

Communication on Progress from Nammo, per June 2018

With reference to www.nammo.com and annual report 2017

- www.nammo.com/who-we-are/about-us

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ABOUT US

Nammo is an international aerospace and defense company headquartered in Norway. With 2300 employees across more than 30 sites and Offices in 14 countries, the company is one of the world's leading providers of ammunition and rocket engines for both military and civilian customers.

Background and Ownership

The company was founded in 1998, based on a merger of three major Nordic defense companies: Celsius AB, Patria Oyj, and Raufoss ASA. Today the Nammo Group's shareholders are the Norwegian Government represented by the Norwegian Ministry of Trade, Industry and Fisheries (50 percent) and the Finnish Defense and Aerospace Group, Patria Oyj (50 percent).

Organization and Core Business

The Nammo Group operates through 6 business units: Commercial Ammunition, Small and Medium Caliber Ammunition, Large Caliber Ammunition, Shoulder Fired Systems, Aerospace Propulsion, Demil, Sea Safety and Services. Its product portfolio includes shoulder-launched munitions systems, military and sports ammunition, rocket motors for military and space applications, and environmentally friendly demilitarization services.

Customer base

80% of Nammo's business comes from national armed forces and national defense industries in the countries where the organization operates. The remaining portion of the company's business is comprised of commercial sales of services and sports and security products. Of a 2017 revenue of NOK 4.45 billion (USD 550 million), nearly 90% came from sales in Europe and North America.

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BOARD OF DIRECTORS 2017

The Board of Directors in Nammo AS shall according to the Shareholders Agreement consist of 6 to 8 Directors.

Three from each owner and two Directors representing the employees. The employees may also nominate one additional observer so that in total Norway, Sweden and Finland are represented. The Chairman of the Board alternates yearly between the two owners. The Board of Directors meets regularly with a minimum of four times per year.

SHAREHOLDERS REPRESENTATIVES



Jan Erik Korssj en

Chairman
CEO (Ret.) for Kongsberg
1999-2008



Olli Isotalo

Vice Chairman
President & CEO
Patria Oyj



Sirpa-Helena Sormunen

Board Member
General Council
Fortum Oyj



Ingelise Arntsen

Board Member



Ville Jaakonsalo

Board Member
CFO
Patria Oyj



Dag J. Opedal

Board Member
CEO
Alcaran AS

EMPLOYEE REPRESENTATIVES



Marianne Stensrud

Board Member
Operator
Nammo Raufoss AS



Petri Kontola

Board Member
Program Manager
Nammo Lapua Oy

EMPLOYEE OBSERVER



Per Alenfelt

Observer
Program Manager
Nammo Sweden AB

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MANAGEMENT

The Group Management consist of the President & CEO, the Senior Vice Presidents from the Corporate Staff and the Executive Vice President representing each of the five business units.



Morten Brandtzæg

President & CEO



Stein Erik Ommundsen

Senior Vice President Finance & CFO



Kjell Kringsjå

Senior Vice President Business Development



Bertil Pålsrud

Senior Vice President Business Integration



Camilla Becker

Senior Vice President Human Resources



Anne Haugen-Flermoe

Senior Vice President Legal



Sissel Solum

Senior Vice President Compliance



Endre Lunde

Senior Vice President Communications



Raimo Helasmäki

Executive Vice President Commercial Ammunition



Reijo Bragberg

Executive Vice President Small and Medium Caliber Ammunition



Vegard Sande

Executive Vice President Large Caliber Ammunition



Chad Parkhill

Executive Vice President Shoulder Fired Systems



Stein Erik Nodeland

Executive Vice President Aerospace Propulsion

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BUSINESS UNITS

Nammo operates through five business units, which are the operational management of Nammo.

Commercial Ammunition

All ammunition and components for sport, hunting and competition shooting.

- Nammo Lapua (Lapua, Finland)
- Nammo Lapua (Vantaa, Finland)
- Nammo Vihtavuori (Vihtavuori, Finland)
- NorDis Nordic Distribution (Lapua, Finland)
- Nammo Schönebeck (Schönebeck, Germany)
- ND PressTec (Schwerte, Germany)
- Nammo Tactical Ammunition (Mesa, USA)
- Capstone Precision Group (Sedalia, USA)

Small and Medium Caliber Ammunition

Military small and medium caliber ammunition, hand grenades and related components, as well as all demilitarization processes, services and sea safety products.

- Nammo Sweden (Karlsborg, Sweden)
- Nammo Sweden (Lindesberg, Sweden)
- Nammo Sweden (Karlskoga, Sweden)
- Nammo Sweden (Vingåker, Sweden)
- Nammo Raufoss (Raufoss and Aurskog, Norway)
- Nammo Lapua (Lapua, Finland)
- Nammo Lapua (Vihtavuori, Finland)
- Nammo Palencia (Palencia, Spain)
- Nammo Tactical Ammunition (Mesa, USA)
- Nammo NAD (Løkken Verk, Norway)

Large Caliber Ammunition

All naval ammunition and large caliber ammunition and components for artillery, tanks and mortars.

- Nammo Raufoss (Raufoss, Norway)
- Nammo Sweden (Lindesberg, Sweden)
- Nammo Sweden (Karlskoga, Sweden)
- Nammo Lapua (Vihtavuori, Finland)
- Nammo MTH (Hérémence, Switzerland)
- Nammo Pocal (Scranton and Moscow, USA)

Shoulder Fired Systems

All shoulder fired systems within the group (66 mm and 83 mm).

- Nammo Talley (Mesa, AZ, USA)
- Nammo Talley (Columbus, MS, USA)
- Nammo Composite Solutions (Salt Lake City, UT, USA)
- Nammo Raufoss (Raufoss, Norway)

Aerospace Propulsion

Development and production of advanced rocket motor segments in air-to-air, ground-to-air and space applications, including high-performance thrust vector control systems and advanced warheads.

- Nammo Raufoss (Raufoss, Norway)
- Nammo Talley (Mesa, AZ, USA)
- Nammo Energetics Indian Head (Indian Head, USA)
- Nammo Ireland (Dublin, Ireland)
- Nammo Westcott (Westcott, UK)
- Nammo Cheltenham (Cheltenham, UK)

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ETHICS, VISION AND VALUES

We build our ethical work on the solid platform given by our values. By ensuring that our employees and all others acting on behalf of Nammo, follow and live by our Ethical Code of Conduct, we secure a high ethical standard in all our operations.

Our Vision

Securing the future

- We will protect our national and allied forces with high quality defense products
- We will secure the future development of eco-friendly products, processes and services
- We will secure further growth based on strong financial performance.
- We will develop and secure a long-term sustainable business for our customers and employees
- Our future development depends on a secure and safe working environment. We must emphasize the importance of every single employee

Our Values

Our Values; Dedication, Precision and Care, are the fundamental principles guiding the way we do business, the way we interact in internal and external processes as well as the way we want to be recognized by our customers.

Dedication

- We are enthusiastic and creative, always searching for the best solutions

Precision

- We are reliable and accurate in our technology, processes and business

Care

- We are inclusive and open-minded, always encouraging team spirit and cooperation



"I expect all employees and anybody acting on behalf of Nammo to behave and comply with our Ethical Code of Conduct. I also emphasize that Nammo has zero tolerance for any form of corruption."

Morten Brandtzæg,
President & CEO Nammo
Group

Links:

- [Ethical Code of Conduct »](#)
- [Anti-Corruption Manual »](#)

Ethics

Ethical Code of Conduct

The Ethical Code of Conduct describes Nammo's commitment and requirements in connection with issues of an ethical nature that relate to business practice and personal conduct.

Nammo Ethical Committee

Nammo has an Ethical Committee consisting of 3 representatives from the Nammo Group. They are elected for two years by the Management Group and reports to the CEO. Incidents can be reported to the Committee through: ethics@nammo.com

UN Global Compact

Nammo supports the ten principles of the UN Global Compact.
[Read more »](#)

Support

Nammo support the European Defence Assosiation ASD through our membership in the Nordic Security and Defence Organisations FSI (Norway), SOFF (Sweden) and AFDA (Finland), who all supports ASD's anti-corruption work through IFBEC (International Forum of Business Ethical Conduct).

Responsibility

Senior Vice President Human Resources is the professionally responsible person for Ethics within the Nammo Group.
Contact info: Bertil Pålsrud, bertil.palsrud@nammo.com

SUPPLIERS

Nammo acknowledges ethics and corporate responsibility as the heart of its operations and shall be recognized for its high ethical standards. Nammo requires its Suppliers to support and uphold the same standards.

Supplier Conduct Principles

The objective of these principles is to state the requirement for best business practices and personal conduct in the entire Nammo supply chain and for Nammo business partners.

[Link to document »](#)

Links:

[Ethical Code of Conduct »](#)

[Supplier Conduct Principles »](#)

CSR

Nammo's number one social responsibility is reflected in the company's core business: to develop and manufacture high-quality defense products that support and protect our national and allied armed forces. Corporate social responsibility is part of our everyday operations and is essential for our success as a company.

We embrace our values and let them drive our performance within corporate social responsibility. We promote sustainable development through business operations that strongly emphasize our environmental, ethical and social considerations. We are committed to ensuring full compliance with requirements for human and labor rights in all our entities and areas where we operate.

We promote sustainable development through business operations that strongly emphasize our ethical and social considerations by following the Global Reporting Initiative's (GRI) Core option for sustainability reports and reporting to the UN Global Compact.

Our aim is to protect national and allied forces with high-quality defense products. Our company strategy enables best practices to be exchanged across borders and business units, including corporate social responsibility. Our ambition to embody our values drives our corporate social responsibility performance.

We are an active contributor to the development of the communities where we are located. We are engaged in various activities such as sports, science centers and cultural events that target children and young people. Close relationships with stakeholders such as NGOs, authorities and local voluntary organizations are important to us, as can be seen through our role as an active player in our local communities.



Read more about:
Ethics in Nammo

Sustainable reporting

This report has been prepared in accordance with the GRI Standards: Core option.

