the secretary of the meeting, who will consider the change after consultation with the chairman.
- 7.3 The minutes of the board meeting is resolved and signed during the following meeting. The entire board will sign. Those members, who were not in attendance, shall sign to confirm that they have seen the minutes.
- 7.4 The Board distributes summons to the general shareholders' meeting and makes sure that all necessary documentation is sent to the shareholders.
- 7.5 The Board of Directors is responsible for the submission of the company's annual accounts and the Board's annual report and the contents of these.
- 7.6 The board minutes shall state the time; place; number of attendants; if the meeting had quorum; if all board members have been given the opportunity to attend; the procedure chosen for discussion and references for each issue.

- 7.7 For each issue discussed, minutes must be taken, stating what the issue concerns; the basis for the Board's decision and the Board's final resolve. In those instances where it might be significant for the understanding of the resolve, a brief basis for the Board's decision shall be given. Aspects from the discussion, or particular views, shall only be recorded if it is serviceable for the follow-up of the issue, or when a member so wishes or requires.
- 7.8 Board members, who disagree on a resolve, have to vote against. The minutes shall always state who voted for or against resolves. Any member who disagrees may have his/her name recorded in the minutes.

8. THE BOARD OF DIRECTORS' RELATIONSHIP WITH THE GENERAL MEETING

- 8.1 The Board of Directors shall call the annual general meeting of the Company, which shall be held not later than six months after the end of each financial year.
- 8.2 The Board of Directors may at any time decide to call an extraordinary general meeting.
- 8.3 The Board of Directors shall call an extraordinary general meeting if so demanded by the Company's auditor or shareholders representing at least five percent of the total share capital. The Board of Directors shall ensure that the general meeting is held within one month of the demand being made.
- 8.4 The Board of Directors shall be responsible for the preparation of matters which are to be considered by the general meeting.
- 8.5 The Chairman shall be present at the Company's general meetings. The other members of the Board of Directors have the right to be present at and speak at the Company's general meetings.

9. DUTIES OF THE CEO

- 9.1 The duties of the CEO in relation to the Board of Directors shall be laid down in the general "Instructions for the Chief Executive Officer of Kongsberg Automotive Holding ASA" and other more specific instructions.

10. DUTY OF CONFIDENTIALITY

- 10.1 Members of the Board of Directors shall treat as confidential all non-public information and documents received from the Company in their capacity as board members and all non-public information as to the proceedings of the Board of Directors. The members shall take the necessary steps to ensure that no unauthorised persons gain access to such information. The Board of Directors may decide to make exceptions from this duty of confidentiality.

- 10.2 Members of the Board of Directors shall not make any statements to the public or to unauthorised persons regarding matters which are dealt with by the Board of Directors and which are not publicly known.
- 10.3 Upon retiring from the Board of Directors, a member shall return or destroy (as the Board of Directors may instruct) all documents of a confidential nature received from the Company.

11. TAKE-OVERS

- 11.1 The Board of Directors will apply to the Norwegian code of practice for Corporate Governance regarding take-overs.
- 11.2 The Board will help ensure that the shareholders are treated equally, and that the company's business activities are not disrupted unnecessary. The Board recognizes its responsibility to ensure that the shareholders are given sufficient information and time to form a view of the take-over offer.
- 11.3 The Board of Directors will not seek to hinder or obstruct take-over bids unless there are particular reasons for this or such actions are approved by the general meeting following announcement of the bid.
- 11.4 If an offer is made for the shares, the Board will issue a statement evaluating the offer and making a recommendation as to whether the shareholders should or should not accept the offer. If the Board finds itself unable to make such recommendation, it should explain the background. In every case the Board will consider whether to arrange a valuation from an independent expert.