



KONGSBERG

SUSTAINABILITY REPORT 2012

New Policy for Sustainability
and Corporate Social Responsibility

Constant focus on anti-corruption
– zero tolerance

We require total quality
from our suppliers and we expect
conscious responsibility

ABOUT THE REPORT

KONGSBERG is an international, knowledge-based group that offers advanced, reliable high-technology systems and solutions that contribute to the safety, security and efficiency of complex operations and under extreme conditions. KONGSBERG cooperates with global customers in the defence, maritime, oil and gas and aerospace industries.

The purpose of this report is to provide information about how KONGSBERG deals with sustainability and corporate social responsibility to stakeholders who are involved or interested in our operations.

The report covers the period from 1 January 2012 to 31 December 2012, and addresses topics we believe to be of importance to us and our stakeholders. Any significant events from 1 January 2013 to 28 February 2013 are also discussed. All figures refer to the 2012 fiscal year.

Changes in the reporting platform since the last report

There were no material changes made in the reporting platform from 2011 to 2012.

Limitations of the report

The report is limited to companies in which KONGSBERG owns 50 per cent or more. The environmental data includes all our Norwegian units, as well as all our production units all over the world and the largest offices abroad.

The information in the report is based on data obtained from different parts of the Group. Although importance is attached to ensuring that the data is complete and correct, some of it will be based on estimates.

Process to define the content

The content of the report is largely defined by what we call 'Areas of focus for 2012'. They are the same areas on which we focused in 2011. The areas of focus are proposed by the Group's 'Forum for Sustainability and Corporate Social Responsibility' and decided by Corporate Executive Management and, ultimately, by the corporate Board of Directors. The report is also aligned with the principles in the Global Reporting Initiative (GRI), and takes into account our affiliation with the UN Global Compact Initiative.

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The Sustainability Report is defined on the basis of the following parameters:



White Paper no. 13 (2010-2011) – Active ownership

The Norwegian state owns 50.001 per cent of the shares in the company. The State's stake is managed by the Ministry of Trade and Industry. The process we have used to define the content in the report means that we

report according to the expectations imposed on us through White Paper no. 13 (2010-2011) – Active ownership.



Global Compact

The Group has joined the UN Global Compact Initiative. Among other things, this means that we submit a report to the UN each year, describing our activities and the advances we have made in the field of sustainability and corporate social responsibility. The Group's Sustainability

Report serves as such a report – a COP (Communication on Progress).

We would submit that the report complies with Global Compact's criteria for 'Advanced Level'.

For more details about the Global Compact, see their website at www.unglobalcompact.org.



Global Reporting Initiative (GRI)

We use GRI's guidelines for reporting on corporate social responsibility. Our reporting practice is, in our opinion, generally aligned with GRI's reporting principles.

GRI uses a classification that indicates the extent to which a company uses GRI's definitions and disclosure requirements. KONGSBERG complies with the requirements for level B+. The '+' indicates that the report has been independently verified.

The basis for the indicators can be found directly in the text. The final pages of the report contain references to the individual GRI indicators and where they are discussed in the report.

For more details about GRI, see their website at www.globalreporting.org.

		C	C+	B	B+	A	A+
Obligatory	Self-declared						
Optional	Externally verified						
	GRI-verified						



Board treatment

The Group's Sustainability Report has, in its entirety, been reviewed and approved by Corporate Executive Management and the corporate Board of Directors.

Independent verification

For the fourth consecutive year, the report has been verified by a third-party, the auditing company Deloitte. See the Auditor's Report on page 41.

CHIEF EXECUTIVE OFFICER WALTER QVAM



Once again in 2012, our global markets have been challenging, but we have strengthened the company's position in terms of products, markets and finances.

Operating revenues in 2012 came to NOK 15.7 billion, somewhat higher than in 2011. The operating profit was down by 9 per cent, but we still have a strong backlog of orders which was valued at NOK 16.5 billion. The overall operating margin (EBITA) ended at 12.7 per cent. We invested the equivalent of almost 10 per cent of our sales in product development. We have also intensified our efforts in relation to corporate social responsibility throughout the Group. KONGSBERG delivers solutions, products, services and

Our business areas have many common denominators related to basic technology and expertise, a shared value platform and uniform work processes.

systems to several industries and market segments. This contributes to financial robustness and a valuable network of international customers. At the same time, the Group has a strong common core. Our business areas have many common denominators related to basic technology and expertise, a shared value platform and uniform work processes.

Our fundamental values and our common corporate culture are of the utmost importance to us. A good corporate culture is also an important aspect of corporate social responsibility.

Stronger international presence

We have welcomed 578 new co-workers over the past year, set up new international offices and signed many cooperation and supplier agreements in several new regions. We have also acquired several companies and assimilated them into our organisation, placing more emphasis on corporate social responsibility, including anti-corruption, workers' rights, human rights and climate challenges.

Value platform

The Group's value platform is the very essence of KONGSBERG's efforts to promote corporate social responsibility. An organisation characterised by wholesome attitudes leads to behaviour that means more than most regulations. However, this requires that value issues be placed on the agenda, and that there is genuine follow up. KONGSBERG's four values are:

- *Determined, Innovative, Collaborative, Reliable*

In addition to specific activities associated with corporate social responsibility such as those described in this report,

we therefore work systematically to discuss and gain support for the importance of our value platform in all segments of the organisation.

Reliable (dependable, trustworthy)

"Our customers and partners can trust KONGSBERG to deliver, always. Dealing with KONGSBERG means dealing with reliable people, a reliable corporation and reliable products. KONGSBERG is a responsible organisation characterised by integrity and concern for health, safety and the environment. We are reliable people. We are responsible citizens."

Responsibility

KONGSBERG is a technology enterprise that develops, delivers and maintains products, systems and services in several market segments, ranging from offshore oil and gas, through the commercial fleet, defence and aerospace to fisheries. Nearly all businesses are exposed to dilemmas related to the ranking of short- and long-term priorities. KONGSBERG also faces such dilemmas.

Each year, we draw up action plans for corporate social responsibility.

Our maritime and oil & gas solutions help improve the utilisation of resources in industries that are important in energy and climate issues. Our defence solutions enhance defence capabilities both locally and regionally, helping to ensure values, interests and stability. All exports of defence products require permits from the Ministry of Foreign Affairs. Naturally, we comply with these regulatory parameters in all of our operations.

The UN Global Compact Initiative

KONGSBERG joined the Global Compact in 2006. We have learned more about the topics covered by the initiative, both through direct contact and through national and Nordic networks. Each year, we draw up action plans for corporate social responsibility. The principles in the Global Compact are the guiding principles for our plans. We will continue to support the important work done in association with the Global Compact.

New policy for sustainability and corporate social responsibility

We have established a new policy for sustainability and corporate social responsibility and the principles in it are

integrated into the Group's strategy and planning work. In this context, we emphasise that all growth and all strategic business-related decisions taken within the Group are to incorporate a sustainable perspective. Examples of new initiatives that we have taken in 2012 include our establishment of a wind power community in Trondheim, the development of technology for environmental monitoring and work with more environment-friendly surface treatments for certain defence products.

Areas of focus 2012

In 2012, in addition to a new CSR and sustainability policy, it was decided that KONGSBERG would focus on the following aspects of corporate social responsibility (all areas of focus are discussed in more detail later in the report):

Ethics, business conduct and anti-corruption:

We continued to invest considerable resources in training, attitude-shaping efforts and preventative routines, as well as in intensified follow up in 2012.

Corporate responsibility in the supplier chain: We continued the work from previous years and carried out several in-depth reviews with suppliers.

Climate strategy: KONGSBERG has taken the global challenges as a point of departure, although in absolute figures, we are a modest polluter, given the nature of our operations. We have set ambitious goals for the years ahead.

Stakeholder dialogue: We have initiated a systematic dialogue with our stakeholders relating to challenges inherent in corporate social responsibility.

Targets for 2013

The targets for 2013 will be a continuation of the areas of focus we worked with in 2012 and initiatives arising in connection with the final framing of our new policy for sustainability and corporate social responsibility.

2013 will be yet another year characterised by a great deal of uncertainty and many challenges. KONGSBERG has an excellent point of departure for continuing to make strong headway in our main markets. We will actively continue our work with the further development of technology, products and systems that meet the extremely high standards required by our customers. As an integral part of this work, we will continue our focus on corporate social responsibility.

Walter Qvam
President and CEO

THIS IS KONGSBERG

KONGSBERG is an international, knowledge-based group that offers high-technology systems and solutions to customers in the oil and gas industry, the merchant marine, and the defence and aerospace industries.

KONGSBERG's solutions and deliveries contribute to safer, more efficient operations at sea, on dry land and in outer space. Whether we are talking about defence, the merchant marine, the exploitation of oil and gas resources or fisheries resources, our products are of strategic importance in Norway and abroad. We also supply technological solutions for global challenges such as environmental monitoring and resource management. In 2012, the Group had operations for more than 25 countries.

Organisation

The Group is divided into four business areas and a corporate services centre. The four business areas are Kongsberg Maritime, Kongsberg Oil & Gas Technologies, Kongsberg Defence Systems and Kongsberg Protech Systems.

The Corporate Centre provides staff and support functions to the business areas. The corporate staff has expertise in financial affairs, business development, investor relations, corporate law, corporate social responsibility, communication and personnel. The head office is located in Kongsberg.

Ownership structure

Kongsberg Gruppen ASA is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. The Norwegian state owns 50.001 per cent of the shares in the company.

Financial value added

KONGSBERG creates value in the areas and countries in which we operate. This takes place directly through the payment of direct and indirect taxes, the payment of dividends to owners and wages to employees, and indirectly by buying goods and services from suppliers. Value is also created through the importance we attach to research and development. See page 33 for a table about the creation of financial value.

Corporate social responsibility

Corporate social responsibility is important to KONGSBERG. It is to be part of routine operations as well as of the Group's business strategy.

KONGSBERG's international operations are significant and growing. At the beginning of 2013, 36 (32) per cent of our employees worked outside of Norway, and 78 (82) per cent of the Group's sales took place outside the country's borders. This means we are an important player in many local communities the world over. That implies an obligation. Companies that engage in international activities have a special duty to ensure that operations are conducted in a responsible manner.

We live in an era in which climatic change, shortages of clean water and poverty are formidable global challenges. In addition, several countries are experiencing debt crises and instability. These challenges also affect KONGSBERG's activities, directly or indirectly.

KONGSBERG

KONGSBERG MARITIME



Kongsberg Maritime delivers positioning, surveillance, navigation and automation systems for merchant vessels and the offshore industry. The business area is a market leader in dynamic positioning, automation and surveillance systems, process automation, satellite navigation and hydroacoustics, as well as material handling equipment for use on deck for offshore vessels.

KONGSBERG OIL & GAS TECHNOLOGIES



Kongsberg Oil & Gas Technologies offers innovative technological subsea products and solutions, and information systems for drilling operations, production and subsea purposes. The business area optimises oil and gas operations through data control, simulation, integration and analytical tools, in addition to providing engineering projects and consultancy services.

OUR LOCATIONS



*Kongsberg, Asker, Bergen, Billingstad, Horten, Kjeller, Kristiansand, Oslo, Sandefjord, Sandvika, Stavanger, Stjørdal, Svalbard, Tromsø, Trondheim.