We have carried out a materiality analysis to identify the most important sustainability aspects for Nammo and its stakeholders.

Our sustainability reporting reflects the results of this analysis and material aspects are displayed in our Global Reporting Initiative (GRI) Standard: Core option index 2017 table. The table shows where information about each of the reported GRI standards and specific disclosures is presented, and whether such information is fully or partly reported. For a complete description of the individual indicators, please go to the GRI website (www.globalreporting.org).

The scope for reporting comprises, in general, companies under control of Nammo AS. However, for some aspects, the information covers activities also outside this scope, e.g. information about supply chain management and community-related activities.

Human rights at Nammo

Nammo's human rights responsibility starts from the environmentally friendly development phase of a product until final delivery to a national authority or ally. Every entity is responsible for ensuring the Group does not breach human rights in any of its business operations as well as being aware of its corporate social responsibility in the local community.

Our responsibility shall ensure compliance with national environmental, security and quality standards. We must secure proper communication of customer requirements to our supply chain and partners, and fully support the ten UN Global Compact Principles. The supply chain is regularly monitored by means of annual questionnaires. The most critical suppliers will be subject to real-time audits.

Significant investment agreements include due diligence processes that include human rights screening. Major supplier contracts include human rights principles.

Internal review at company entities is a continuous process performed to secure compliance with the ILO's principles. Our employees shall have safe and secure working conditions. Our human resources policy shall ensure equal opportunities and rights and prevent discrimination on the grounds of gender, ethnicity, national origin, skin color, language, religion, philosophy of life and/or age. This applies in particular to recruitment, career development, equal pay for equal work and working conditions.

The local communities surrounding our production facilities shall feel safe in the knowledge that we operate our entities in a responsible manner. This entails acting in accordance with national environmental and security standards in addition to monitoring via internal and external controls.

Product responsibility

At Nammo, responsibility for a product starts at its innovation. Our products must comply with international laws and conventions. We focus strongly on the use of environmentally friendly materials in our production lines and processes.

All our products must be able to meet high national and/or military standards. The requirements include several aspects which together result in products with a high performance, safe use and top quality.

All export of military components and products requires an export license from the national authorities where we are located. Every production site in Nammo must follow the national laws and regulations of their particular country.

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EXECUTIVE SUMMARY

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Nammo's number one social responsibility is reflected in the company's core business: to develop and manufacture high-quality defense products that support and protect our national and allied armed forces.

2017 has been an eventful year with strong growth, the acquisition of four new companies, a unique agreement with the US government and a stronger position in our core markets.

Corporate social responsibility is part of our everyday operations, and is essential for our success as a company. We embrace our values, and let them drive our performance within corporate social responsibility. We promote sustainable development through business operations that strongly emphasize our environmental, ethical and social considerations. We are committed to ensuring that human and labor rights are followed in all our entities and areas where we operate.

Nammo follows the Global Reporting Initiative (GRI) Standard: Core option, for sustainable reporting.

Ethics

We have a zero-tolerance policy for corruption and bribery. Consequently, Nammo has maintained its strong focus on training employees within ethics and anti-corruption throughout 2017. All our employees and any third parties acting on our behalf must comply with our ethical code of conduct, and follow our reporting guidelines, which include options for whistleblowing.

At Nammo, we believe that the best way to ensure that our employees understand and "live" the Group's high level of ethical standards is through continuous communication and training. In 2017, we have conducted courses in both dilemma and red flag training through presentations and workshops at several legal entities and management groups.

The companies acquired in 2017 have all completed our 100-day introduction program, which includes an introduction to the Nammo culture and our ethical code of conduct, including training with interactive workshops. These activities are part of our general risk reduction when acquiring new companies.

Our Proactive Fraud and Anti-Corruption training program started in 2015 and has continued in 2017. This comprises tailor-made training for management and key personnel at a legal entity, with the objective to reinforce the importance of raising awareness of the effects and costs of fraud and corruption. It also demonstrates how corporate HR and compliance can drive an active anti-fraud and anti-corruption culture across Nammo.

Nammo has not been subjected to any investigations, fines or sanctions in 2017 relating to ethical breach of laws and/or regulations.

Compliance

The defense and aerospace industry is highly regulated by the national authorities in the countries where it operates. In addition to national regulations, the industry must also comply with a wide range of requirements within quality, supply chain, security and military standards, as well as others introduced by industrial or governmental customers. For the company to be compliant with these requirements, all employees must follow the established routines, systems and standards.

The main purpose of the compliance function in Nammo is to assess risk across the business, develop training and internal communications strategies, evaluate data and conduct critical investigations in close cooperation with legal counsel when necessary. Other assignments include internal review of legal entities and risk monitoring, as well as working on influencing organizational culture and behavior and clearly communicating the vision, mission and strategy of the ethics and compliance program.

Compliance is of utmost importance to Nammo. All our entities must be in compliance with national laws and regulations if they are to be allowed to operate, and thereby fulfill their business purpose. Our focus on compliance is now increasing even further, as external requirements continue to grow. To successfully address this challenge, we continue to improve our skills by taking advantage of ongoing education opportunities, with Nammo compliance professionals attending training programs both in the US and in Europe.

Compliance also provides a competitive advantage; if we are not compliant, we risk our reputation and make ourselves vulnerable to severe economic consequences. As such, ensuring compliance in all areas is one of our highest priorities.

People

Our people are our most important resource. Nammo has designed a personnel policy to ensure equal opportunities and rights and to prevent discrimination on the grounds of gender, ethnicity, national origin, language, religion, philosophy of life and/or age. This applies in particular to recruitment, career development, equal pay for equal work and working conditions.

Diversity

The share of women among our employees remains stable at around 25 percent, though it was slightly reduced by our recent acquisitions. Encouraging female university graduates and women with other relevant backgrounds to join Nammo continues to be important, and we strive to motivate women to apply for management positions. We are working actively through training and recruitment programs to address this challenge.

Health, safety and security

Nammo operates in the explosives industry and handles energetic materials. Conditions relating to health, environment, safety and security (HESS) must always have high priority for Nammo's employees, and these conditions are a fixed item on the agenda of all management meetings. The Group's policy is evaluated annually. All accidents or near-accidents involving employees are reported and preventive actions taken accordingly.

Seventeen HESS audits were conducted at the different sites in 2017. This is an annual procedure performed by the HESS Director in the Nammo Group. All sites individually set their own annual HESS targets and implement an improvement plan.

Newly acquired companies have been prioritized for regular audits to make sure that the HESS level conforms to Nammo's high standards. Every year, one specific focus area is selected for the HESS audits. In 2017, this was risk analysis connected with operational activities. In general, Nammo maintains a very high HESS standard, and with a few exceptions the findings in the audits were all minor.

Working environment

Sick leave among Nammo's employees averaged at 4.6 percent in 2017. This is an increase from 2016, and indicates a need for increased attention on the implementation of preventive actions. A higher variation of activities is also required, such as workplace improvements, as well as measures to secure a good and healthy working environment, protective equipment and physical training. This is now a focus area for management.

There were 36 lost time injuries (LTI) that resulted in employees being absent from work at Nammo in 2017. This included two LTI involving explosives. This is not an acceptable result and needs more attention to achieve improvements. The majority of LTI accidents are caused by slipping and falling, or small finger injuries with fewer than five days off work.

Reporting of incidents, accidents and dangerous conditions increased in 2017 and exceeded the target for the year. There has been a positive increase in reporting of dangerous conditions, near misses and accidents in 2017. The Group will continue its preventive work in all areas and will maintain a high focus on safe working conditions for all employees.

ICT-security

We experience regular attempts to infect our computers with malicious software. The target of such attempts is either to enable adversaries to steal technical data or fraud, sabotage and extortion. Faced with such an increase in threats, we continuously strive to improve technical security, limit the attack surface and raise awareness levels among employees. This has been done by mandatory and continuous e-learning throughout the year for all employees having access to computers.

Environment

Nammo has a direct impact on the environment through its production and testing of ordnance products and services, consumption of paper and energy, waste management, procurement and use of transport. All main Nammo sites are certified in accordance with ISO 14001, or they are operated in compliance with similar environmental standards.

Preventive actions and environmental standards are on the agenda during every audit. The HESS directive requires all sites to update improvement plans and report any nonconformities. All European Nammo sites must comply with the REACH regulations. This means that they must all adhere to their requirements, and prepare to change any chemicals that are to be phased out. In parallel with this effort, we continuously search for more environmentally friendly solutions in our daily operations.

Risk analysis

Risk analyses on the environmental side are carried out at all sites, and analyses have not uncovered any high risk of severe environmental accidents within Nammo. The sites manage potential risk by preventive work. There is no major concern that climate change will affect our activities at the different locations.

We continuously work to standardize our risk management system, carrying out internal training in conjunction with emergency plans.

Emissions

We follow up and measure waste emissions to water and the atmosphere, reduce noise levels and handle other environmental factors in accordance with existing regulations and internal instructions.

We have some environmental challenges in following up historically polluted areas at two sites. This is considered to be under control, and is being followed up through internal plans for improvements and in close cooperation with national authorities.

Energy

Energy efficiency measures provide economic and environmental benefits. As such, reducing energy consumption and energy conservation measures are a high priority at all sites. By using alternative energy sources, Nammo has already made significant cost savings.

Society

Nammo has a strong ambition to be a positive contributor to the development of the local communities where the sites are located.

Our stakeholders

We initiate dialogue with our stakeholders, including the political community, political youth organizations, non-governmental organizations (NGOs), local community and defense administrations in the countries where we operate.

Nammo has always been open for dialogue with NGOs, and we welcome any NGO that wants to visit our company and learn more about the industry and the business.

We intend to contribute to the development of local communities in which we operate, such as science projects for young people, local charitable initiatives and various sporting activities. Our goal is to increase the Nammo Group's visibility, and to demonstrate our values and priorities through support of organizations that reflect these values.

