

Corporate Responsibility Report 2017



CORPORATE RESPONSIBILITY

For Kongsberg Automotive, Corporate Responsibility means managing operations so that business may have a positive impact on its industry and in its communities. Aligning Corporate Responsibility to core activities helps KA achieve its strategic objectives and demonstrate its commitment to compliance to the Code of Conduct and the Corporate Responsibility Policy. In 2017, the Group continued to implement practices consistent with a responsible organization.

Acting responsibly starts with the Group's Code of Conduct, which provides guidelines to ensure that all employees carry out activities in compliance with applicable laws and the ethical standards that the international community recognizes and expects from a top tier, automotive supplier. Kongsberg Automotive does not tolerate corruption or bribery, and encourages reporting of suspected misconduct. All personnel are required to comply with the Code of Conduct in performance of their work and in all situations where they represent Kongsberg Automotive. Employees are also expected to report concerns about suspected breaches. The Group promotes the Compliance Reporting procedure throughout the company and on the company's public webpage. The process allows concerns to be reported in a confidential and anonymous manner, without retaliation. Kongsberg Automotive provides employees with training and guidance, including descriptions of the types of activities that should be reported. Training focuses on relevant ethical dilemmas and is available in classroom style training and workshops and through a Code of Conduct e-learning program.

The Group considers the United Nations Global Compact and Universal Declara-



tion of Human Rights when determining human rights issues and labor practices that are relevant to Kongsberg Automotive. The Group aims to provide a respectful, inclusive workplace free from harassment, discrimination, violence and intimidation. Kongsberg Automotive does not discriminate based on gender, race, color, age, national origin, religion, disability, sexual orientation, marital status or any other characteristic protected by applicable laws. Kongsberg Automotive applies fair labor practices, while respecting the national and local laws of the communities where it operates. Kongsberg Automotive will not tolerate or engage in forced or exploitive labor. The Group promotes the International Labour Organization (ILO) fundamental principles including the right to freedom of association and the elim-

ination of child labor, forced labor and discrimination linked to employment. The Group complies with the UK Modern Slavery Act and suppliers to KA are required to confirm in writing that they respect the human rights of all employees and that all employees shall be treated with respect as understood in the international community. The Group fully supports the Convention on the Rights of the Child, stating that all children have the right to leisure and education, thus neither Kongsberg Automotive nor its partners shall exploit children as a labor force. The Group manages these issues through its policies and programs of work and expects its suppliers to adopt similar standards and assurances. The Supplier Declaration and Supplier Sustainability Manual outline the commitment to ethical and socially responsible sourcing.

3%

Reduction in Energy Intensity

The supplier assessment process vets new suppliers and assures that existing suppliers meet requirements consistent with a responsible organization. In addition, the Purchasing organization has access to training in supplier sustainability topics as part of their standard development.

Further to this obligation, the Group has a due diligence process to identify the possible presence of Conflict Minerals in its supply chain. The Company has a robust process to query and track suppliers and embrace principled sourcing practices; no material risks have been identified.

Kongsberg Automotive is committed to ensuring and benefiting from the diversity of its workforce. Consistent with its Diversity Policy, the Group continues to promote a culture where diversity is respected. The Company also encourages employees to be involved in their communities and support issues such as education, health, social responsibility, and advocacy for children.

Kongsberg Automotive develops and produces automotive parts that improve vehicle safety and reduce environmental impact. The Group's product offering supports the sustainability requirements of its customers. As a supplier, Kongsberg Automotive meets the Corporate Responsibility expectations of its customers. The Group will inform stakeholders of its efforts and provide for their involvement in meeting the Company's goals. In summary, Kongsberg Automotive is committed to promoting a culture of Corporate Responsibility that considers stakeholder interests, aligns with the business growth strategy and achieves desired outcomes consistent with the Code of Conduct and the Corporate Responsibility Policy.

32%

Increase in recycled waste materials

HEALTH, SAFETY AND ENVIRONMENT (HSE)

Kongsberg Automotive gives the highest priority to the health, safety and well-being of its employees. In addition, the Group seeks to minimize environmental impact in the manufacture of its products. The Health & Safety Policy and the Environmental Policy are well established; these policies articulate the key actions necessary to achieve the highest industry standards in HSE performance and KA's business objectives. These commitments are communicated throughout the organization.

The authorities in the countries where the Group operates set Health, Safety and Environmental standards in the form of legislation, regulations and specific requirements. Kongsberg Automotive's businesses comply with these, as well as internal requirements. The Group sets expectations for all units, requires improved performance and regular assessment of progress. In the Health & Safety area, all manufacturing facilities are aligning their safety management systems to the new ISO 45001 standard. Moreover, all manufacturing locations implement certified Environmental Management Systems in accordance with the ISO 14001 standard; this standard assures that units consider the environmental impact of their work and set appropriate targets for improved performance. As a supplier, Kongsberg Automotive also meets the HSE expectations of its customers.