KONGSBERG DEFENCE SYSTEMS



Kongsberg Defence Systems is Norway's premier supplier of defence and aerospace-related systems. The portfolio comprises products and systems for command and control, weapons guidance and surveillance, communications solutions and missiles. Kongsberg Defence Systems has expertise and production equipment to make advanced composite and engineering products for the aircraft, offshore and helicopter market.

KONGSBERG PROTECH SYSTEMS



Kongsberg Protech Systems is one of the world's leading suppliers of remotely controlled weapons control systems. The business area's main product is the PROTECTOR Remote Weapon Station. The system improves security for personnel in military vehicles. KONGSBERG is the world leader in this market.

THE WORLD OF KONGSBERG

..... **EUROPE** • Excl. Norway: Employees **471** • Operating revenues **MNOK 4 078** • No. of suppliers^{*)} **713**
 • Norway: Employees **4 666** • Operating revenues **MNOK 3 396** • No. of suppliers^{*)} **3 208**



Great Britain, Finland, Greece, Italy, The Netherlands, Norway, Poland, Russia, Scotland, Spain, Svalbard (Spitsbergen), Sweden, Germany, Hungary

Norway

KONGSBERG is headquartered in Kongsberg. The Group's maritime operations are located in Kongsberg, Horten, Sandefjord, and Trondheim. The facilities are engaged in development, production, testing, sales and service. Oil and gas activities are located in Sandvika, Lysaker, Oslo, Hokksund, Asker, Horten, Kristiansand, Stavanger and Bergen. All these places engage in sales, product development, deliveries and service.

Defence activities are mainly located in Kongsberg, but we also have defence activities in Horten, Asker, Kjeller, Stjørdal and Tromsø. All these places are engaged in development, production, testing, sales

and service. In addition, we co-own Kongsberg Satellite Services, which has ground stations on Svalbard for receiving satellite data.

Great Britain

The main hub of Kongsberg Maritime's offshore activities in the UK is located in Aberdeen, Scotland. We also have smaller offices in Wick, Scotland, and in Waterloo-ville and Great Yarmouth, England. These locations engage in product development, production, sales and support.

Kongsberg Oil & Gas Technologies has operations in Guildford, England and Aberdeen, Scotland. These locations are engaged in sales and projects.

Through its subsidiary Kongsberg Norcontrol, Kongsberg Defence Systems has a sales and service office in Bristol. Through its subsidiary Kongsberg Integrated Tactical Systems, Kongsberg

Protech Systems has a sales office in Hereford.

Rest of Europe

The Group also has business operations in Sweden, Finland, Germany, the Netherlands, Spain, Italy, Poland, Greece, Hungary and Russia. These offices offer sales and services, as well as project support.



..... **ASIA** • Employees **1 277** • Operating revenues **MNOK 3 335** • No. of suppliers^{*)} **75**



The United Arab Emirates, India, China, Kuwait, Malaysia, Singapore, Saudi Arabia South Korea

China

Kongsberg Maritime has built up substantial business activities in China, operated in collaboration with KONGSBERG's long-standing partner, Hoi Tung. We operate as a local supplier to the Chinese shipyard industry, and KONGSBERG now has offices in Shanghai, Dalian, Guangzhou and Zhenjiang. In Zhenjiang, we manufacture sensors, consoles and electro mechanics.

India

Kongsberg Maritime has sales and service offices, software support and development activities in Mumbai. The business has

grown in recent years. India is devoting ever more attention to maritime safety and coastal and harbour surveillance

Kongsberg Oil & Gas Technologies has operations in both Mumbai and Bangalore. The business in Mumbai offers sales support and project support. In Bangalore, the main responsibility is software development.

Malaysia

Kongsberg Maritime has set up a sales and service office for fisheries activities.

Middle East

The Group's defence activities have operations in the United Arab Emirates, Kuwait and Saudi Arabia. The main activities are the operation and delivery of projects involving tactical radio and communica-

tions systems.

Kongsberg Maritime has a service office in Dubai, and Kongsberg Oil & Gas Technologies has a sales office in Abu Dhabi.

Singapore

The Group's maritime operations in Singapore focus mainly on sales, installation, engineering, commissioning and service/support. Singapore has one of the world's largest harbours and is a substantial ship-owning and shipyard nation.

Kongsberg Norcontrol makes significant deliveries to Singapore's harbour surveillance systems, and is also represented there.

South Korea

The Group's main maritime operations in South Korea are located in Jungkwan outside Busan. Its main responsibilities include sales, engineering, installation, commissioning and service/support, as well as local production. For years, we have been building up a local presence in the world's largest shipbuilding nation.

Our defence activities also have a sales office in Seoul.



NORTH AMERICA • Employees 741 • Operating revenues MNOK 4 078 • No. of suppliers*) 652



USA,
Canada

USA

Kongsberg Maritime has operations in Seattle (Washington), Houston (Texas), New Orleans (Louisiana), Pocasset (Massachusetts), Salt Lake City (Utah) and West Mystic (Connecticut). Pocasset is the site of development, sales and support for autonomous underwater vehicles (AUVs), working in close cooperation with AUV activities in Norway. The other units are mainly engaged in sales and customer support. The unit in Seattle is also engaged in technological development and the adaptation of existing products for the US market.

Kongsberg Oil & Gas Technologies has operations in Houston (Texas) aimed at sales, support and project implementation.

Our defence activities have a marketing office in Alexandria, Virginia. Kongsberg

Protech Systems also has operations in Alexandria (Virginia). Kongsberg Protech Systems has a factory in Johnstown, Pennsylvania. That is the site for the production and maintenance of the PROTECTOR weapon control system for the US market. The business area has a project office in Arlington, New Jersey.

In Bellport, Long Island, Kongsberg Protech Systems has a subsidiary named KITS (Kongsberg Integrated Tactical Systems) which develops and manufactures components and systems for infrastructure for military vehicles.

Canada

KONGSBERG's largest maritime business in Canada is located in Vancouver. The company there is engaged in proprietary product development and production. The business in Vancouver is based on hydroacoustics-related technology, and is an integral part of Kongsberg Maritime's

other hydroacoustics activities. The business area also has two sales and customer support locations on the east coast, in Nova Scotia and Newfoundland.

Defence activities are represented by Gallium Visual Systems Inc. in Ottawa. The company is well-known for its map graphics tool for military command and control systems.

Kongsberg Protech Systems is located in London, Ontario. The plant was established to maintain and manufacture weapons systems for the Canadian market.



CENTRAL AND SOUTH AMERICA AND ANTARCTICA • Employees 101 • Operating revenues MNOK 459 • No. of suppliers*) 13



Mexico, Brazil, Antarctica

Brazil

Kongsberg Maritime's business in Brazil comprises sales, service, engineering and the commissioning of systems for the merchant marine and for offshore vessels, as well as user training. Business is booming on the oil fields outside Rio de Janeiro. The shipping industry has grown at a formidable pace, in step with the country's political and financial situation. The training

centre in Macaé outside Rio de Janeiro offers different training programmes for Brazilian crew members, including simulator practice. The unit also has an anchor handling simulator.

Kongsberg Oil & Gas Technologies has a sales and project office in Brazil.

Mexico

Kongsberg Maritime has set up a service office in Mexico.

Antarctica

The Group's jointly- and equally-owned subsidiary Kongsberg Satellite Services has a ground station for satellite data on Antarctica.



AUSTRALIA • Employees 3
• Operating revenues MNOK 157
• No. of suppliers*) 22



Kongsberg Protech Systems has a marketing office in Melbourne, and Kongsberg Oil & Gas Technologies has operations in Perth to provide sales and engineering services.

AFRIKA • Employees 0
• Operating revenues MNOK 149
• No. of suppliers*) 3



Algeria

Kongsberg Defence Systems has offices for operations and the delivery of projects related to tactical radio and communications systems in Algiers, Algeria.

*) Suppliers that have invoiced KONGSBERG for more than NOK 50 000 in 2012. The overview does not include suppliers that deal with our international entities directly.

OUR EMPLOYEES

KONGSBERG's livelihood rests on the knowledge and expertise of our employees. Accordingly, job satisfaction, engagement and career development opportunities for our employees and leaders are of the essence. Through initiatives such as the career development programme, performance appraisal interviews and job satisfaction surveys, we try to encourage this important resource.

Leadership at KONGSBERG

We are of the opinion that good leadership involves achieving results through others. The key to success is vested in the combination of good leadership and dedicated co-workers. A leader should demonstrate leadership based on our values, code of ethics and leadership principles. With this in mind, we have implemented a leadership development programme intended to help clarify and quality-assure processes for setting, following up and evaluating objectives.

We are dedicated to increasing the percentage of women and we are examining initiatives to recruit more women into managerial positions. The Board has a 40 per cent share of women among the shareholder-elected directors. Corporate Executive Management consists of 11 individuals, including two women.

The competition for talent

One prerequisite for reaching the Group's growth target is the ability to attract and retain qualified labour. We are therefore working to strengthen our position in the labour market and to be at the forefront of the competition for the best and the brightest.

At KONGSBERG, co-workers can be included throughout the production process – from idea to finished product, sales and the follow up of customers. Sound innovative ideas can become industrial realities. The Group offers an extensive range of further and continuing education through a combination of in-house and external programmes and courses. These include technical courses as well as leadership development courses. Our employees' career paths should be able to be lateral as well as vertical throughout the Group.

All business areas and divisions are to have a defined recruitment process to ensure selection of the best applicants and courteous treatment of those who are not hired.

KONGSBERG cooperates with a number of university colleges and universities in Norway. We participate in career days, give company presentations, invite classes to visit our companies, sponsor selected projects for students who would like to write their theses in collaboration with the Group, and offer different types of summer jobs.

In collaboration with other companies in Kongsberg, Buskerud University College and the Norwegian Centre of Expertise, the Group has developed a master's degree programme in Systems Engineering. Under this programme,



the students have a paid position at one of the enterprises. Together with other companies in Kongsberg, we offer a unique training programme for apprentices.

Life-cycle policy

KONGSBERG has a general life-cycle policy that applies to all employees, regardless of their country of employment. The Group will help ensure that all employees have meaningful work up to the age of retirement. Efforts are made to pave the way for efficient knowledge transfer from senior to junior employees.

Preventive measures

Our local schemes related to health, safety and the environment shall be at least on a par with the average in the areas in which we operate.

We have well-developed HSE routines in our Norwegian operations. All employees in Norway have access to company health services. This varies in accordance with local practices and legislation for our business activities outside Norway.

KONGSBERG adapts to countries' national public health service and supplements them through special agreements as needed. Employees stationed abroad, their families and personnel travelling on business are given special attention by the company health service, offered special seminars and get expanded insurance coverage. KONGSBERG does not currently operate in countries that require special safety measures for employees and their families.

The Group has designated fora that determine how employees can travel as safely as possible all over the world. Travel may be advised against or even be prohibited for political, financial, environmental, safety- or health-related reasons. We also have routines for how employees should conduct themselves on business trips.

The organisation of the work with health, safety and the environment (HSE)

HSE work is organised through formal bodies made up of representatives of management and the employees. Each business area, as well as the Group's other entities, has structures for cooperation between labour and management that complies with legislative and regulatory requirements, and meets operational needs.

Norway

In Norway, the formal bodies are the works council, joint consultative committees, divisional committees and working environment committees. In addition, *ad hoc* committees are created for special projects. Management and the employees each have 50 per cent representation on these committees. The Group has a special HSE Forum that is responsible for coordinating HSE work.