One stakeholder that is of growing importance to Nammo is the international defense trade press. We believe that a vibrant and active trade press is essential to the continued health of our industry, and therefore spend considerable time and resources on maintaining good relations with them. We also wish to reward young talent looking to make a career in trade journalism, and consequently in 2017 sponsored an award for the best young aerospace journalist, which was awarded during a formal ceremony in Paris in June 2017. During 2018, we are planning to expand this activity further, by sponsoring two awards for young trade press journalists.

Our employees are excellent Nammo ambassadors in the local community and with other stakeholders, for instance when presenting the company to students at local and national universities and engineering schools. During 2017, we initiated several projects aimed at strengthening the insight and understanding of our employees into the company's activities and policies, in order to enable them to do so more effectively.

Another important task is to increase the knowledge and understanding of Nammo and the defense industry in society more generally. Going forward, Nammo will increase its focus on developing and distributing content and materials that provide a wider audience with accessible and relevant insights into our company and the industry in general.

Local and national sponsorship

We have continued our sponsorship of the two national sports teams in Norway: one within the women's national biathlon team, and the other as main sponsor of the women's national ski jumping team, including a technology program with the Norwegian ski association. Our sponsorship commitments illustrate our desire to build a strong company culture and promote the internal focus on empowering women in the company.

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ETHICS & ANTI-CORRUPTION

Nammo has a zero-tolerance policy on corruption and bribery. We aim to be recognized for our high ethical standards. Nammo's ethical code of conduct describes the Group's business practices and the requirements regarding expected behavior related to corruption, conflicts of interest, harassment and discrimination. All employees and all third parties acting on behalf of Nammo shall follow these requirements.

In 2017, Nammo has sustained its strong focus on providing training within ethics and anti-corruption.

[Our anti-corruption manual](#)

The 100-Day Program

Newly acquired companies shall all follow a 100-Day Program, which is an introduction program to Nammo's company culture, the ethical code of conduct and an interactive work-shop training with a set of different ethical dilemmas to be discussed and presented. This is part of our general risk assessment when acquiring new companies.

The training shall be accomplished within the first 100 days after the acquisition. In the fourth quarter of 2016, Nammo acquired Berger Bullet, today Capstone Precision Group. The Ethics and Culture training of the 100-Day Program for the employees of Berger Bullets was completed in January 2017.

By the end of June 2017, Nammo had acquired two more companies in the United Kingdom and one company in Ireland, all originally from the previous Moog Inc. The management and key personnel in these three companies completed the 100-Day Program of Ethics and Culture training in August.

Simultaneous with the 100-Day Program, anti-corruption training has been held for other legal entities.

Training in proactive fraud detection and anti-corruption

This is a tailor-made training program for management and key personnel at the legal entities with the objective to reinforce the importance of raising awareness of the effects and costs of fraud and corruption.

The program increases the employees' knowledge of where the risks and costs of fraud and corruption are most significant in the Group and they learn the power of techniques that can be used to detect red flags at an early stage. They also discuss how to implement these techniques as well as follow up on red flags.

One of the key messages in the workshop is "*don't wait for the whistleblower*". We want to encourage our employees to be able to spot indications of potential wrongdoings in the course of their work and raise them through appropriate channels.

The training in proactive fraud detection and anti-corruption has been performed at seven Nammo entities until now, the last two on the US East Coast in 2017. The target group is all employees involved in the business from sales and marketing to finance, contracting and supply chain.

The overall ethics and anti-corruption program in Nammo is part of the Group's corporate responsibility. The Ethics Directive in the Nammo Group management system is organized under the Senior Vice President of Human Resources who has overall management responsibility for the training programs. The new position of Senior Vice President Compliance is assigned responsibility for assessing and monitoring the program.

Every employee in Nammo must ensure that they are familiar with and perform their duties in accordance with the requirements set out in the ethical code of conduct. The human resources in each country are allocated day-to-day responsibility within the legal entities.

Nammo has not been subject to any investigations, fines or sanctions in 2017 relating to any ethical breach of laws and/or regulations.

The ethics and anti-corruption training program and plans have been presented to the entire Board of Directors. The management group is regularly informed of progress in the ethics and anti-corruption training program.

Ethical committee

Nammo has an ethical committee consisting of three representatives from the Nammo Group. They are elected for a period of two years by the management group and report to the CEO. Incidents and concerns can be reported by email to the committee at ethics@nammo.com. In June 2017, new members were elected to the ethics committee and the mandate for the committee was both modified and updated.

The number one priority of the ethics committee is to handle any breach of the ethical code of conduct submitted internally and/or externally. The committee has quarterly meetings and can seek external legal advice if needed.

There were no cases of ethical breach submitted to the committee in 2017.

Objectives within ethics for 2018

Training and communication

There will be three types of training in 2018

- E-learning exercises
- Dilemma training
- Proactive fraud and anti-corruption training

Whistleblowing

The employees in Nammo have different channels to use when they want to speak out. They can use the line organization, the human resources department, the organization of the employee representatives or they can use the ethical committee via email ethics@nammo.com.

Communication between the different channels with regard to raising concerns is part of Nammo's improvement work for 2018.

The tone at the top

The tone at the top is of utmost importance in our daily work in building a strong ethical culture. Over the past years, the CEO has shown true leadership, ensuring that the tone at the top sets guiding values and underlines our zero tolerance for corruption. In 2018, the tone at the top shall be adopted by all management groups in Nammo. Every manager in Nammo shall participate in building a strong and ethical anti-corruption culture.

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COMPLIANCE

The defense and aerospace industry is highly regulated by the national authorities in the countries where it operates. In addition to national regulations, the industry must also comply with a wide range of requirements within quality, supply chain, security and military standards, as well as other requirements introduced by industrial or governmental customers. For the company to be compliant with these requirements, all employees must follow the established routines, systems and standards.

Roles and responsibilities

In 2016, the decision was made to establish a chief compliance position at Nammo management group level. The main purpose of the compliance function at Nammo is to assess risk across the business, develop training and internal communications strategies, evaluate data and conduct critical investigations in close cooperation with legal counsel when necessary.

Other assignments include internal review of legal entities and risk monitoring, as well as working on influencing organizational culture and behavior and clearly communicating the vision, mission and strategy of the ethics and compliance program. Compliance is of utmost importance to Nammo. All our entities must be in compliance with national laws and regulations if they are to be allowed to operate, and thereby fulfill their business purpose.

Our focus on compliance is now increasing even further, as external requirements continue to grow. To successfully address this challenge, we continue to improve our skills by taking advantage of ongoing education opportunities, with Nammo compliance professionals attending training programs both in the US and in Europe.

Compliance also provides a competitive advantage; if we are not compliant, we risk our reputation and make ourselves vulnerable to severe economic consequences. As such, ensuring compliance in all areas is one of our highest priorities.



In 2016, the decision was made to add new competence to the Nammo management group level by establishing a Chief Compliance position. After 15 years with responsibility as head of communications of which eight years as a member of the management team, the time had come for Sissel Solum to take on new challenges. She is our Senior Vice President Compliance.

"I was thrilled to take on a new responsibility from scratch and motivated by the opportunity to define compliance at Group level in Nammo. At the same time, I was confident that my broad knowledge of the defense industry business in general and the Nammo Group and our employees in particular, would be an advantage in this new position," Sissel states.

Compliance officers today are assuming a much more strategic role when it comes to helping organizations manage compliance and reputational risk. Similar to the position in communications, the compliance officer needs both an understanding of the full range of reputational risks, as well as an instinct for what can go wrong and how their organization can prepare.

Compliance at the top of the agenda

"Compliance is a high priority at Nammo. All our entities must be compliant with national laws and regulations in order to be allowed to perform our business. The aerospace and defense industry is highly regulated by each country's national authority. In addition to national regulations, the industry must comply with several numbers of quality, supply chain and security standards, military standards and other requirements set forth by an industrial or governmental customer," Sissel continues.

"Internally, all employees need to follow the established routines, systems and standards. Compliance has gained increased importance in parallel with the increased level of external requirements to our company. The risk of employees breaching our systems or routines can lead to loss of contracts, as a breach of our ethical standards can have a serious impact on our reputation."

Compliance ambitions and targets

"The main ambition of the compliance role is to assess risks from across the business, develop relevant training and communication strategies, evaluate data, and conduct sometimes critical investigations in close cooperation with legal counsel. Assignments also include internal reviews of legal entities and risk monitoring as well as working on influencing the organizational culture and behavior, and clearly communicating the vision, mission, and strategy of the ethics and compliance program.

"Internally, all employees need to follow the established routines, systems and standards. Compliance has gained increased importance in parallel with the increased level of external requirements to our company. The risk of employees breaching our systems or routines can lead to loss of contracts, as a breach of our ethical standards can have a serious impact on our reputation."

Compliance ambitions and targets

"The main ambition of the compliance role is to assess risks from across the business, develop relevant training and communication strategies, evaluate data, and conduct sometimes critical investigations in close cooperation with legal counsel. Assignments also include internal reviews of legal entities and risk monitoring as well as working on influencing the organizational culture and behavior, and clearly communicating the vision, mission, and strategy of the ethics and compliance program.

My key ambition for 2018 will be to assess the compliance maturity of the Group and prioritize the identified risk areas and develop an improvement and implementation plan according to the findings. In parallel we will continue to monitor and follow up actions and internal training within ethics and export control."

Nammo from an employee perspective

"I have spent 16 years in the Nammo Group and I am still learning something new every day," says Sissel.

"The company is an excellent place to work for those who are interested in global industry, politics and technology. It is an exciting international Group where we regularly get the opportunity to meet colleagues from other countries and cultures as well as customers and suppliers from all over the world.

I am surrounded by competent and professional people who motivate each other and always seek the best solutions together.

Nammo is a company open to supporting its employees seeking complementary education. Knowledge is everything! Nammo stays true to its vision and values. The freedom of action and responsibilities given to its managers are quite broad. You easily get the feeling that it is the people who define the company and its culture. With our flat Nordic management structure, every voice can be heard if you speak loud enough."