Objectives and plans for continuous improvement in HSE performance were set and communicated in early 2017. Key performance indicators were reviewed regularly by the top levels of the organization; adjustments were immediately made as needed. As a result, the Group continues to report good performance with respect to HSE.

7%

decrease in absolute waste at 7% revenue growth

Absences, due to personal illnesses, are tracked by the company. When considering all Kongsberg Automotive employees, sick leave averaged approximately 2.2% in 2017. This average is similar to 2016 and previous years indicating stability in this area. Health and safety activities continued the focus on eliminating unsafe conditions in the manufacturing plants. In 2017, the Group reported 49 injuries, which remains essentially unchanged from last year's reported 46 injuries; 11 manufacturing locations reported zero accidents in 2017. The Group averaged 2.7 accidents for every one million person-hours worked in 2017, versus 2.5 accidents for every one million person-hours worked in 2016. Results achieved indicate a consistent performance level for the year and a reduction in injuries by 14% over the last five years. The Group also sought to reduce the number of work-related injuries resulting in lost time; the Group tracked this internally as H-value or lost time injuries per one million person-hours worked. For 2017, there was an increase to 2.6 lost time injuries per one million person-hours worked, up from the 2.2 lost time injuries per one million person-hours worked in 2016. This trend is concerning. Accordingly, Kongsberg Automotive will focus the necessary resources on employee training and awareness, improved work processes and ergonomics.

All manufacturing units collected energy consumption data for electricity and the burning of fossil fuels used for production. Their target for 2017 was to decrease yearly energy consumption by 1.0% relative to total product sales; which is "Energy Intensity". The Group reports positive performance in 2017. The Energy Intensity decreased by 3% or to 127 kilowatt-hours used in production for every euro of total product sales in 2017 from 131 kilowatt-hours used in

Reduction in Injuries

14%
over last five years

production for every euro of total product sales in 2016. In addition to a focus on energy conservation initiatives, the positive trend is also a result of the conversion to LED lighting in several facilities. While Energy Intensity was the primary key performance indicator, manufacturing units did work to reduce overall energy consumption. The absolute energy use increased this year by 1% from approximately 139 million kilowatt-hours to 141 million kilowatt-hours; this resulted in more CO₂ emissions for 2017. Using UN Greenhouse Gas Calculators, the Group calculates its 2017 CO₂ emissions at approximately 43,546 metric tons resulting in a 5% increase from last year's 41,360 metric tons. The CO₂ Emissions Intensity remained 39 metric tons of CO₂/1M€ of total product sales in 2017 and 2016.

Pollution control is important to Kongsberg Automotive and in the communities where it operates. In 2017, the Group's aim was to reduce by 1% the yearly amount of waste sent to landfills and the toxicity of waste requiring special treatment or disposal as compared to annual sales; this is the "Waste Index". All units sought opportunities to reuse and recycle. Notably, 9 manufacturing locations were landfill-free in 2017 and the amount of recycled waste materials increased by 32%. As a result, the Group decreased its absolute waste by 7% to 1.28 million kilograms in 2017 from 1.37 million kilograms in 2016. Kongsberg Automotive's Waste Index, was reduced by 10% from 1.29 kg/1000€ in 2016 to 1.16 kilogram/1000€. In 2017, absolute water use was tracked as key performance indicator. This year all manufacturing locations monitored their water use and a baseline for the Group was established. Manufacturing facilities have begun work to reduce water use and are actively looking for conservation opportunities in the coming year.



The Group reports no fires resulting in significant property damage or causing interruption to normal business for the year. Additionally, no unauthorized releases to the environment requiring disclosure to legal authorities occurred.

OUTLOOK

Light vehicle production in 2018 is expected to grow by 1.9% to 95.3 million vehicles. After the economic recovery, South America is expected to grow further with double-digit growth rates in 2018. All other regions, except for Asia outside of China, are expected to show moderate growth rates of 1.4% to 2.0%.

Commercial vehicle production is expected to decrease in 2018 by 1.8% due to an expected 15.2% production decrease in China after new regulations are in place.

North and South American production is expected to grow by double-digit growth rates of 13.9% and 15.5% respectively. Production in Europe is expected to slow-down with a growth rate of 3.2%

The market outlook for 2018 in addition to awarded incremental business gives reason to expect KA's revenues to grow by more than 5% in 2018, assuming no significant changes in these expected vehicle production figures and foreign exchange rates.



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