At the international level

HSE work at the international level is based on our global HR policy, as well as on legislation and regulations in the country in question. Most countries require that a designated HSE manager be assigned responsibility for ensuring compliance with local and national legislation and regulations.

Reporting

HSE data is collected from all companies in the Group and reported to Corporate Executive Management and the Board of Directors on a quarterly basis. The data are also reported to the appropriate authorities.

Reporting routines from the foreign companies have been further developed in recent years and the figures for absence due to illness and on the job injuries from the offices outside of Norway are now included in the corporate HSE reports.

Absence due to illness

Systematic efforts are being made to follow up absence and we see that a good working environment, interesting work and good career development opportunities have a favourable impact on absence due to illness. See the details on page 34.

Injuries

Injuries and near-accidents are registered in the individual unit and reported to the Group each quarter. See the details on page 34.

The collective wage agreement

All employees in Norway are covered by collective wage agreements.

KONGSBERG recognises employees' freedom of association and right to engage in collective bargaining in compliance with the ILO conventions. Where this conflicts with local legislation, local legislation shall have precedence. Where legislation prohibits the right of association, efforts will be made to pave the way for dialogue between management and employees.

Altogether, about 35 per cent of our employees are registered members of trade unions.

Local employment

Each individual business hires people locally with the assistance of local managers.

Starting salary

The Group's starting salaries follow the average in the local markets in which we do business.

HUMAN RIGHTS

The Group's growing international efforts expose us to problems related to human rights, either directly through our own businesses or indirectly through our value chain. This means that we must take precautions so that we do not come into conflict with prevailing human rights.

KONGSBERG supports human rights through our affiliation with the UN Global Compact and the ILO conventions.

Our attitudes to human rights are expressed in our corporate Code of Ethics and our Policy for Sustainability and Corporate Social Responsibility.

The following details are related to some of the human rights indicators required by the Global Reporting Initiative.

Auditing our own businesses

In 2012, we conducted two major audits related to corporate social responsibility, using in-house and independent auditors. The first involved the Group's operations in China and the second involved the Group's operations in Johnstown, Pennsylvania in the USA. Compliance with human rights was part of the audits. We are satisfied with the results, and any non-compliance found has now been rectified.

Suppliers

We have drawn up a special Code of Ethics for our suppliers in which human rights is a key topic. We will follow up human rights issues in connection with self-declarations and audits.

Training

Compliance with human rights is important for us. We have conducted audits in our own businesses and among our

suppliers to ensure compliance. In 2009 and 2010, we arranged a special course on human rights for our employees who were especially affected by these issues. This course will be developed further in 2013.

Discrimination

There were no reports of episodes or incidents involving discrimination. KONGSBERG's corporate Code of Ethics states: "We do not accept discrimination of any kind." It also states that we are strongly opposed to all types of trafficking. This includes the procurement of sexual services.

Child labour and compulsory labour

The Group's own activities are of such a nature that issues related to child labour and forced and compulsory labour are of little relevance. We are working to survey the situation in the value chain. There have been no reports of cases involving these topics.

The use of security personnel at the international level

We use security personnel in the areas where we find it necessary. Thus far, this has been on a modest scale.

Indigenous rights

The Group has not been involved in any violations of indigenous rights.



RESPONSIBILITY

KONGSBERG has 200 years of tradition and history as a defence supplier and technology enterprise. Defence production currently accounts for roughly half our sales, and that makes us an important contributor to Norway's national defence.

The defence industry

The Norwegian Armed Forces performs important tasks for society in times of peace, crisis, armed conflict and war. A modern total defence calls for state-of-the-art defence systems, and KONGSBERG's defence systems and products are an important part of this. KONGSBERG's role as a supplier of defence products must be viewed in connection with its international obligations as a member of the UN and NATO. The Armed Forces and KONGSBERG cooperate closely in respect of developing tailor-made systems to meet Norway's particular needs.

It is a fact that the most extreme consequence of defence systems is that they will enable people to take lives. Thus we face a number of dilemmas, ranging from the place of war in resolving conflicts between sovereign states, to the responsibility for ensuring that our soldiers get the best possible equipment when they are sent into armed conflicts. We are aware of the special responsibility that rests on us as a defence supplier.

KONGSBERG respects that some people are critical of the fact that Norway has armed forces, a defence industry and alliance-related obligations.

The export of defence materiel

Norway's rules for the export of defence materiel are among the most stringent in the world. The Storting has resolved that defence products can only be sold to pre-approved countries. Transparency regarding defence exports is an important principle in Norway.

Export control implies that defence materiel, technology and services can only be exported with an export licence issued by the Ministry of Foreign Affairs. There are two reasons for controlling exports:

- 1) to ensure that the export of defence materiel from Norway takes place in compliance with Norwegian security and defence policy.
- 2) to ensure that the export of multi-purpose products does not contribute to the spread of weapons of mass destruction (atomic, biological or chemical (ABC) weapons).

Norway generally exports to allied forces. In 2011, 91 per cent of the Norway's exports of Category A materiel and 97 per cent of the exports of Category B materiel went to NATO countries and other European countries. KONGSBERG has transparent cooperation with the Ministry of Foreign Affairs in connection with licence applications carries out comprehensive internal control in

connection with our export operations. We manufacture defence materiel in the US and Canada, and we comply with the respective countries' export rules and regulations.

White Paper No. 8 (2012-2013) presented new measures to improve the processing of applications for exports to authoritarian regimes. We comply with the appropriate standards on an ongoing basis.

Oil, gas and the merchant marine

About half our Group is involved in the oil, gas and shipping industries, all of which face challenges related to greenhouse gas emissions. The world's demand for energy as well as for transportation is growing, and even though alternative energy carriers are moving into the market rapidly, oil and gas will be the most important energy carriers for many years. KONGSBERG's systems and products are largely related to optimisation, safety, the operation and control of machinery, production processes and equipment. We deliver systems and services that facilitate the efficient use of resources, more efficient routes and safer operation of complex vessels and installations. In so doing, we contribute to improvements in industries that play an important part in advancing the world's development, but the dilemma we must live with is the fact that oil, gas and transportation are still among the worst sources of greenhouse gas emissions.

Facts

Category A materiel consists of weapons and ammunition.

Category B materiel comprises other military materiel.

Multi-purpose products are civilian products, technology and services with potential military applications.

WHAT HAVE WE ACHIEVED?

In 2012, we took a huge step forward in our efforts to integrate sustainability and corporate social responsibility into the Group's day-to-day operations. Although a lot still remains to be done, we are moving in the right direction. This chapter offers a description of what we focused on in 2012, and what we achieved.

AREAS OF FOCUS 2012-2013

Policy for Sustainability and Corporate Social Responsibility

Completion of a new Policy for Sustainability and Corporate Social Responsibility and its integration into the Group's other strategic efforts. Read more on page 15.



Achievement of our targets in 2012

Sustainable supplier chain

It is imperative that our supplier chain not only maintains high quality standards, but also remains aware of its responsibilities with regard to the climate/environment and corporate social responsibility. Read more on page 19.



Achievement of our targets in 2012

Anti-corruption programme

We have been working on our anti-corruption programme for several years and this will continue to be an important area for us. Read more on page 20.



Achievement of our targets in 2012

Climate challenge

The realities of global climate trends are looming ever closer and the outlook is disquieting. Although we are a small enterprise in a global context, we must also implement measures in our own operations. Read more on page 22.



No achievement of our targets in 2012

Dialogue with our stakeholders

It is crucial to maintain a dialogue with our stakeholders. This gives us good feedback on how we are perceived by the world around us, at the same time as many of our stakeholders also share their expertise with us. Read more on page 24.



Achievement of our targets in 2012

AREA OF FOCUS 2012–2013

Policy for Sustainability and Corporate Social Responsibility

The Group's Board of Directors adopted a new policy for sustainability and corporate social responsibility in 2012. The policy was developed following a long process with contributions from many parts of the Group and from external forces. The policy is generally based on the possibility and risk perspective, where global megatrends are important strategic drivers.

Our position

Technological innovation is a key element for resolving the serious global challenges facing the earth. For KONGSBERG, this may offer business opportunities in several markets, seen in the light of our broad technology base and competency platform.

Our challenges

The Group's work with sustainability and corporate social responsibility is to be an integral part of the Group's other strategic processes. The work is based on the challenges facing the Earth with a view to climate changes and shortages of important resources such as energy, as well as food safety, access to clean water, the loss of biological

diversity, etc. These perspectives have a somewhat longer time frame than short-term targets for earnings and yields.

What have we achieved?

Examples of new initiatives we took in 2012 include the establishment of a wind power community in Trondheim and the development of technology for environmental monitoring. In addition, we have decided to initiate a project for developing processes related to risk and a 'licence to operate'.

Our ambitions

Our new policy will guide us towards our goals.

KONGSBERG's POLICY FOR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Objective

KONGSBERG aspires to achieve sustainable development, that is, to strike a good balance between financial results, value creation and corporate social responsibility. The value created shall benefit owners, stakeholders and society-at-large. Our policy for sustainability and corporate social responsibility is intended to describe our ambitions and our most important target areas. The policy is to provide the framework for our work with sustainability and corporate social responsibility.

The World Commission for Environment and Development described sustainable development as development that meets the needs of the present without compromising the ability of future generations to meet their own needs. This is also the definition applied by KONGSBERG.

Roles and responsibilities

KONGSBERG's Policy for Sustainability and Corporate Social Responsibility is adopted by the Group's Board of Directors and is to be evaluated at least every second year. The CEO is responsible for ensuring follow up of and compliance with the content of the policy.

Subject-specific responsibility for sustainability and corporate social responsibility, and the day-to-day responsibility for facilitating and coordinating the policy rest with the Group's corporate social responsibility manager.

The business areas are responsible for the day-to-day exercise of the policy.





KONGSBERG'S POLICY FOR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

Global background

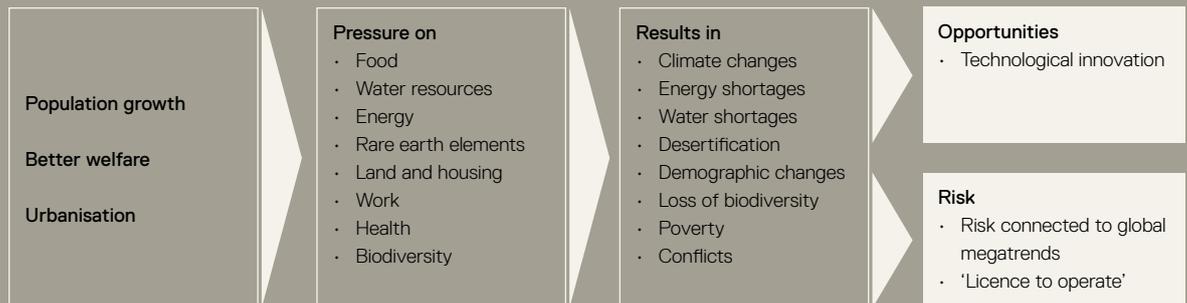
The international trend will entail risks as well as opportunities for multinational operations. The Earth's population is expected to grow from 7 billion today to 9 billion by 2050, i.e. an increase of about 30 per cent in 40 years. Over the next decade, there will be growing urbanisation and better social welfare for ever larger segments of the population. This poses formidable challenges with a view to food safety and access to clean water, energy and minerals, as well as in respect of the loss of biodiversity.