In June 2017, Nammo cohosted the second annual FAR/DFARS seminar in Oslo for Norwegian industry. Along with the FSi (Norwegian Defence and Security Industries), NADIC (Norwegian-American Defense and Homeland Security Industry Council) and the Kongsberg Group, Nammo planned the seminar to highlight the latest information about contracting with the United States government.

FAR, the Federal Acquisition Regulations, are the US government's acquisition regulations that are required of companies doing business with the US government. The DFARS, the Defense Federal Acquisition Regulations Supplement (DFARS), are the specific set of regulations for companies in the defense industry, in support of the contracts issued by the US Department of Defense (US DOD).

In 2016, at the first Norwegian Industry seminar on FAR/DFARS, there were 106 industry attendees from Norway, Sweden and Finland. For the 2017 seminar, there were 145 industry attendees from the Nordic countries. The seminar included a keynote speech by Stephen Knight from Smith Pachter McWhorter PLC in Virginia and additional expert sessions conducted by representatives from Norwegian industry.

For companies to enter the competition to be awarded US DOD contracts, it is important to meet the technological requirements, and it is also important to meet the specific contractual requirements related to contract management including: pricing of commodities, transport of commodities, safety during the contractual period, and supply chain management.

Nammo companies are subject to frequent audits by the DCMA and the DCAA during the lifecycle of the US DOD contracts. The annual FAR/DFARS seminar provides industry representatives with current updates to the FAR/DFARS and the practical operational know-how to successfully implement compliant routines. With the latest FAR/DFARS competence, Nammo continues to be competitive in the US marketplace and successfully secures and manages US-government-funded contracts at Nammo sites inside and outside the continental US.

Nammo simultaneously orchestrated a proactive and non-reactive compliance program to respond to the changing landscape, and implemented a company-wide Lean and Six Sigma program involving all six business units.

Nammo's ambition was to position itself among the best; number one in the business segment. By continuously reinvesting in development and technology, Nammo secures both sustainability and profitability and paves the way for increased focus on internal processes, including successfully meeting the requirements of the changing landscape.

In March of 2017, the Board of Directors for the FSi (Norwegian Defence and Security Industries) decided to establish an export control committee with the intent to strengthen the close coordination of export control compliance within the defense and security industries in Norway.

The committee, today known as the FSi EKV (eksportkontrollutvalg), brought together and formalized an industry workgroup dedicated to building the competence required for industry to successfully navigate the governmental and non-governmental laws, regulations and requirements influencing export control of technologies, including: materials, data and services.

FSi EKV has representatives from eight Norwegian industries, and the chair for 2017-2018 is Nammo Raufoss AS.

In 2017, FSi EKV worked with the Norwegian Ministry of Foreign Affairs to provide input to the electronic licensing system used by the Norwegian industry to file for export licenses. The aim of this interactive process is to develop a system that enables both the Norwegian government and the industry to license and track technologies in a more efficient and yet comprehensive manner.

Focus areas 2018

In 2018, the continuation of building competency to comply with the changing landscape will take place at each Nammo site and will be complemented by external training in meeting rooms, classrooms and in the field with business partners. The outcome will be sustainable supply chains from Nammo's suppliers to Nammo's customers and will include risk reduction throughout the business transactions and a measurable increase in the selection of Nammo as a supplier of choice. Examples include:

The US government requires that all companies manufacturing products for the US Department of Defense comply with US Site Safety requirements if energetic materials are handled in the manufacturing process. This substantial requirement for Nammo sites and Nammo's supply chain of energetic materials involves training and site planning. To fulfil this requirement for sites outside of the US, Nammo Raufoss has hired a project manager with the delegated task of managing the requirement in order to reduce duplication, increase competency and to work with the Nammo sites in Europe as well as the supply chain and implement training and comprehensive project management.

In June, training courses on the changing landscape of US export regulations will be held at Nammo sites across Europe. The courses are a part of the continuing education for Nammo sites in order to maintain a high degree of export compliance expertise and thereby ensure the integrity of the export of Nammo goods and services globally.

A Six Sigma project with representatives from compliance, the Small and Medium Caliber Ammunition Business Unit and the Aerospace Propulsion & Space Business Unit is working to map the US government requirements that flow to Nammo in requests for proposals and contracts.

The project is identifying how to manage the requirements internally at Nammo sites, particularly the sites outside of the continental United States, and how to flow the requirements into the supply chain as required by the US Federal Acquisition Regulations (FAR). The outcome from this project will be shared with other Nammo sites in peer-to-peer training conducted by Nammo staff.

Four areas

After an internal risk evaluation, we have selected four focus areas for the first 18 months:

1. Increase and broaden training of ethics and anti-corruption
2. Continue to strengthen our third-party due diligence
3. Continue to follow up internal risk evaluation of export control and perform regulatory export compliance training.
4. Support legal entities with best practice procedures for Governmental audits.

Nammo has worked to develop close collaboration with industry partners, customers and suppliers to build a strong and compliant environment for trade in the defense industry. This is added value for Nammo because it builds trust across the supply chain, from the end user to Nammo. This is beneficial for all parties because we are able to build our understanding of government and customer requirements throughout the supply chain, and reducing Nammo's risk.

Training

2017 saw major shifts in the global geo-political landscape with the continued discussions on Brexit, the new administration in Washington DC and the changing laws and regulations due to mass migration. As a result, the laws and regulations governing compliance had some dramatic shifts both in new requirements and in increased enforcement. This has had a particular impact on export control, sourcing of materials in the supply chain, governmental budgets for defense procurement, prosecution of industry violations related to business ethics. Moreover, due to the fallout from global data hacking scandals, the defense industry must now comply with heightened cyber security requirements.

To successfully compete in the changing landscape, it is important for Nammo to understand the requirements and to adapt to meet these requirements internally and externally with business transactions. The adaptive changes for Nammo internally included recruiting new staff and new work teams and increasing competence throughout the Nammo Group using internal training, external training and e-learning training modules.

We require our suppliers to be compliant with our supplier conduct principles and the Nammo ethical code of conduct. The principles are founded on the UN Global Compact's ten principles, as well as our company values.

The objective of these principles is to state our requirements for best business practices and personal conduct in the entire Nammo supply chain and for Nammo's business partners.

Nammo mainly buys from European countries and North America, where the risk of violation of human rights and other regulations is low. Nammo supports the 10 principles of the UN Global Compact and therefore focus on suppliers who can follow these principles.

As Nammo's main activity is industrial production, most suppliers provide raw materials for our products and machining equipment. Local suppliers are to be used if competitive and, as an example, Nammo Raufoss makes purchases worth more than NOK 100 million locally every year. When it comes to services, most of these are provided by national suppliers in areas where we have operations.

It is vitally important to secure long-term agreements for deliveries from suppliers of critical components or materials.

Read [Nammo Supplier Conduct Principles](#).

We aim to conduct the best ethical practices and leverage Nammo's position with our global supply base in order to yield best value for all Nammo business units.

We have an open dialogue with our suppliers. Nammo's procurement council hosts annually a USA supplier conference for updates, compliance and exchange of information. An annual survey is also distributed to our most critical and valuable suppliers, with a focus on requirements for organization, products, materials and updates of certificates, such as ISO. The survey covers areas like processes, sub-contractors, range of products and services and environmental measures and results in connection to processes, products, improvements, product planning, performance and training of staff. Other areas covered are quality systems, audits, documentary verification of products, inspections, calibration, REACH, risk analysis, use of conflict minerals, existence of Business Continuity Plan and Disaster Recovery Plan and credit rating.

Our strategic supplier list is regularly maintained. We actively research new opportunities to secure strategic materials and components, including identifying new suppliers. Strategic suppliers are evaluated for the short and long term, depending on the availability of materials.

ITAR and EAR

Nammo promotes compliance with the International Traffic in Arms Regulations (ITAR), the Federal Acquisition Regulations (FAR) and the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) and the export regulations in all countries where we are domiciled and conduct business.

We are committed to implementing procedures that comply with ITAR and other regulations that control the transfer of sensitive technologies. This creates a culture of compliance, which extends to Nammo's suppliers, partners and customers throughout all business activities, including product development, procurement, sales and marketing.

ITAR and the Export Administration Regulations (EAR) are export control regulations run by different departments of the US government; both designed to help ensure that sensitive technologies do not fall into the wrong hands. An export license is a general term for both ITAR and EAR-controlled items where the US government has granted permission to transport or sell controlled items to foreign countries or parties.

DFARS

The Defense Federal Acquisition Regulation Supplement (DFARS) is the principal set of rules in the Federal Acquisition Regulation System (FAR) that controls the acquisition of defense related goods and services. The FAR system itself governs the acquisition process by which executive agencies of the United States federal government acquire (i.e., purchase or lease) goods and services by contract with appropriated funds.

REACH

Nammo is committed to complying with the Registration, Evaluation, Authorization and Restriction of Chemicals (REACH) regulation. This is an EU regulation concerning chemicals and products manufactured, produced, imported or used in the EU-EEA area. Nammo also complies with additional EU Directives that control many aspects of business trade including; exports, workplace safety, handling of goods and transit of goods.

A Lean project at Nammo Lapua Vihtavuori focused on reconfiguring the layout of production for greater efficiency and reducing unnecessary documentation accompanying the production process. The training outcome was such a success that the site, along with colleagues from other Nammo sites in Finland, plan to implement a Lean project in 2018 to create an internal improvement team with planning and executive capabilities.



Executive summary

Ethics & anti-corruption

Compliance

The Environment

People

Society

Global Reporting Initiative

Archive



Environmental Risk Evaluation

- [Nammo climate change and environmental risk evaluation](#)

THE ENVIRONMENT

Nammo has a direct impact on the environment through its production and testing of ordnance products and services, consumption of paper and energy, waste management, procurement and use of transport. All main Nammo sites are certified in accordance with ISO 14001, or they are operated in compliance with similar environmental standards.

Roles and responsibilities

The Health, Environment, Safety and Security (HESS) Manager has a clearly defined role and responsibility for preparing and revising policies and instructions, reporting, improving and exchanging experiences. Site managers are responsible for designing and operating HESS policies and procedures at their sites. This includes risk assessments, emergency plans, improvement plans and ensuring that employees have adequate competence and training to perform their job. The site manager is required to immediately report any serious accidents to the HESS Manager and the CEO.