These megatrends are already having an impact on individuals, companies and countries, and their impact will no doubt loom larger in the years ahead.

Along with climate changes, these development trends will be among the basic strategic drivers for multinational companies in the years ahead. The trends could represent significant risks in many areas.

Meanwhile, industry will have to play a major role in resolving these challenges. This entails significant opportunities in several markets, also for KONGSBERG.

This can be illustrated as follows:



OUR AMBITIONS

There shall be coherence between our ambitions and our business goals

KONGSBERG's Sustainability and Corporate Social Responsibility Policy is intended to promote the Group's long-term business goals. At the same time, the Group's long-term business goals must be compatible with sustainable development.

The long-term consequences of the global megatrends linked to opportunities and risks shall be met by the Group's regular strategic processes.

KONGSBERG's operations are not perceived as entailing particularly great challenges related to our environmental footprint. Notwithstanding, the Group shall always strive to improve and develop its operations, not least in this area.

We will maintain a proactive attitude to sustainable development and business opportunities

Strategic and business decisions taken within the Group are to be considered from the perspective of sustainability. Business opportunities aimed at promoting a sustainable future will also be part of the business areas' strategic assessments.

We will stay abreast of international and national trends

The Group's work with sustainability and corporate social responsibility will be commensurate with national and international trends in the field. The importance attached to this work shall be proportional to the potential business opportunities and the expectations of owners, customers and other stakeholders.

We will endorse international initiatives and guidelines

KONGSBERG endorses the UN Global Compact Initiative and will work systematically to comply with the initiative's 10 basic principles within the areas of human rights, workers' rights, environment and anti-corruption.

Similarly, the Group will strive to comply with the intentions laid down in the ILO conventions, the OECD's Guidelines for Multinational Companies, the UN's Universal Declaration of Human Rights and UN Convention on Children's Rights.

We will safeguard relations with our most important stakeholders

Where we have genuine opportunities and influence, we will strive to ensure that suppliers and business partners comply with principles for sustainability and corporate social responsibility that are in alignment with KONGSBERG's own.

TWO MAIN ELEMENTS

The policy is built up around two main elements:

Opportunities

- Business opportunities - related to sustainable technology in existing markets and products
- Business opportunities – related to sustainable technology in new markets

Risk

- Maintain the right to engage in our business activities; 'Licence to operate'

Opportunities

'Business as usual' is not an alternative when it comes to resolving the challenges facing the world today. The situation calls for new ways of thinking, new forms of cooperation, political will and a high degree of technological innovation. The global megatrends entail business opportunities for KONGSBERG in existing as well as entirely new markets. KONGSBERG possesses key expertise in several relevant areas of technology. These opportunities and this expertise are to be put to use where it is prudent to do so from the business perspective.

KONGSBERG currently works with advanced technology, and several of the Group's product areas aim directly at more efficient use of energy and resources in their areas of application. This is especially true of our operations in the

maritime and oil & gas sectors. The efficient use and the conservation of resources are also important for our defence activities. Norwegian and international customers alike attach importance to this and KONGSBERG will strive to offer the best solutions.

Sustainable solutions – existing products

As regards existing markets and products, priority will be given to improving and developing solutions that will contribute to a sustainable future. Market needs, business attractiveness, and proximity to existing expertise will be normative.

Sustainable solutions – new products and new business segments

KONGSBERG will also actively consider new market opportunities that open up in response to the global challenges facing the world. This could pave the way for entirely new products and business segments. KONGSBERG has a good technological point of departure in several important disciplines that may contribute to such new solutions.

Risk

Maintain the right to conduct our operations;

'Licence to operate'

Society sets standards for enterprises' exercise of sustainable development and corporate social responsibility; this is a prerequisite for obtaining a 'licence to operate'.

Without this 'licence', KONGSBERG risks losing the opportunity to grow, to be innovative and to actually conduct its business operations. Like all other enterprises,





KONGSBERG'S POLICY FOR SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY

we are contingent on our stakeholders' confidence in us.

In the following, we describe the main areas of importance relative to our 'Licence to operate':

Anti-corruption

Corruption undermines all types of business activities and free competition, and it is prohibited by law in all the countries in which we operate. Corruption is destructive for the countries involved and would shatter our reputation, exposing the company and the individual employee to considerable risk.

KONGSBERG is opposed to all forms of corruption, and in conjunction with our operations, we will actively strive to fight it.

Human rights

All our operations will comply with the UN's Universal Declaration of Human Rights, the UN's Convention on the Rights of the Child and the ILO conventions. Human rights abuses shall not occur at KONGSBERG.

The Group shall have routines for analysis, verification, reporting and follow up of possible violations of human rights linked to our own operations, as well as in respect of business partners in the event of any violation of human rights related to our activities.

Workers' rights

Our employees are to be treated with respect and given orderly working conditions. All employees will be given equal opportunities. The Group recognises freedom of association and the right to collective bargaining. In cases of conflict with local legislation, local legislation will take precedence. At the very least, we are to pay a living wage. Forced labour, child labour and all forms of discrimination are strictly forbidden. Health and safety are high-priority areas.

Climate and the environment

KONGSBERG shall act responsibly with a view to the footprint left by its activities on the climate and the environment. The operation of the Group and the development of products are to be approached from a 'green' perspective. We will focus *inter alia* on:

- reducing our own direct and indirect emissions of greenhouse gases

- making more efficient use of resources in general, not least by reducing consumption through the more efficient use of energy, water and materials
- economising waste treatment
- viewing product development in a life-cycle perspective.

Suppliers

In collaboration with its suppliers, KONGSBERG shall strive to ensure that operations are conducted in compliance with internationally recognised principles for business ethics and corporate social responsibility.

In selecting suppliers, one of our assessment criteria shall be the suppliers' work with human rights and workers' rights and anti-corruption, and the supplier's work in the area of climate and the environment.

Local engagement

Through social investments, we will make positive contributions to the development of the local communities in which we operate.

Cooperation

We will cooperate with our stakeholders, including non-government organisations (NGOs), to increase the transparency of our work with sustainability and corporate social responsibility.

This will also enhance our expertise and the quality of our own work.

FOLLOW UP AND REPORTING

Our work with sustainability and corporate social responsibility will be planned in a professional manner and integrated into the Group's business strategy. These efforts are to be part of business planning and the Group's regular follow-up routines.

This work is to be further developed systematically, and linked to reporting and measurement criteria associated with sustainability and corporate social responsibility.

Our external reporting will adhere to the principles of the Global Reporting Initiative (GRI).

AREA OF FOCUS 2012–2013

Corporate Social Responsibility in the supplier chain

Corporate social responsibility in the supplier chain is a question of suppliers' relationship to ethical guidelines, human rights, workers' rights, anti-corruption, the climate and the environment. We are of the opinion that systematic, good work with corporate responsibility is a moral imperative. At the same time, this reduces our risk and improves the quality of the products we buy.

Our position

A growing share of our value is being added outside the borders of Norway. This means we are an important player in many local communities the world over. That implies an obligation. KONGSBERG takes responsibility for ensuring that the entire value chain satisfies our standards. However, there are often practical and financial limitations that apply to how far down the value chain it is appropriate to go. We try to resolve this challenge by setting standards for the first link in the supplier chain, which imposes similar standards on its first link, and so on. Where country risk, product risk, self-declarations or other factors indicate that there may be significant risk attached to several links, this shall nonetheless be handled by us.

Our challenges

This work is still in its infancy. The in-house processes and systems are generally in place. That being said, we need to improve our internal expertise on conducting audits related to corporate social responsibility and on follow up and facilitation to address any non-compliance.

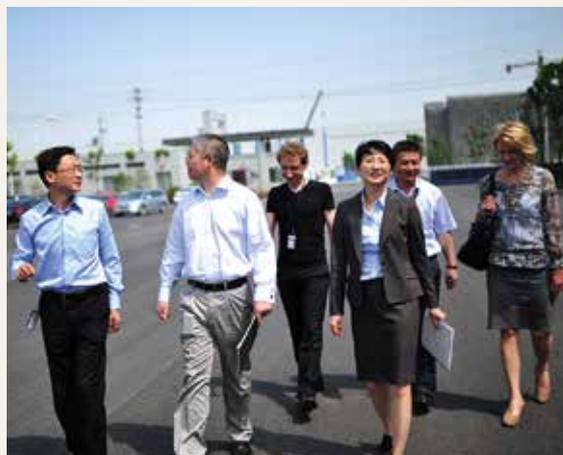
What have we achieved?

We have drawn up principles and management systems for supplier conduct. The principles are a point of departure for ensuring safe working conditions, that employees are treated with respect, that businesses operate in an environment-friendly manner, and that this all takes place in compliance with internationally recognised principles for business ethics.

In 2012, we conducted several of our own audits related to corporate social responsibility. We have largely relied on independent experts working in collaboration with our own resources. The audits have revealed non-compliances, but they were remedied quickly. This has been useful training for us and for the suppliers involved. The feedback from suppliers was entirely positive.

Our ambitions

One main principle is that we will collaborate with suppliers to seek continuous improvement. We strive to ensure that elements that do not meet the standards to which we aspire will be adapted and improved through dialogue. Further, we are to ensure that we have control of the risk related to corporate social responsibility in the supplier chain. There is a tendency for more customers, as well as competitors, to enter into collaboration with suppliers to satisfy common standards and carry out joint audits. This builds expertise, enhances quality and ensures that processes are implemented more rationally and efficiently. We consider this a positive trend.



AREA OF FOCUS 2012–2013

Anti-corruption

Corruption poses a threat against the rule of law, democracy and human rights because it undermines ethical and moral values. In a global perspective, corruption is the greatest impediment to social and economic development in the third world. It engenders discrimination and impedes social justice. Corruption undermines fair competition (skews competition) and can lead to direct financial losses and destroy reputations. *)

Our position

KONGSBERG is opposed to all forms of corruption. Our attitude to corruption is expressed clearly through our corporate Code of Ethics, and our affiliation with the UN Global Compact and the OECD's Guidelines for Multinational Enterprises, as well as our membership of Transparency International. The board and executive management devote considerable attention to this work.

The Group registered no violations of the anti-corruption provisions in 2012. The same has been true in previous years, and the company has never been involved in any kind of sanctions associated with corruption.

Our challenges

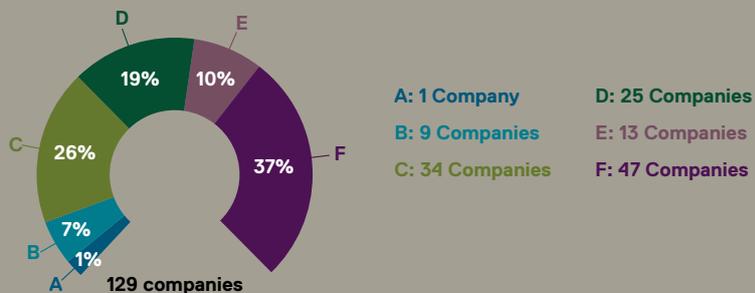
KONGSBERG operates in both the defence industry and the oil and gas industry, which, according to Transparency International, are two of the sectors that are most susceptible to corruption. We make extensive use of agents and market representatives. The use of third parties is generally known to imply a high risk of corruption, so we pay special attention to that part of our anti-corruption programme in particular.

*) Source: The National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim)

Transparency International UK survey of defence contractors

In 2012, KONGSBERG took part in a comprehensive survey under the auspices of Transparency International UK, Defence and Security programme. Leading defence companies from all over the world were analysed to see which systems and processes they have in place to prevent corruption, based on available information. The point of the survey is to improve the standard for anti-corruption globally, market 'best practice' and enhance transparency in the defence sector. KONGSBERG got a score of C based on the information available to the public, and a score of B when in-house information was included in the evaluation. We will use the results of the survey to strengthen our anti-corruption efforts in future.

Results of the survey based solely on information available to the public.
Score A is best.



Read more about the survey here: <http://www.ti-defence.org/our-work/diagnosing-corruption-risks/company-index>

What have we achieved?

We have developed a series of obligatory guidelines for our business conduct; the most important with a view to anti-corruption are the rules for gifts and representation, sponsorship, the signing and follow up of agreements with market representatives (agents) and supplier conduct.

In recent years, we have further developed the Group's compliance system, placing considerable emphasis on compliance being a line responsibility and part of day-to-day operations.

Important initiatives include training and notification routines, as described in the report's section on values and ethics.

In 2012, we conducted in-house audits at several of our international subsidiaries with a focus on CSR, including the topic of anti-corruption. In addition, we regularly perform in-house inspections to ensure compliance with our Code of Ethics in connection with the use of market representatives (agents), including control of payments.

Anti-corruption is an area in which we will maintain continuous focus on *prevention, risk reduction measures and the identification of any non-compliance*.

Our ambitions

In 2013, we will continue to focus on systematic risk assessments, internal controls and reporting. We will also further develop our training programme, revise our corporate Code of Ethics and further develop in-house guidelines for due diligence in connection with mergers and acquisitions, joint ventures and teaming agreements. We also aspire to further develop our management evaluation programme to devote even more attention to how to achieve results.

Anti-corruption is an area in which we will maintain continuous focus on prevention, risk reduction measures and the identification of any non-compliance.

The use of market representatives (agents)

We have developed in-house regulations for signing and following up agreements with market representatives. They are based on assessments of the market representative's ethical standards, reputation, etc., risk assessment with a view to the industry, country and company, integrity due diligence, approval procedures for and the use of standard contracts, control of payments, and follow up in the agreement period, including training and opportunities for audits.



Climate challenges

Global warming is one of the most serious threats facing the Earth. Emissions of global greenhouse gases have increased by about 3 per cent per year in recent years. At the same time, the UN's Intergovernmental Panel on Climate Change (IPCC) estimates a need to cut emissions by nearly 85 per cent^{*)} by 2050 compared with the level in 2000.

Our position

KONGSBERG basically has no activities of its own that cause serious emissions to air or water. The Group has nonetheless experienced rapid growth in recent years, meaning that our total footprint on the environment has increased.

Reducing greenhouse gas emissions is essential for several reasons:

- We feel that we have a moral responsibility to future generations to leave the earth in a sustainable state.
- From a more operational perspective, it is important for KONGSBERG to have a 'licence to operate', meaning that we are accepted and allowed to engage in operations by our stakeholders.
- Lower energy consumption reduces our direct expenses and makes us less vulnerable to rising energy prices and fluctuations in the energy markets.
- Lower emissions of greenhouse gases make us less vulnerable to any future regimes for pricing such emissions (taxation, quota regimes or the like.).

Our challenges

Air travel accounted for some 50 per cent of our CO₂ emissions in 2012. Travel ordered from our foreign units was not included in this calculation. Travel is an important part of the Group's operations and we face a challenge with a view to reducing this type of emissions.

Our targets for reducing emissions are relative, so that as we grow, actual emissions may increase even though we reach our targets for relative reductions in emissions. This is a dilemma, given that the global challenge is actually to cut emissions of greenhouse gases.

What is more, access to and the prioritisation of resources will be a challenge.

What have we achieved?

The environmental accounts for 2012 show an actual reduction in emissions of the greenhouse gas CO₂ of 12 per cent. The relative reduction (metric tonnes/MNOK) was about 15 per cent from 2011 to 2012.

This is due to reduced emissions from flights and more use of heat recovery at Kongsberg Technology Park. This is gratifying, at the same time as we know that these figures may turn around in 2013.

The Group has several product areas that have a variety of positive effects relative to climate challenges. This refers, for example, to environmental monitoring, the 'green ship' concept for the maritime industry and the development of control systems for wind parks (see page 23).

Our ambitions

KONGSBERG shall attain its long-term business objectives in a manner that contributes as little as possible to global warming. We shall accomplish this by:

- Reducing direct and indirect greenhouse gas emissions from own operations
- Finding product solutions that can reduce our customers' greenhouse gas emissions
- Using environmental profiles as one of several assessment criteria when choosing suppliers.

We will work systematically to reduce energy consumption and emissions of greenhouse gases, with special focus on products, infrastructure and transportation.

Our targets for 2012-2015

- The Group aspires to cut emissions of greenhouse gases by at least 10 per cent from 2012 to 2015 (relative to sales), compared with the base year 2010.
- In 2012-2013, the Group will continue to identify and implement further initiatives to reduce its direct and indirect greenhouse gas emissions.

^{*)} Source: Ministry of Defence, NOU 2012:16

THEME: ENVIRONMENT-FRIENDLY PRODUCTS

Getting more energy out of every gust of wind

Using existing technology, KONGSBERG hopes to see a breakthrough for control systems for wind parks.

KONGSBERG is well-known for its control systems for the defence industry, and in the offshore and maritime sectors. Now there are plans to transfer this technology to wind energy.

The windmills in today's wind parks usually run separately. There is great potential inherent in developing systems that can offer coordinated control of the units in a wind park. The planned control system could reduce the amount of maintenance required by wind parks, and coordinated control of the units could maximise revenues for the producer. Wind parks will get more energy out of every gust of wind.

Think systems, control of complex systems, decision-making support and optimisation are core areas of expertise at KONGSBERG. Now we would like to apply this expertise in a new discipline.

On land and at sea

The new system will work for wind parks on land and at sea. As with many of our applications, KONGSBERG will use simulations to optimise operations..

Using technology made by KONGSBERG, a whole wind park can be subject to coordinated control. This data can then be linked to wind forecasts, for example, ensuring that the park delivers maximum output based on how each turbine is influenced by the neighbouring turbines. This will enhance the park's efficiency.

As of January 2013, KONGSBERG's Wind Power Department consists of 12 individuals. To strengthen our expertise in wind power, we have acquired the Trondheim-based company Inturbine.

Exciting market

The market for wind power is huge – and growing.

As a technology enterprise, KONGSBERG will take its share of responsibility for the world in which we live, and the Group will continue to develop services and products for this market.





AREA OF FOCUS 2012–2013

Stakeholder dialogue

KONGSBERG depends on having good interaction and good dialogue with its surroundings, and we aspire to be a positive contributor to the local communities in which we are located.

Our position

KONGSBERG is a leading Norwegian technology company with a large international catchment area. The ability to understand and accommodate the needs of owners, investors, public authorities, our employees, customers, suppliers and the trade unions is a prerequisite for profitable, socially responsible operations. Consequently, KONGSBERG has regular meetings with these groups to learn more about their expectations of us and our operations.

Our challenges

This contact is important and it takes place through formal and informal meetings alike. We want to know what our stakeholders think of us. If they see problems associated with the Group's activities, we want to know as soon as possible so that we can initiate the necessary remedial measures. Over the past two years, we have engaged in dialogue related to corporate social responsibility in a more systematic manner than previously. However, there is still room for improvement to get the desired effect out of this.

What have we achieved?

In 2012, we had special meetings dedicated to corporate social responsibility with the Ministry of Trade and Industry, Arctic Securities, Red Cross and the Bellona Foundation. In addition, sustainability and corporate social responsibility are often discussed at the many meetings KONGSBERG has with its stakeholders in all units of the Group.

Our ambitions

Our ambition for 2013 is to further strengthen this interaction. Smooth interaction with those affected by KONGSBERG's business activities is an important element that will enable us to continue to maintain sustainable, socially responsible operations in the years ahead.



SYSTEMS OF GOVERNANCE AND KEY FIGURES

NUMBER OF EMPLOYEES 2012



REVENUES 2012



VALUES AND ETHICS

KONGSBERG's values and corporate Code of Ethics express our basic attitudes and indicate how we ought to show our fundamental respect for and relate to colleagues, customers, suppliers and society-at-large. KONGSBERG's values and Code of Ethics make up the backbone for how we conduct our operations, and they apply regardless of where, when and which of our employees is doing business.

Our values

Determined

(intent, resolute, goal-oriented)

We are known for our drive and persistence. We always strive to meet our customers' expectations. We set ambitious goals for ourselves and we are driven towards them with a clear and constant focus.

What we start, we finish. We do not give in.

Innovative

(unconventional, pioneering)

Always performing better is a vital part of who we are. We constantly innovate and implement improvements in all parts of our business - from our products, through our processes, to our customers' experiences.

We relentlessly pursue improvements, new ideas and new solutions.

Collaborative

(cooperative, network-oriented)

Collaboration is fundamental to our business. We exchange ideas among ourselves, with our suppliers and partners, and we cooperate closely with our customers. We work as teams, we share knowledge and we value team success - to the benefit of our customers and our own competitiveness.

We collaborate as individuals and as an organisation.

Reliable

(dependable, trustworthy)

Our customers and partners can trust KONGSBERG to deliver, always. Dealing with KONGSBERG means dealing with reliable people, a reliable corporation and reliable products. KONGSBERG is a responsible organisation characterised by integrity and concern for health, safety and the environment.

We are reliable people. We are responsible citizens.

Our corporate Code of Ethics

KONGSBERG's corporate Code of Ethics applies to the Group's directors, management, employees, casual employees, consultants, market representatives (agents), lobbyists and others who act on behalf of KONGSBERG. Our Code of Ethics emphasises that all employees and the Group's Board of Directors must maintain high ethical standards when performing their duties. The Group has developed special guidelines for suppliers.

Updating our corporate Code of Ethics

The corporate Code of Ethics is updated to stay abreast of national and international developments and it is revised at least every second year.

In-house training

All our employees take an e-learning programme based on the corporate Code of Ethics. The programme was updated and further developed in 2012. A training programme has been devised to address ethics and compliance. It consists of a standard course for new employees and new line supervisors. A complex training programme has also been further developed in the field of ethics, business-related behaviour and special topics for selected target groups.

Notification of circumstances worthy of criticism

The Group has special routines for notification of any breach of the corporate Code of Ethics. Employees have always had the right to issue warnings about circumstances worthy of criticism, and a duty to do so if there is a question of a violation of laws, rules or our corporate Code of Ethics. KONGSBERG will not tolerate that a person who blows the whistle is subject to reprisals/negative reactions. See www.kongsberg.com

In 2012, we have received reports on and dealt with five items. All cases are now closed. The Group has two ombudsmen that can give advice and receive reports from employees. Internal and external questions about ethics, whistleblowing, etc., may be directed to the corporate compliance officer by sending an e-mail to: ethics@kongsberg.com.

In January 2012, we set up a website-based reporting channel for our employees in the US and Canada through an external supplier: "Global Compliance". No reports were filed using this channel in 2012. The website address is <https://kongsberg.alertline.com/>

Sanctions

The Group has not been fined or subject to other types of sanctions in 2012 as a result of anti-competitive business practices or failure to comply with legislation or regulations.

ORGANISATION AND SYSTEMS OF GOVERNANCE

KONGSBERG's overall system of governance is linked to 'the Norwegian Code of Practice for Corporate Governance'. The following is an overview of systems of governance and organisation linked to sustainability and corporate social responsibility.