HESS program

The Nammo HESS directive is the main tool for defining our standards for health, environment, safety and security. The directive shall ensure that the Group's performance and strategic decisions are in compliance with regulatory requirements, and that neither Nammo employees nor any third party is exposed to unacceptable hazards as a result of activities.

Preventive actions and environmental standards are on the agenda during every audit. The HESS directive requires all sites to update improvement plans and report any non-conformities. All European Nammo sites must comply with the REACH regulations. This means that they must all adhere to the regulations' requirements and prepare to change any chemicals that are to be phased out. In parallel with this effort, we continuously seek more environmentally friendly solutions in our daily operations.

Nammo operates in the explosives industry and handles energetic materials. Conditions relating to health, environment, safety and security must always have high priority for Nammo's employees and are constantly on the management agenda. The Group's policy is evaluated annually. All accidents or near-accidents involving employees are reported and preventive actions are taken. Monthly reports are sent to all sites.

Audits



16 health, environment, safety and security audits were conducted at the sites in 2017. These audits are an annual procedure performed by the HESS Director in the Nammo Group. All sites individually set their annual HESS targets and implement an improvement plan. Newly acquired companies have been prioritized regarding audits to make sure that the HESS level is in conformity with Nammo's high standard. The HESS audits have been postponed at some off the sites this year but will be on the plan earlier in 2018. Every year there is a selected focus area connected with the HESS audits and in 2017, this was risk analyses relating to operational activities. In general, there is a high HESS standard in Nammo and the findings from the audits were – with a few exceptions – minor.

Security

In 2017, several sites improved general security according to national evaluations of threat in the area. As such, these sites now have a better overview and safer access control.

HESS award [▶](#)

The HESS Award for 2016 was announced and celebrated at the Nammo Forum in August 2017. The winner was Nammo Pocal in Pennsylvania, USA, in the Large Caliber Ammunition business unit.

Nammo's health, environment, safety and security award is presented to one department or site that has contributed positively with great improvements, worked systematically on internal training and proven a high level of reporting with follow-up actions. The objective of the award is to motivate and inspire the employees to create innovative solutions to constantly improve our work within health, environment, safety and security.

The jury commented: "The winner has shown extraordinary courage and perseverance and worked extremely hard. In 2016, Pocal built a brand-new 20 000 ft² warehouse to provide safer storage. With the growth of the company, the need to tighten security prompted Pocal to implement an access control system to control the safety of both employees and products.

Significant improvements have further been made inside the facility, ranging from a Safety Shoe Program to the development of a new semi-automated production line increasing productivity. Different lift-assisting devices at both Moscow and Scranton locations have reduced the risk of injuries for employees in relation to the previous manual and labor-intensive work."

Risk analysis



The focus area for 2017-2018 is risk analyses. These will be emphasized during the HESS audits and will be on the agenda for the HESS seminar.

Risk analyses relating to the environment are carried out at all sites, and analyses have not uncovered any high risk of severe environmental accidents within Nammo. The sites manage potential risk by preventive work. There is no major concern that climate change will affect our activities at the different locations.

We continuously work to standardize our risk management system, carrying out internal training in conjunction with emergency plans.

Discharges of chemicals from the manufacturing plant for gunpowder in Finland are one of the biggest environmental risks in Nammo due to handling of large amounts of chemicals and acids in tanks. One general concern is that thunderstorms and lightning may increase and represent a threat to production with explosives.

Emissions



In Nammo, we follow up and measure waste emissions to water and the atmosphere, reduce noise levels and handle other environmental factors in accordance with existing regulations and internal instructions.

We have some environmental challenges in following up historically polluted areas at two sites. This is considered to be under control and is being followed up through internal plans for improvements and in close cooperation with national authorities.

Penalties

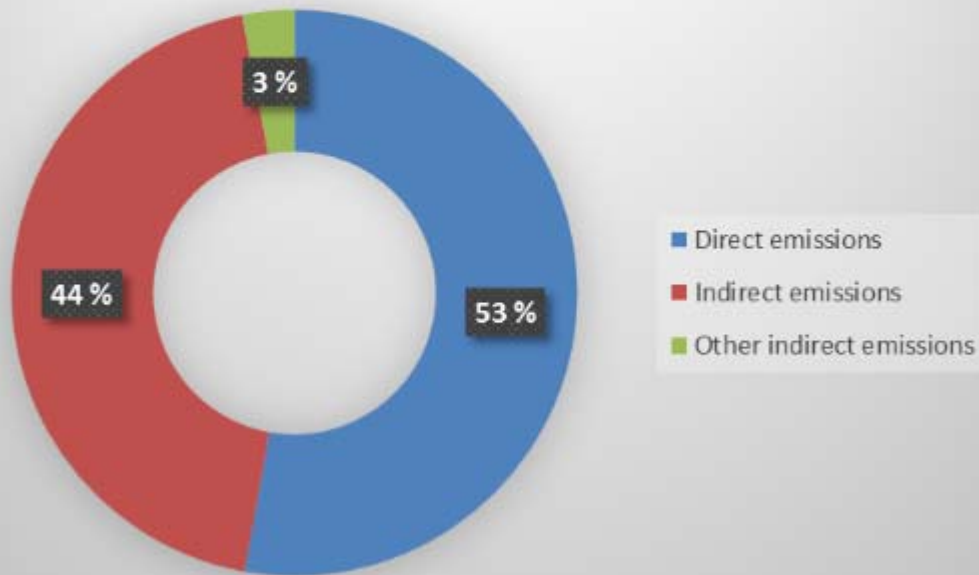
One of our sites, Nammo Sweden Karlskoga, received a fine in connection with emissions to water. They were over the limit on explosive content and were fined for reporting this too late.

Greenhouse gas emissions

Direct greenhouse gas (GHG) emissions (scope 1) from combustion of fossil fuels (oil and gas) at our sites is calculated to be about 17 800 tonnes CO₂-equivalents in 2017. Indirect GHG emissions from purchased electricity and district heating (scope 2) is calculated to be about 14 900 tonnes CO₂-equivalents. (Calculated based on conversion factors for CO₂ from electricity per country – source: Defra, 2015 factors. GHG emissions from district heating is calculated based on conversion factors for electricity.

Emissions from business travel by air for flights (scope 3) for the Norwegian part of our organization – representing the majority of travel activity in the Group – is reported from our travel agency to be close to 1 000 tonnes CO₂-equivalents in 2017.

Emissions of CO₂-eq in 2017 33 700 tonnes



Energy



Energy efficiency measures provide economic and environmental benefits. As such, reducing energy consumption and energy conservation measures are a high priority at all sites. By using alternative energy sources, Nammo has already made significant cost savings.

All sites shall have at least one energy saving project or initiate other good environmental projects for each factory. This will be followed up on the annual HESS audits.

Reported energy consumption at our production units was about 180 GWh in 2017. Consumption of fossil fuels counted for nearly 40%, purchased electricity 35% and purchased district heating about 25%.

One good example is the achievements at Nammo Vihtavuori.

Nammo Vihtavuori's energy consumption (electricity and steam for heating/process) in 2017 was 10 percent lower compared to the figures in 2016.

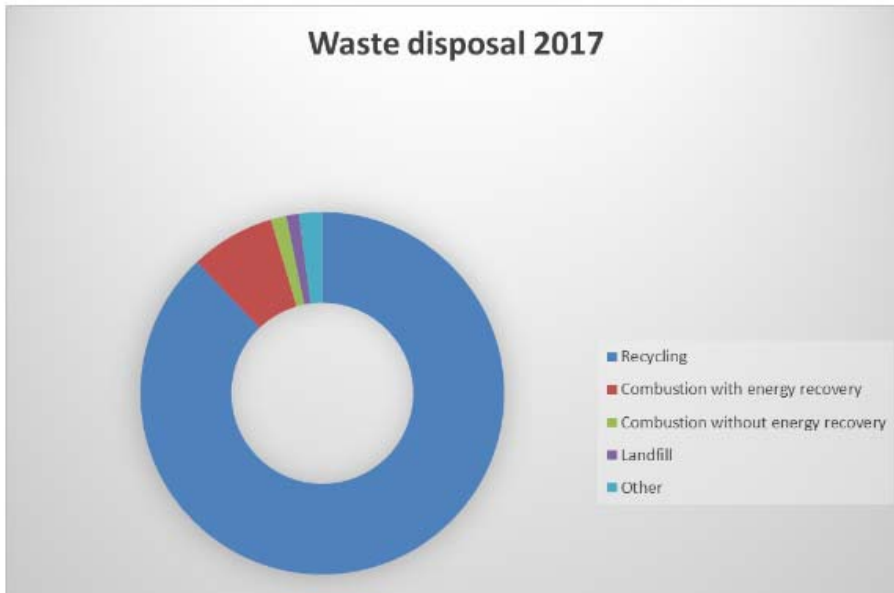
Total energy savings were 4.5 GWh = 4 500 MWh, which is equal to an annual consumption of 250 average individual houses. Even with our relatively low energy unit prices, savings were EUR 180 000 pr. year. The reductions were mainly achieved thanks to new heating pump technology, new linear pressure cutting devices for the district heating (DH) network, adjustments to the DH network, new windows, LED lights, frequency converter installations, etc.

Our forecast is that by 2019 – when all the current new modifications have been operational for a full year and other planned modifications have been completed – our energy consumption will be down by 20 percent compared to 2016, meaning total annual savings of EUR 360 000.

Due to the recovery unit that has now been operational for one full year, our water consumption is approximately 450 000 m³ (-35 percent) lower compared to 2014/2015. We can now also see that the water level in Lake Siikajärvi has increased some 40 cm from its lowest level.

Total waste generated in 2017 was 9 152 tonnes. Metal waste counted for almost 80 percent. Other sorted fractions, like paper, wood, plastics, summed up to was about 9 percent and non-sorted residual waste was 6 percent. Hazardous waste counted for about 7 percent of the total waste generated.