ANNUAL GENERAL MEETING

The Annual General Meeting (AGM) is the Group's supreme governing body. Here, the shareholders can influence how corporate social responsibility is practiced at KONGSBERG.

BOARD OF DIRECTORS

The corporate Board of Directors bears the ultimate responsibility for KONGSBERG's ethical responsibility and contribution to sustainable development. The Board adopts the Group's Code of Ethics and Sustainability and Corporate Social Responsibility Policy, and it discusses and approves the Sustainability Report. KONGSBERG was awarded a prize for presenting Norway's best corporate governance report for 2011.

THE CEO AND CORPORATE EXECUTIVE MANAGEMENT

Corporate Executive Management bears the ultimate responsibility for the Group's strategy, development and day-to-day work. The CEO is responsible for the content of the Group's Sustainability and Corporate Social Responsibility Policy being followed up, complied with and integrated into the Group's ordinary strategic planning.



The business areas

The business areas are responsible for follow up and compliance with policy, targets and governance documents related to sustainability and corporate social responsibility. The practical aspects are usually handled by the four business areas, with support from the Corporate Centre.

Ethics Council

The Group's Ethics Council is to help raise ethical awareness, ensuring good behaviour and safeguarding KONGSBERG's good reputation. The Ethics Council's mandate is to deal with cases of principle and questions linked to policies and provisions. The composition of the Ethics Council is subject to Board approval.

Business Conduct Review Board

KONGSBERG has comprehensive guidelines for how we are to comport ourselves in business situations. The guidelines are adopted by the Board, and then the Business Conduct Review Board, which serves as the Group's compliance forum, bears the main responsibility for ensuring compliance.

Forum for Sustainability and Corporate Social Responsibility

The Forum is a link between the business areas, Corporate Centre and Corporate Executive Management on questions related to sustainability and corporate social responsibility. The main responsibility is to help promote, further develop and coordinate the Group's work in this field.

Council for Climate and the Environment

The Forum is a link between the business areas, Corporate Centre and Corporate Executive Management on questions related to sustainability and corporate social responsibility. The main responsibility is to help promote, further develop and coordinate the Group's work in this field.

The Council for CSR Follow-up in the Supplier Chain

The Council is responsible for promoting and further developing the Group's work with CSR in the supplier chain, ensuring coordinated skills upgrading, making risk assessments and implementing audits.



CLIMATE AND ENVIRONMENTAL ACCOUNTS 2012

KONGSBERG continued to grow in 2012, as evidenced by nearly 600 new employees and the establishment of new offices abroad. This means that our footprint on the outdoor environment has also grown.

Over the past few years, we have worked systematically to report data associated with energy consumption, waste treatment, chemical consumption and greenhouse gas emissions. The information has made us aware of the challenges we face, and afforded us opportunities to initiate improvement measures.

The Climate and Environmental Accounts give an overview of KONGSBERG's consumption of energy, emissions of CO₂ and production of waste. The accounts cover all Norwegian units, all production units and the larger offices abroad. Historical data have been quality-assured in

connection with implementation of a new reporting system for KONGSBERG. This means that reported data for 2010 and 2011 occasionally deviate from previous years' environmental accounts.

As from 2012, we will no longer be reporting on the consumption of chemicals, as chemicals are not a significant part of what we consider our environmental accounts. Internally, we will, of course, keep close track of which chemicals are used and of consumption.

The Group did not experience any serious incidents related to pollution in 2012.

ENERGY

In connection with production and office activities, KONGSBERG consumes energy in the form of electricity, district heating, gas and fuel oil. Kongsberg Technology Park makes district heating for enterprises located in the technology parks in Kongsberg. District heating is produced using electricity, fuel oil, gas and heat recovery. In 2012, 51 per cent of the district heating was delivered to units in KONGSBERG, while the remainder was delivered to other enterprises in the technology park.

In 2010, a new central heating plant was built in Kongsberg Technology Park for the recycling of residual heat from the cooling water from the technology parks and wastewater from KONGSBERG's municipal purification plant. This helped ensure

that 72 per cent of the produced district heating in 2012 came from heat recovery, compared with 47 per cent in 2011. This positive increase is ascribable to a significant reduction in down time for the facility and outside temperatures that allowed more efficient operations

Compared with 2011, KONGSBERG's total energy consumption was about 7 per cent higher in 2012. The main reason for this increase was the consumption of more electricity by Kongsberg Maritime and Kongsberg Defence Systems in connection with a generally higher level of activity and more production. The relative energy consumption increased from 7.2 to 7.4 MWh per MNOK (Figure 1).

ENERGY CONSUMPTION

GWh

Business area	Change, past year	2012	2011	2010 ²⁾
Kongsberg Maritime	22%	31.3	25.5	25.8
Kongsberg Defence Systems	3%	45.4	44.2	42.1
Kongsberg Protech Systems	0%	9.6	9.6	9.4
Kongsberg Oil & Gas Techn.	10%	1.3	1.2	1.4
Kongsberg Teknologipark AS ¹⁾	2%	28.7	28.3	24.5
Total	7%	116.3	108.9	103.2

1) Includes the production of district heating provided to enterprises outside KONGSBERG.

2) The consumption of electricity for the production of remote cooling and compressed air was not reported in 2010. For 2011 and 2012, this consumption totalled 13.7 GWh and 10.2 GWh, respectively, of KONGSBERG's total energy consumption.

Type of energy

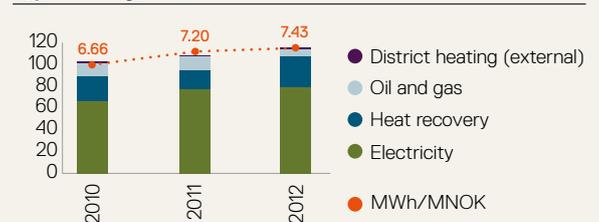


Figure 1: Total energy consumption (GWh) by KONGSBERG. District heating produced in Kongsberg Technology Park is included in the figures for electricity, oil and gas, and heat recovery. District heating (external) refers to district heating provided to KONGSBERG by external suppliers.

CO₂ EMISSIONS

KONGSBERG's CO₂ emissions have been calculated as recommended by the 'Greenhouse Gas Protocol' published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI). Since 2010, emissions from national and international flights booked in Norway have been included. These trips account for a substantial percentage of KONGSBERG's total CO₂ emissions and, in the years ahead, efforts will be made to include flights booked outside of Norway.

The environmental accounts encompass the following sources of CO₂ emissions:

- **Direct emissions (Scope 1):** Emissions from the use of fuel oil and gas to heat buildings, as well as from the production of district heating by Kongsberg Technology Park.
- **Indirect emissions from electricity (Scope 2):** Emissions from the consumption of electricity or district heating from external suppliers.
- **Emissions from air travel (Scope 3):** Emissions from national and international flights booked in Norway.

CO₂ emissions were reduced by 12 per cent in 2012, compared with the year before. The main reason for this is that by increasing heat recovery, Kongsberg Technology Park has reduced its consumption of fuel oil and gas significantly. Emissions per produced unit of district heating were reduced from 82 grams of CO₂ per kWh in 2011 to 21 grams of CO₂ per kWh district heat provided in 2012. Moreover, registered emissions from flights booked in Norway have been reduced by roughly 28 per cent. Emissions relative to sales dropped from 1.5 to 1.3 metric tonnes per MNOK.

Emissions of CO ₂ Metric tonnes ¹⁾	Change, past year	2012	2011	2010
Scope 1 (Direct emissions)	(54%)	1 378	2 996	4 869
Oil and Gas (Business Area)		885	386	560
Oil and gas (Kongsberg Technology Park)		492	2 610	4 308
Scope 2 (Indirect emissions)	16%	8 393	7 239	6 193
Electricity (Business Area)		7 371	6 028	5 551
Electricity (Kongsberg Technology Park)		865	1 061	513
District heating from external supplier		157	149	130
Scope 3 (Other emissions)	(19%)	10 182	12 512	8 944
Air travel		10 182	12 512	8 944
Total	(12%)	19 953	22 747	20 005



EMISSIONS OF CO₂

Metric tonnes ¹⁾

Business area	Change, past year	2012	2011	2010
Kongsberg Maritime	8%	10 832	9 987	8 341
Kongsberg Defence Systems	(10%)	4 218	4 662	3 703
Kongsberg Protech Systems	(24%)	2 359	3 107	2 278
Kongsberg Oil & Gas Techn.	(14%)	874	1 019	642
Kongsberg Teknologipark AS ²⁾	(58%)	1 669	3 972	5 041
Total	(12%)	19 953	22 747	20 005

Type of emission



Figure 2: Emissions of CO₂ (metric tonnes) for KONGSBERG. Emissions from the consumption of fossil fuels for the production of district heating delivered by Kongsberg Technology Park are shown as direct emissions. Indirect emissions include the consumption of electricity and district heating provided by external suppliers in the business areas, as well as the consumption of electricity for the production of district heating by Kongsberg Technology Park.

1) Emissions from the production of district heating for intra-Group deliveries are reported as emissions from Kongsberg Technology Park. The emissions from the business areas are not therefore included in indirect emissions from district heating provided by Kongsberg Technology Park.

2) Includes the production of district heating provided to enterprises outside KONGSBERG.

WASTE

KONGSBERG generates waste from production and from office activities. Waste volumes are part of KONGSBERG’s in-house environmental reporting. The report covers generated waste broken down by category of waste and waste for recycling divided by recycling fractions. Certain units that share locations with other enterprises report estimated waste data and there is some uncertainty associated with them. Kongsberg Technology Park makes efforts to increase source separation among the companies located in Kongsberg Technology Park.

In 2012, the total volume of KONGSBERG’s waste was roughly 10 per cent higher than in the preceding year. Relative waste production increased from 107.2 kg per MNOK in 2011 to 114.5 kg per MNOK in 2012. For the waste reported in 2012, the percentage of source separation for KONGSBERG as a whole was roughly 87 per cent, compared with 92 per cent in 2011. In Kongsberg Technology Park, the percentage of source separation was 96 per cent in 2012, compared with 94 per cent in 2011.



WASTE

Metric tonnes

Business area	Change, past year	2012	2011	2010
Kongsberg Maritime	43%	1 262	885	1 143
Kongsberg Defence Systems	(24%)	374	490	274
Kongsberg Protech Systems	(39%)	118	194	280
Kongsberg Oil & Gas Techn.	68%	15	9	52
Kongsberg Teknologipark AS	(67%)	15	44	23
Total	10%	1 784	1 622	1 772

Type of emission

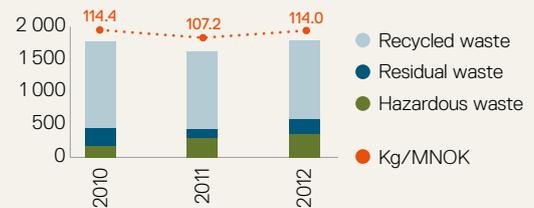


Figure 3: Total waste production (metric tonnes) at KONGSBERG.

TARGETS AND ACTIVITIES RELATED TO CORPORATE SOCIAL RESPONSIBILITY

The Group's work with and the priority assigned to corporate social responsibility has increased year by year. This means, among other things, that we have selected certain areas in which we have set longer term goals. This translates into greater continuity in our work and we achieve better results.

The 2012 reporting year

2012 was characterised by a high level of activity and strong growth in the number of employees. More focus and attention have been devoted to corporate social responsibility in the past year. The following is a list of our main targets and activities.

The activities marked with ☹ continue to be targets, but final implementation has been postponed somewhat. Activities with ☺ have been completed. All these activities will continue to be high-priority areas in 2013.

Targets - Corporate social responsibility 2013

The targets for 2013 will be a continuation of our areas of focus in 2012, as well as of the initiatives ensuing from our Policy for Sustainability and Corporate Social Responsibility.

In this context, we have emphasised the follow-up of expectations of us, as outlined in White Paper No. 13 (2010-2011) – Active Ownership.

TARGETS AND ACTIVITIES 2012

What we said – targets and activities	What we did – status	Performance
Strategy · Implement activities ensuing from the revised Policy for Sustainability and Corporate Social Responsibility	· New policy adopted by the Board of Directors in 2012. 'Megatrends and Sustainability' document drawn up	☺
Anti-corruption · An area in which we devote constant attention to preventative, risk-reducing initiatives and the discovery of any non-conformance	· Developed a number of mandatory guidelines for business behaviour, and implemented training initiatives in conjunction with said guidelines	☺
Process modules for sustainability and corporate social responsibility · Draw up and implement process modules in conjunction with acquisitions, new ventures, product development, etc.	· Process modules in conjunction with acquisitions to be completed in Q1 2013; the others during the year.	☹
Suppliers · Further develop routines and processes for the follow up of suppliers as regards CSR	· Principles and processes for Supplier Conduct have been drawn up.	☺
· Conduct audits and engage in dialogue with suppliers with a view to CSR	· Some audits were conducted. List of high-risk deficiencies compiled.	☹
Stakeholder dialogue · Engage in systematic stakeholder dialogue related to corporate social responsibility	· Meetings conducted	☺
Climate strategy · Implement specific initiatives	· Not all initiatives implemented	☹
· Start projects to identify further initiatives	· Projects in their infancy	☹

TARGETS AND ACTIVITIES 2013-2017

Plans for the future	Status 2012	1 year - Targets 2013	3 years - Targets 2015	5 years - Targets 2017
Policy <ul style="list-style-type: none"> Implement activities ensuing from our new Policy for Sustainability and CSR, including assessing risks and opportunities related to global megatrends. 	"Megatrends and Sustainability" document drawn up	Assess projects in the light of opportunities and risks	Implement	Evaluate and implement
Anti-corruption <ul style="list-style-type: none"> Further develop policies and routines. 	High-priority policies and routines have been developed/ revised.	Revise/further develop relevant policies and routines.	Evaluate and implement	Implement
<ul style="list-style-type: none"> Carry out risk analyses, relevant action plans and audits to reduce risks. 	Risk analyses, action plans and reporting have been implemented throughout the Group.	Further develop internal control systems. Carry out audits.	Implement	Implement
<ul style="list-style-type: none"> Further develop and carry out continuous training. 	The training programme has been established; courses have been developed and are conducted continuously.	Further develop and implement training.	Implement	Implement
Process modules for sustainability and corporate social responsibility <ul style="list-style-type: none"> Remaining work associated with drawing up and implementing process modules and skills-building in connection with acquisitions, venture creation, product development, new buildings, other special activities, etc. 	Modules associated with acquisitions drawn up.	Implement module related to acquisitions. Make modules related to the other areas.	Implement	Evaluate and implement
Human rights <ul style="list-style-type: none"> Draw up routines for analysis, control, and the reporting of possible abuses of human rights 	New	Draw up routines and implement	Implement	Evaluate and implement
Suppliers <ul style="list-style-type: none"> Implement routines and processes for the follow up of suppliers as regards CSR. 	Commenced	Implement	Evaluate and implement	Evaluate and implement
<ul style="list-style-type: none"> Follow up implementation of CSR audits and dialogue with suppliers 	Some special audits related to corporate social responsibility were completed	Selected high-risk	All high-risk	Evaluate
Stakeholder dialogue <ul style="list-style-type: none"> Carry out systematic stakeholder dialogue linked to CSR and develop important target indicators in dialogue with stakeholders 	Meetings conducted	Implement	Evaluate and implement	Implement
Climate strategy <ul style="list-style-type: none"> Follow up specific initiatives 	Lagging slightly behind as regards implementation	Implement	Evaluate and set new targets	Implement
<ul style="list-style-type: none"> Identify new initiatives related to the climate strategy and the policy for sustainability and corporate social responsibility 	Commenced	Identify new initiatives	Implement	Implement

KEY SUSTAINABILITY FIGURES

FINANCIAL VALUE ADDED

	2012	2011	2010	2009	2008	2007	2006
Value added (Amounts in MNOK)							
Payroll expenses	3 894	3 515	3 172	3 003	2 561	1 983	1 778
Share dividend	450	450	450	240	165	150	75
Interest to lenders	37	35	41	115	93	59	51
Retained earnings	870	980	1 050	558	422	836	177
Other key financial figures (MNOK)							
Goods and services purchased approx.	8 300	8 300	9 500				
Financial support. Tax refund from the Norwegian tax authorities related to development projects	16	17	29				
Taxes (MNOK)							
Norway	422	513	528	270	210	261	99
Rest of Europe	14	17	18	23	21	12	9
North and South America	32	24	26	19	26	10	4
Asia	43	24	25	29	17	10	26
Total	511	578	597	341	274	293	138

The Board of Directors will propose to the AGM a dividend for 2012 of NOK 3.75 (NOK 3.75) per share. If the proposal is adopted at the AGM on 3 May 2013, dividends will be paid as follows, provided the ownership structure is the same as at 20 February 2013:

MNOK	2012	2011	2010	2009	2008	2007	2006
Dividends							
Norwegian State	225.0	225.0	225.0	120.0	82.5	75.0	37.5
Organisations/enterprises	90.6	97.4	97.6	56.4	40.4	36.3	17.3
Securities funds	47.1	45.2	48.4	27.6	16.9	16.5	9.0
Insurance/pension funds	25.0	25.0	24.4	12.5	9.5	9.9	4.5
Private individuals	20.9	19.9	20.2	12.0	7.3	6.6	3.7
Foreign owners	41.4	37.5	32.6	11.5	8.4	5.7	3.0
Total	450.0	450.0	450.0	240.0	165.0	150.0	75.0

SOCIAL INVESTMENTS

MNOK	2012	2011	2010	2009	2008	2007	2006
Social investments							
Financial support to organisations, etc.	6.7	3.0	3.0	2.9	2.0	1.9	1.8

EMPLOYEES

	2012	2011	2010	2009	2008	2007	2006
Level of education							
Master's degree (%)	28	26	28	29			
- of which, doctorates (PhD)	(2)						
Bachelor's degree (%)	36	35	35	33			
Technicians (%)	14	14	11	12			
Production workers %	10	12	13	13			
Other %	12	12	13	13			
Number of employees							
Number of employees, total	7 259	6 681	5 681	5 423	5 243	4 205	3 560
Number of full-time employees	7 003	6 393	5 442	5 195	5 015	4 021	3 486
Number of part-time employees	256	286	239	228	228	184	164
Age							
Average age ¹⁾	40	42	42	42	42	41	43
Employees under age 30 (%)	22	21	19	19	17	15	12
Employees between ages 30 and 50 (%)	55	55	57	55	56	57	60
Employees over age 50 (%)	23	23	24	26	27	28	28
Percentage of women							
Women as a % of the number of employees	21.2	20.9	19.5	18.8	19.5	19.5	19.0
Women in managerial positions as a % of total managerial positions	19	14	13	15	13	13	12
Shareholder-elected women on the Board (%)	40	40	40	40	40	40	40
Turnover							
Turnover (employees who have resigned)	459	424	346	250	222	203	335
Turnover (%)	6.3	6.4	6.1	4.6	4.2	3.9	4.3
- Men	5.2	4.4	4.9	3.4	3.0	3.3	4.3
- Women	1.1	2.0	1.2	1.2	1.2	0.6	1.2

1) New method of calculation as from 2012.

HEALTH AND SAFETY

	2012	2011	2010	2009	2008	2007	2006
Health and safety							
Absence due to illness as a % of hours worked	2.4	2.2	2.5	2.6	2.4	2.4	2.7
Absence due to illness for the Norwegian companies	2.8	2.8					
Number of reported injuries per million hours (TRI) ¹⁾	1.48	1.67	6.3	5.5	3.5		
Number of lost time days per million hours (ISR) ¹⁾	13.6	1.07	22.3	58.2	5.6		
Total number of injuries among employees	54						
Total number of near-accidents among employees	78						
Registered occupational diseases	0						
Registered work-related fatalities	0						

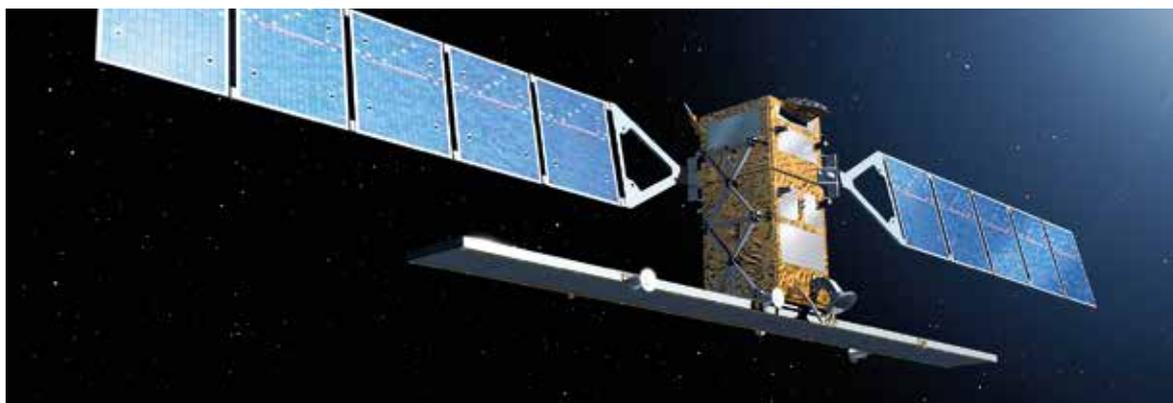
1) The figures for 2011 cover only the Norwegian units in the company.

CLIMATE AND THE ENVIRONMENT

	2012	2011	2010	2009	2008	2007	2006
CO₂ emissions							
CO ₂ emissions (thousand metric tonnes) ²⁾	19 953	22 747	20 005	12 980	7 801	6 809	6 142
Energy consumption							
Electricity (MWh) ¹⁾	79 218	77 625	66 256	57 053	46 895	40 627	39 534
District heating (MWh) ¹⁾	7 667	13 257	12 968	21 324	14 464	14 164	11 957
Gas/oil (MWh)	1 053	757	752	1 739	1 208	1 239	689
Energy consumption (MWh) per employee	16.0	16.3	18.2	15	12	14	15
Energy consumption relative to sales (MWh/MNOK)	7.4	7.2	6.7	5.8	5.8	6.8	8.0
Waste (metric tonnes)							
Waste for recycling	1 202	1 191	1 330	827	717	662	606
Residual waste	223	131	265	594	511	402	392
Hazardous waste	358	300	177	52	28	58	59

1) As from 2010, the reported breakdown in the distribution of power between Kongsberg Technology Park and the business areas changed, meaning that the figures are not directly comparable with earlier years.