According to reported figures on waste disposal in 2017, 88 percent of the waste was recycled and 9 percent treated in combustion plants.



PEOPLE

Our people are our most important resource. In Nammos directive for personnel policy we require equal opportunities and rights and to prevent discrimination on the grounds of gender, ethnicity, national origin, language, religion, philosophy of life and/or age. This applies to recruitment, career development equal pay for equal work and working conditions.

Roles and responsibilities

The Senior Vice President Human Resources is responsible for establishing procedures for human resources within the areas organizational and cultural development and performance management, recruitment, benefits, compensation and pensions, expatriates and foreign services, ethical standards, equal opportunities and non-discrimination, travel and personnel insurance. The responsibility also cover the development of a Group strategy for HR and development and implementation of management programs in the Group.

Diversity

The share of women among our employees remains stable at around 25 percent, though this figure was slightly reduced by our recent acquisitions. Encouraging female University graduates and women with other relevant backgrounds to join Nammo continues to be important, and we strive to motivate women to apply for management positions. We are working actively through training and recruitment programs to address this challenge.

The recruitment of personnel must be performed in accordance with the regulations of the national security authorities in the respective countries.

European Works Council (EWC)

The Nammo EWC has annual meetings and the number of participating members from each country as well as the agenda is regulated in a separate agreement. The corporate management is usually represented by the President and relevant management members. The EWC meeting is organized by the SVP Human Resources. The EWC meeting is an excellent arena for both the corporate management and the employee representatives to discuss important questions in a trustful and open atmosphere.

Health, safety AND SECURITY

Nammo operates in the explosives industry and handles energetic materials. Conditions relating to health, environment, safety and security (HESS) must always have high priority for Nammo's employees, and these conditions are a fixed item on the agenda of all management meetings. The Group's policy is evaluated annually. All accidents or near-accidents involving employees are reported and preventive actions taken accordingly.

Seventeen HESS audits were conducted at the different sites in 2017. This is an annual procedure performed by the HESS Director in the Nammo Group. All sites individually set their own annual HESS targets and implement an improvement plan.

Newly acquired companies have been prioritized for regular audits to make sure that the HESS level conforms to Nammo's high standards. Every year, one specific focus area is selected for the HESS audits. In 2017, this was risk analyses connected with operational activities. In general, Nammo maintains a very high HESS standard and, with a few exceptions, the findings from the audits were all minor.

Working environment

Sick leave among Nammo's employees averaged at 4.6 percent in 2017. This is an increase from 2016 and indicates a need for increased attention to the implementation of preventive actions. A higher variation of activities is also required, such as workplace improvements, as well as measures to secure a good and healthy working environment, protective equipment and physical training. This is now a focus area for management.

There were 36 lost time injuries (LTI) that resulted in employees being absent from work at Nammo in 2017. This included two LTIs involving explosives. This is not an acceptable result and needs more attention to achieve improvements. The majority of LTI accidents are caused by slipping and falling, or small finger injuries with fewer than five days off work. The TRI rate in Nammo is 32, (TRI: total recordable incidents, which includes injury, loss of consciousness, illness, first aid, medical treatment and restriction of work).

Reporting of incidents, accidents and dangerous conditions increased in 2017 and exceeded the target for the year. There has been a positive increase in reporting of dangerous conditions, near misses and accidents in 2017. The Group will continue its preventive work in all areas and will maintain a high focus on safe working conditions for all employees.

ICT security

We experience regular attempts to infect our computers with malicious software. The target of such attempts is either to enable adversaries to steal technical data or fraud, sabotage and extortion. Faced with such an increase in threats, we continuously strive to improve technical security, limit the attack surface and raise awareness levels among employees. This has been done by mandatory and continuous e-learning throughout the year for all employees having access to computers.

Team of the year

The winner of the team of the year award was Team Propellant Technology located at Mesa and Raufoss, from the Aerospace Propulsion business unit.

The team of the year award is presented to a team that has contributed positively and been a good example in building a strong, competitive culture, based on Nammo's company values and spirit.

The jury's comments:

"In 2016, the US DoD customer evaluated our products used in pilot emergency egress systems and found deviations severe enough to stop the entire process until the failure was fully identified and corrected. Current orders and Nammo's reputation were at risk. To address this serious problem, the business unit decided to establish a joint Propellant Technology Team to identify the root cause of the failure.

After six months, 18 propellant mixes and verification of five years of archived product quality data, the cross-country and cross-location team could present the findings to the customer with excellent results.

The team showed real Nammo collaboration, demonstrated true care at both customer and colleague level, and showed incredible dedication to solving the problem. All to the customers satisfaction!

Appraisal

Nammo uses an appraisal management system for performance appraisals implemented for white-collar employees. They account for almost 50 percent of the workforce. You need a personal work email and access to a computer to use the system. The system makes it easy to prepare for, implement and follow up employee appraisals.

The system is an important tool for stimulating employee performance, development and results by setting clear objectives and having close follow-up by both employee and manager. Blue-collar employees are also given the opportunity for an annual review together with their manager, but this is not registered in a collective system.

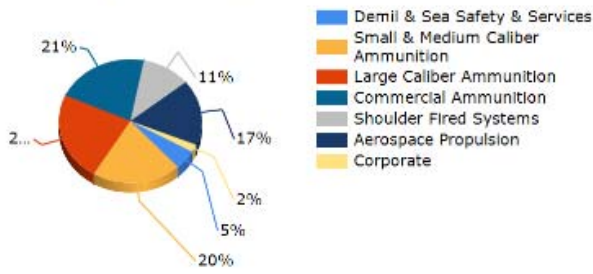
We motivate each of our employees with an appraisal review that ensures constructive feedback and clear communication. The issues discussed include work, environment and cooperation; a review of competency levels; assessing employee alignment with our values; evaluating achievements; and setting objectives and personal development goals.

Most employees in Europe have the right to and are included in collective bargain agreements. In the US they have the same rights, but these are not practiced. We coordinate our benefits program in the US and have introduced health care and a defined contribution pension program.

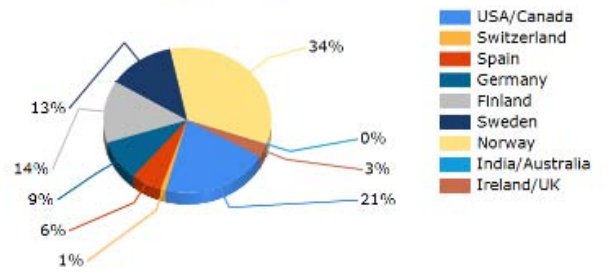
WorldSkills

Tobias Alm, an apprentice in CNC turning representing Nammo Raufoss participated in the WorldSkills competition in Abu Dhabi, the United Arab Emirates in October 2017 after winning the gold medal in the Norwegian Championships in CNC turning in 2016. The WorldSkills Competition occurs every two years and is the biggest vocational education and skills excellence event in the world that truly reflects global industry. In the championship, he competed against contestants from 22 countries who were assigned a range of tasks over a period of three days. The Championships ended with a team assignment requiring cross-country collaboration. Tobias did a great job, but the competition was tough, and with 21 other nations competing, we unfortunately did not reach our target and ended with a 16th place. However, we can look back on an incredible journey with numerous impressions and unforgettable experiences. Once again, we came back feeling we had learned a lot that can help us prepare for the next competition. A huge thanks to our expert, Andreas from K-Tech Kongsberg, for his hard work and great collaboration.

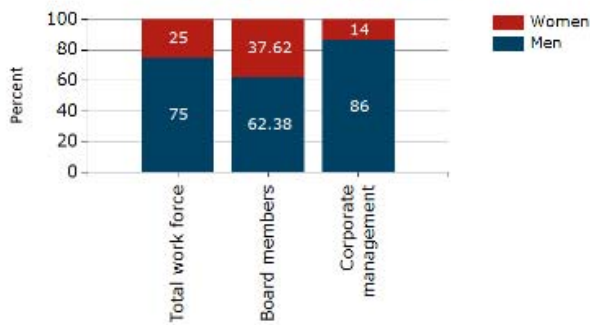
Employees per business unit 2017



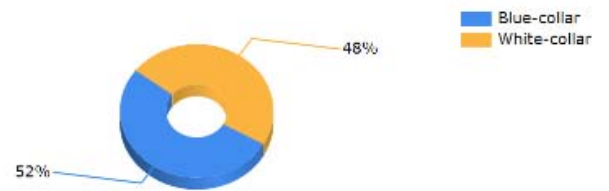
Employees per country 2017



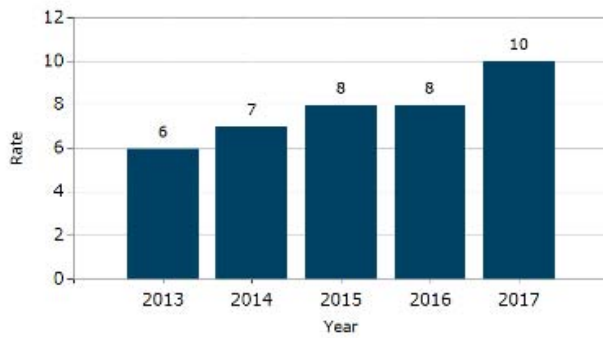
Gender percentages 2017



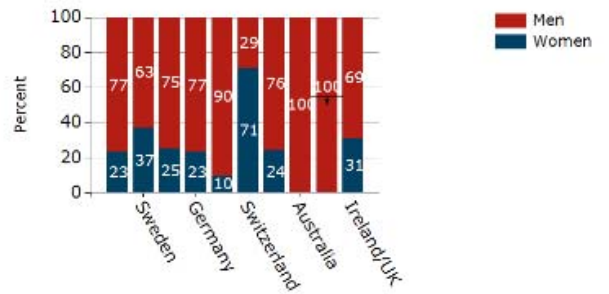
Group distribution between white-collar and blue-collar 2017



LTI rate in Nammo 2017



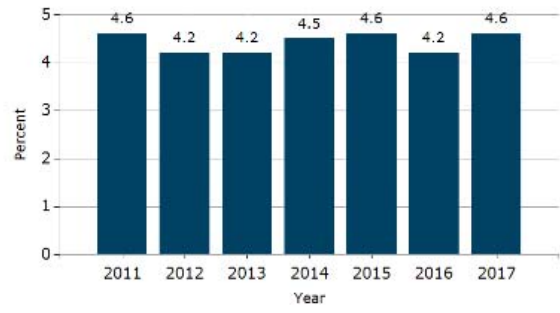
Percentage men vs women per country 2017



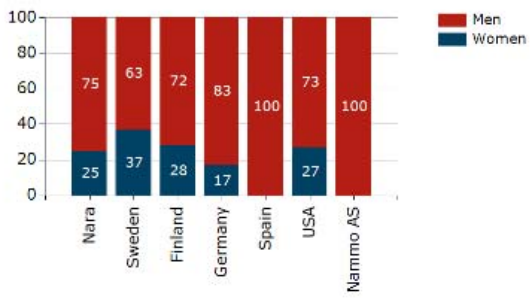
Percentage men vs. women 2017



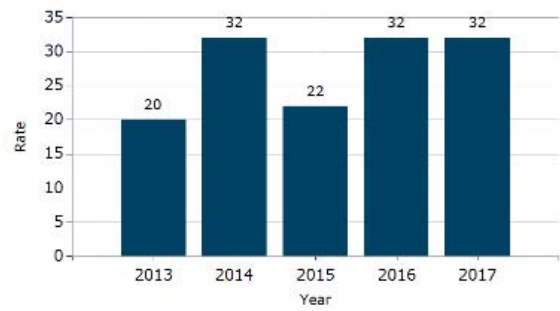
Sickness absence in Nammo 2017



Recruitment men vs women 2017



TRI rate 2017



SOCIETY

Nammo has a strong ambition to be a positive contributor to the development of the local communities where the Group's entities are located.

[Roles and responsibilities](#)

Local site management is accountable for all activities, relationships and cooperation within the communities where Nammo is established.

[Our storyteller](#)

The Senior Vice President Communications Endre Lunde has held his position with Nammo since March 2017. With his background as a communications advisor for the Norwegian F-35 program at the Norwegian Ministry of Defense for five years, he has interacted with Nammo on many occasions.

"I am really pleased to finally get to learn more about the company from the inside. What has always struck me has been their reputation as an honest and reliable engineering company, dedicated to developing high-end products," says Endre.

What motivated you to apply for the job?

It was the prospect of being allowed to lead and develop the public image of a company like Nammo at a time when both they and the industry are going through a transition. There is also so much happening in the field of communications, PR and marketing right now, and this is an excellent opportunity to explore the possibilities this offers for a company like Nammo.

Your priorities for the communication area?

The key thing for us going forward will be content – developing it and distributing it. As an industry, we have to get better at telling our own story, and that means we have to write, develop graphics, videos and presentations that help get out that message.

How would you describe the Nammo culture?

Nammo really has a culture unlike anything I have seen before. Where others might talk about having a flat and non-bureaucratic culture, this company truly lives it at every level. As a result, it empowers employees to find the best solutions to do their jobs, ranging from technicians on the factory floor, to me as an SVP. That is very valuable, and something I want to help preserve.

Many challenges with many languages and different cultures. How do you balance these differences?

I think we have a lot to learn from how cultures in general align in today's global environment, not just in Nammo, and my conclusion is that this revolves around daily interaction and visibility. Therefore, what I want to do is to enable people at every level of Nammo to interact more easily, and to learn from each other, and we are looking at several initiatives to make that possible, concludes Endre Lunde.



Our stakeholders ▶

We initiate dialogue with our stakeholders, including the political community, political youth organizations, non-governmental organizations (NGOs), local community and defense administrations in the countries where we operate.

[Our stakeholder analysis](#)

Nammo has always been open to dialogue with NGOs, and we welcome any NGO that wants to visit our company and learn more about the industry and the business.

NGOs can be defined as the defense industry's watchdog. They follow the business closely and report to the public and the media as soon as they perceive anything that does not comply with their standards. There are several different NGOs and they act differently depending on their objectives, convictions and view of the world.

Some of them are humanitarian organizations and have as their main objective to report about potential breaches of humanitarian rights in war zones. Some NGOs are youth organizations organizing campaigns and activist demonstrations against different businesses. Nammo respects the fact that some of the NGOs and their supporters have a different opinion and understanding of the world's need for defense material.

One stakeholder that is of growing importance to Nammo is the international defense trade press. We believe that a vibrant and active trade press is essential to the continued health of our industry, and therefore spend considerable time and resources on maintaining good relations with them.

We also wish to reward young talent looking to make a career in trade journalism, and consequently in 2017 sponsored an award for the best young aerospace journalist, which was awarded during a formal ceremony in Paris in June 2017. During 2018, we are planning to expand this activity further, by sponsoring two awards for young trade press journalists.

Our employees are excellent Nammo ambassadors in the local community and with other stakeholders, for instance when presenting the company to students at local and national universities and engineering schools. In 2017, we initiated several projects aimed at strengthening the insight and understanding of our employees into the company's activities and policies, to enable them to do so more effectively.

Another important task is to increase the knowledge and understanding of Nammo and the defense industry in society more generally. Going forward, Nammo will increase its focus on developing and distributing content and materials that provide a wider audience with accessible and relevant insights into our company and the industry in general.

Local and national sponsorship



We have continued our sponsorship of the two national sports teams in Norway: one within the women's national biathlon team, and the other as main sponsor of the women's national ski jumping team, including a technology program with the Norwegian ski association. Our sponsorship commitments illustrate our desire to build a strong company culture and promote the internal focus on empowering women in the company.

We support local activities that benefit children and adolescents. Research shows that joining organized activities in your free time as a child is beneficial both in terms of doing well in school as well as for personal development.

Many local sports club are supported. This engagement helps the clubs offer children and adolescents in the community a great variety of activities for their free time. These include handball, football, skiing, shooting, ice hockey among others.

The sponsorship procedure

To achieve the goals of our sponsorship engagements, our sponsorship procedure is in accordance with the communication directive. This defines general rules on how to deal with sponsorship requests to avoid any discrimination or disqualification during the selection process.

The procedure applies to Nammo AS, all wholly-owned subsidiaries and all subsidiaries where Nammo has a majority ownership and/or management control. Legal entities shall comply with this procedure as well as local laws and regulations.

Our engagement in sponsorships aims to cover three areas:

- Branding
- Company culture
- The visualization of corporate social responsibility (CSR)

Community engagement



We intend to contribute to the development of local communities in which we operate, such as science projects for young people, local charitable initiatives and various sporting activities. Our goal is to increase Nammo Group's visibility, and to demonstrate our values and priorities through support of organizations that reflect these values.

The Nammo Group and its local business units support a range of activities in local communities, including sports, cultural events, humanitarian aid and health actions for employees. In addition, employees regularly make donations to various local initiatives.

There are several examples of how technology from the defense industry has come to use in commercial industry. Technologies related to the use of lighter materials such as aluminum have now been widely adopted within the automotive sector at Raufoss, in pipelines for gas and fluids and other products where weight is essential.

The defense business at Raufoss was one of the first industries to utilize these technologies. Another spin-off example is the development of composite structures for missiles and rocket motors that are now common for gas cylinders for private households as well as cars and buses. Another example is valves for rocket motors, which have since been adopted for use on civilian launchers of satellites.

Bloodhound

The Bloodhound Supersonic Car (SSC) is the product of 10 years of research, design and manufacturing, involving over 350 companies and universities, and is designed to set a 1 000-mph world land speed record.

Nammo's technological contribution to the project is to provide the hybrid rocket motor, which combined with the EJ200 from a Eurofighter Typhoon will produce 135 000 thrust horse power – equal to 180 Formula 1 cars combined. This makes the Bloodhound SSC the world's most powerful land vehicle.

The project is a great opportunity for Nammo to highlight the company's technological capability in rocket motors and space science. The main object is to inspire the future generation to take an interest in science, technology, engineering and math (STEM).

Bloodhound was driven to over 200mph in 2017 and will next be driven to 500mph in 2018; 1000mph attempt is due in 2020. Following the 200mph test on Newquay's 1.7-mile runway, the Bloodhound team plans to ship the vehicle to a specially prepared track for the first of two high-speed campaigns in 2018. The team intends to use the 11-mile track at Hakskeen Pan in north-western South Africa, where the car will be driven to 500mph.

Arms trade treaty



The Arms Trade Treaty (ATT) was adopted by the UN General Assembly to regulate international trade in conventional arms by establishing the highest international standards, and to prevent and eradicate illicit trade and diversion of conventional arms.

The ATT contributes to international and regional peace, security and stability, reducing human suffering, and promoting cooperation, transparency and responsible action among the international community.

All Nammo's production facilities are located in signatory countries to the Arms Trade Treaty, but not all the countries have ratified the agreement. All countries that have ratified the treaty are legally bound to follow it and must harmonize their national laws and regulations with the provisions of the treaty.

Nammo supports the initiative of the Arms Trade Treaty and believes that to follow up the implementation of the treaty, it is important that the defense industry also take part in the future dialogue at an equal level to non-governmental organizations.

By January 2018, 94 countries had ratified the ATT and 130 states had signed the treaty.

Reporting



The Norwegian government recommends that the Global Reporting Initiative (GRI) standard is met by its partly-owned companies. Since 2008, GRI has been our standard for sustainable reporting. This report has been prepared in accordance with the GRI Standards: Core option.

The UN Global Compact



Nammo has supported the United Nations Global Compact (UNGC) and its 10 principles for many years, but officially joined in 2012. Nammo's ambitions are aligned with the key focus areas of the UNGC Leaders Summit of 2013. Without strong cooperation between governments as well as local and international business operations, it will be very difficult to meet the ambitious targets that the Global Compact has set for the future. The summit demonstrated that cooperation is improving.