2) As from 2010, air travel has been included in the Group's environmental accounts.



EXTERNAL REPORTING

KONGSBERG also reports to various external organisations. We do this to ensure that the information we provide is structured, transparent and relevant in the light of international guidelines for reporting sustainability.



Global Reporting Initiative (GRI)

GRI is a voluntary international framework for how companies should report on their work with corporate social responsibility and their vision and strategy for sustainable development. KONGSBERG has reported in compliance with the GRI index since 2004.

The UN Global Compact

The Global Compact is the UN's initiative for working together with business and industry to promote sustainable development. The initiative was taken by then UN Secretary-General Kofi Annan in 1999. The principles consist of 10 points related to human rights, workers' rights, the environment and anti-corruption. KONGSBERG joined the initiative in 2006.

Carbon Disclosure Project (CDP)

CDP is an international framework that encourages companies to measure and report externally on the company's strategy related to climate change and to present the company's level of emissions of greenhouse gases. KONGSBERG has reported to CDP since 2011.

GLOBAL COMPACT

HUMAN RIGHTS

Principle 1	Support and respect the protection of internationally proclaimed human rights	Pages 10–12, 19, 34, 39
Principle 2	Make sure the company is not complicit in human rights abuses	Pages 10–12, 19

WORKERS' RIGHTS

Principle 3	Uphold the freedom of association and the right to collective bargaining	Pages 10–12, 19
Principle 4	Uphold the elimination of all forms of forced and compulsory labour	Pages 12, 19
Principle 5	Uphold the effective abolition of child labour	Pages 12, 19
Principle 6	Uphold the elimination of discrimination in respect of employment and occupation	Pages 10–12, 19, 34

THE ENVIRONMENT

Principle 7	Support a precautionary approach to environmental challenges	Pages 15–18, 22, 29
Principle 8	Undertake initiatives to promote greater environmental responsibility	Pages 23, 28–30, 35–38
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	Pages 18, 23, 28–29

ANTI-CORRUPTION

Principle 10	Work against corruption in all its forms, including extortion and bribery	Pages 20–21, 26
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For more information on the Global Compact, see www.globalcompact.org

GLOBAL REPORTING INITIATIVE INDEX (GRI)

On the following pages, we list the GRI indicators with references to where they are discussed in the report, regardless of whether they are wholly or partially answered relative to GRI. For a full description of the individual indicator, see GRI's website at www.globalreporting.org

Deloitte has verified that our Report on Corporate Social Responsibility is generally consistent with GRI's reporting principles and that our report meets the requirements for level B+ pursuant to the guidelines, cf. the Auditor's Report, page 41.

NR = Not relevant NA = Not addressed PA = Partially addressed A = Annual Report Additional indicators are marked by (*)

Indicator	See page(s)	Indicator	See page(s)
PROFILE		3.9	Data measurement techniques and the bases of calculations 2, 28–30
1	Strategy and analysis	3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement 2, 28–30
1.1	Statement from the most senior decision-maker of the organization about the relevance of sustainability strategy 4–5	3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report 2, 28–30
1.2	Description of key impacts, risks, and opportunities in relation to sustainability 4–5, 15–18	3.12	Table identifying the location of the Standard Disclosures in the report (GRI Index) 36–40
2	Organizational profile	Third-party verification	
2.1	Name of the organization 6–7	3.13	Policy and current practice with regard to seeking external assurance for the report 40
2.2	Primary brands and products 6–9	4	Governance, commitments, and engagement
2.3	Organization 6–7	4.1	Governance structure of the organization, including committees under the highest governance body A, 27
2.4	Location of organization's headquarters 6–7	4.2	Indicate whether the Chair of the highest governance body is also an executive officer A
2.5	Number of countries where the organization operates 6–9	4.3	State the number of members of the highest governance body that are independent and/or non-executive members A
2.6	Nature of ownership and legal form 6	4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body A, 27
2.7	Markets served (including geographical breakdown, sectors served and types of customers/beneficiaries) 6–9	4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance A
2.8	Key numbers 33–35	4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided A
2.9	Significant changes regarding size, structure, or ownership 2	4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics A
2.10	Awards received in the reporting period 27		
3	Report parameters		
Report profile			
3.1	Reporting period for information provided 2		
3.2	Date of most recent previous report 2012		
3.3	Reporting cycle Annual		
3.4	Contact point for questions regarding the report or its contents 41		
Report scope and boundary			
3.5	Process for defining report content 2		
3.6	Boundary of the report 2		
3.7	State any specific limitations on the scope or boundary of the report 2, 15–18, 28–30		
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations 2, 28–30		

Indicator		See page(s)	Indicator		See page(s)
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	14–18, 26, 31–32		Market presence	
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	2, 27, A	EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation*	10–11 (PA)
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	A	EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation*	18, 19, 31
	Commitments to external initiatives		EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	10–11 (PA)
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	15–18, 36		Indirect economic impacts	
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	2, 15–18, 26, 36	EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NA
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership	12, 20, 27, 36	EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts*	NA
	Stakeholder engagement			ENVIRONMENTAL PERFORMANCE INDICATORS	
4.14	List of stakeholder groups engaged by the organization	24		Management approach	4–6, 15–18, 22, 23, 31–32
4.15	List of stakeholder groups engaged by the organization Basis for identification and selection of stakeholders with whom to engage	24		Materials	
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	24	EN1	Materials used by weight or volume	28–30 (PA)
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	24	EN2	Percentage of materials used that are recycled input materials	NA
	ECONOMIC PERFORMANCE INDICATORS			Energy	
	Management approach	4–5, 15–18, 33–35	EN3	Direct energy consumption by primary energy source	28–30, 35
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	6–7, A, 25, 33–35	EN4	Indirect energy consumption by primary source	28–30, 35 (PA)
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	15–18, 22	EN5	Energy saved due to conservation and efficiency improvements*	NA
EC3	Coverage of the organization's defined benefit plan obligations	A	EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	23 (PA)
EC4	Significant financial assistance received from government	33	EN7	Initiatives to reduce indirect energy consumption and reductions achieved*	28 (PA)
				Water	
			EN8	Total water withdrawal by source	NA
			EN9	Water sources significantly affected by withdrawal of water*	NA
			EN10	Percentage and total volume of water recycled and reused*	NA
				Biodiversity	
			EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NR
			EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR
			EN13	Habitats protected or restored*	NR
			EN14	Strategies, current actions, and future plans for managing impacts on biodiversity*	NR
			EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk*	NR

Indicator		See page(s)
	Emissions, effluents and waste	
EN16	Total direct and indirect greenhouse gas emissions by weight	29, 35
EN17	Other relevant indirect greenhouse gas emissions by weight	NA
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved*	18, 22, 29
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NOx, SOx, and other significant air emissions by type and weight	NA
EN21	Total water discharge by quality and destination	NA
EN22	Total weight of waste by type and disposal method	30, 35
EN23	Total number and volume of significant spills	35
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally*	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff*	NA
	Products and services	
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	NA
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	NA
	Compliance	
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations registered transport	None registered
	Transport	
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce*	29 (PA)
	Overall	
EN30	Total environmental protection expenditures and investments by type*	NA
	LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS	
	Management approach	4–5, 10–11, 12, 15–18
	Employment	
LA1	Total workforce by employment type, employment contract, and region	8–9, 34
LA2	Total number and rate of employee turnover by age group, gender, and region	34 (PA)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations*	NA
	Labor/management relations	
LA4	Percentage of employees covered by collective bargaining agreements	11 (PA)

Indicator		See page(s)
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NA
	Occupational health and safety	
LA6	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs*	11 (PA)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	11, 34
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	11 (PA)
LA9	Health and safety topics covered in formal agreements with trade unions*	11
	Training and education	
LA10	Average hours of training per year per employee by employee category	NA
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*	10
LA12	Percentage of employees receiving regular performance and career development reviews*	NA
	Diversity and equal opportunity	
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	10, 34 (PA)
LA14	Ratio of basic salary of men to women by employee category	NA
	HUMAN RIGHTS PERFORMANCE INDICATORS	
	Management approach	4–5, 12, 15–18
	Investment and procurement practices	
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	NA
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	12, 19 (PA)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained*	12
	Nondiscrimination	
HR4	Total number of incidents of discrimination and actions taken	12
	Freedom of association and collective bargaining	
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	10–11, 19 (PA)

Indicator		See page(s)
	Child labour	
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	12
	Forced and compulsory labor	
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	12
	Security practices	
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations*	12
	Indigenous rights	
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken*	12
	SOCIETY PERFORMANCE INDICATORS	
	Management approach	4–5, 15–8, 20–21, 33
	Community	
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	NA
	Corruption	
SO2	Percentage and total number of business units analyzed for risks related to corruption	20–21
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	26
SO4	Actions taken in response to incidents of corruption	20–21, 26
	Public policy	
SO5	Public policy positions and participation in public policy development and lobbying	NA
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country*	NA
	Anti-competitive behavior	
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes*	20, 26
	Compliance	
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	20, 26

Indicator		See page(s)
	PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS	
	Management approach	4–5, 13, 15–18, 24, 31–32
	Customer health and safety	
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	NA
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes*	NA
	Product and service labeling	
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	NA
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes*	NA
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	NA
	Marketing communications	
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	NA
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes*	None registered
	Customer privacy	
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data*	None registered
	Compliance	
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	None registered

If you have viewpoints or questions associated with the report or other topics discussed in the report, please contact KONGSBERG's CSR Manager Nils Molin at: [nils.molin@kongsberg.com](mailto:nil.molin@kongsberg.com)

AUDITOR'S REPORT 2012



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INDEPENDENT AUDITOR'S REPORT To the management of Kongsberg Gruppen

We have reviewed certain information presented in the KONGSBERG – Sustainability Report 2012 (“the Report”). The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

We have based our work on the international standard ISAE 3000 “Assurance Engagements other than Audits and Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board. The objective and scope of the engagement were agreed with the management of the Company and included the subject matters on which we provide our conclusion below.

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have conducted interviews of the managers responsible for sustainability aspects at corporate and selected reporting units represented by Kongsberg Protech Systems – Johnstown (USA) and Kongsberg Maritime – Kongsberg (Norway).

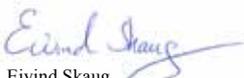
We believe that our work provides an appropriate basis for us to draw a conclusion with a limited level of assurance on the subject matters. In such an engagement, less assurance is obtained than would be the case had an audit-level engagement been performed.

Conclusion

In conclusion, in all material respects, nothing has come to our attention that causes us not to believe that:

- Kongsberg Gruppen has applied procedures to collect, compile and validate sustainability data for 2012 from its reporting units to be included in the Report, as summarised on pages 2 – 3, and data presented for 2012 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Data reported for 2012 from the reporting units visited, as specified above, has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Information about attainment of targets, as presented on page 31, appropriately reflects performance related to the objectives for 2012.
- Kongsberg Gruppen applies a reporting practice for its sustainability reporting that is aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented on pages 37 – 39 appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is presented. The Company's reporting on the UN Global Compact is consistent with the description on page 3 and the UN Global Compact table presented on page 36 appropriately reflects where relevant information on each of the UN Global Compact principles is presented in the Report.

Oslo, 21 March 2013
Deloitte AS


Eivind Skaug
State Authorized Public Accountant


Frank Dahl
Deloitte Sustainability

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