Our strategic CSR work is in line with the 10 principles and has a special focus on three elements

- Empowering women
- Working against corruption
- Abolishing child labor

Man-dance party

For the celebration of the hundred-year anniversary of Finnish independence, a man-dance party brought together 1 917 men in Lapua to dance together. This number reflected the date of the establishment of Lapua city. They held two performances and the event filled the town of Lapua with dance. During the weekend-long event, there were a wide range of local cultural and culinary experiences on offer. The event also included a dance information fair for anyone interested in finding out more about dance and how to get into it.

During the event, only men could dance and laugh. The event was about enjoying the freedom of dance, togetherness and friendship between people of all ages.

Nammo and Nammo Lapua were the main sponsors of the event.

Shooting day

In the autumn of 2016, a joint agreement was signed in Finland between the employer and employee unions that employees would work an extra 24 hours during 2017 without salary to improve Finland's ability to compete better in a global market. At the Lapua site, it was agreed that one such day would be a Saturday in the beginning of June and the day would be organized as education about our own business.

Many of the workshops involved shooting training; where the participants tried to shoot a clay pigeon with a shotgun.

During one workshop, Juha Hirvi (Olympic Medalist, Coach for shooters) gave a speech about competition shooting with a .22 rifle and everybody got the opportunity to test a weapon that is designed for shooting at World Championship level.

Many of the participants, even if they had been working decades for the company, had previously not had the opportunity to hold a weapon in their own hands and test the ammunition he or she had been partly producing. The opportunity to shoot and test ammunition was greatly appreciated by the employees.

Finding next generation workers

We know the best talent often comes from building strong community relationships and creating career development and real-life work experiences in engineering and composite manufacturing. We have established relationships with elementary to high schools, colleges and adult learning with the applied technology schools as we seek to find the next generation of workers.

These education leaders are offering manufacturing courses and certificates of completion for high school graduates; giving students an advantage with regard to career opportunities in manufacturing. As a supporter of the programs, we are asked to mentor during class instructions on various topics, provide training and demonstrations of on-site tooling in school workshops.

We provide field trips for the students to come on-site to our locations to meet our staff, learn about the work we do, see our operations in action, and learn about career opportunities. Alexander Johnson of Davis Applied Technology College said, "Nammo has been able to assist our students with further understanding the development and production of composite materials. They have allowed our students to tour Nammo's facility and see the production of several different types of composites products in assembly."

Nammo has also participated in Lunch and Learn events on campus; these allows students to view presentations on the current needs of the company. This opportunity enabled the students to speak directly with a hiring representative and ask questions.

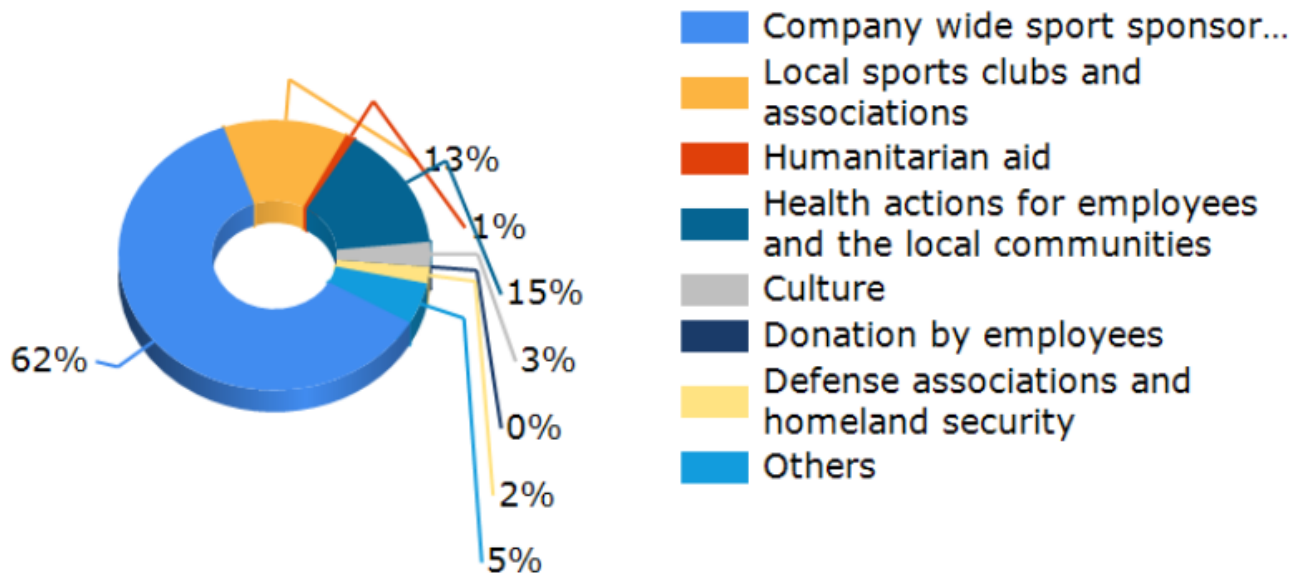
In July 2017, we partnered with Ogden-Weber Applied Technology College and Ogden School district to provide internship opportunities for students that will help provide practical and meaningful career-oriented work experiences, reinforcing the training they receive at the college.

Students will put in 60 hours of work, learn tool preparation, vacuum bagging, composite material handling, and hand lay-up to name a few of the various techniques composite manufacturing entails.

"Being able to link education with industry partners has been a huge benefit for our students. Not only do they get the education and training on our campus, but they also get additional training and experience with an industry partner. As students spend time in industry, composite technologies become more than a required process, they become real and useful.

Our partnership with Nammo Composite Solutions will give our students the opportunity to learn and grow in a way that cannot be facilitated in a classroom. Through our partnership with Nammo and other industry leaders, we can increase the composites pipeline, facilitate more training, and give students a real-world experience in composites. This program is helping to positively shape our future workforce," said Madison Keltner, Career Development Coordinator at Ogden-Weber Technology College.

Sponsoring programs 2017








GLOBAL REPORTING INITIATIVE

Nammo is reporting according to the Global Reporting Initiative (GRI) standard for sustainable reporting. GRI is a networkbased organization that has pioneered the development of the most widely used sustainable reporting framework.

The GRI framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance. Nammo is reporting according to GRI Standards, level Core.

The table below presents those GRI indicators that, in our opinion, are the most relevant for us to report on. The table indicates where relevant information about the various indicators can be found in the annual reporting whether it is fully or partly disclosed according to the GRI guidance.

GRI element/ indicator	Comments and references
Organizational profile	
102-1 Name of the organization	Nammo AS
102-2 Activities, brands, products, and services	PP: p 13-17 Web: What we do
102-3 Location of headquarters	Raufoss, Norway
102-4 Location of operations	PP: p 19 Web: Who we are - locations
102-5 Ownership and legal form	AR: p 42 Web: About us
102-6 Markets served	PP: p 6-7, 13-17 Web: About us
102-7 Scale of the organization	PP: p 7, 18-19 AR: 10-13 Web: CSR - People

102-8 Information on employees and other workers	Web: CSR - People
102-9 Supply chain	Web: CSR - Compliance
102-10 Significant changes to the organization and its supply chain	PP: p 6
102-11 Precautionary Principle or approach	PP: p 3, 10 Web: CSR - Executive summary, Environment
102-12 External initiatives	AR: p 6-7 PP: p 3, 10 Web: CSR - Introduction, compliance
102-13 Membership of associations	AR: p 6-7 PP: p 3, 10 Web: CSR - CSR Introduction, Compliance
Strategy 	
102-14 Statement from senior decision-maker	PP: p 4-5 AR: p 6-8
Ethics and integrity 	
102-16 Values, principles, standards and norms of behavior	PP: p 2-3, 8-11 AR: p 6-7, 42 Web: CSR - Introduction, Executive summary
Governance 	
102-18 Governance structure	AR: p 42-43
Stakeholder engagement 	
102-40 List of stakeholder groups	Web: CSR - executive summary, society
102-41 Collective bargaining agreements	Web: CSR - people

102-42 Identifying and selecting stakeholders	Web: CSR - Introduction, Executive summary, Society
102-43 Approach to stakeholder engagement	Web: CSR - Introduction, Executive summary, Society
102-44 Key topics and concerns raised	Web: CSR - Introduction, Executive summary, Society

Report profile

102-45 Entities included in the consolidated financial statements	AR: p 14, 35
102-46 Defining report content and topic Boundaries	Web: CSR - Introduction
102-47 List of material topics	Web: CSR - Introduction
102-48 Restatement of information	No significant restatements
102-49 Changes in reporting	No significant changes
102-50 Reporting period	2017
102-51 Date of most recent report	Annual performance 2016 Annual report 2016 Web: CSR report 2016
102-52 Reporting cycle	Annual
102-53 Contact point for questions regarding the report	info@nammo.com
102-54 Claims of reporting in accordance with the GRI Standards	Web: CSR - Introduction
102-55 GRI content index	Web: CSR - Global Reporting Initiative
102-56 External assurance	External assurance not practiced for the CSR report



103 1-3	Management approach for economic standards and disclosures	PP: p 2-5, 8-11 AR: p 3-8, 42-43 Web: CSR - Introduction, Executive summary, Compliance, Ethics & anti-corruption, Society
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GRI Standard: Economic performance

201-1	Direct economic value generated and distributed	PP: p 7 AR: p 10-13, 27-30 Web: CSR - Society
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201-2	Financial implications and other risks and opportunities due to climate change	PP: p 10
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201-3	Defined benefit plan obligations and other retirement plans	AR: p 23, 36
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GRI Standard: Anti-corruption

205-2	Communication and training about anti-corruption policies and procedures	PP: p 8-9 AR: p 6 Web: CSR - Executive summary, Ethics and anti-corruption, Compliance
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205-3	Confirmed incidents of corruption and actions taken	No incidents reported
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GRI Standard: Anti-competitive behaviour

206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions reported in 2017
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103 1-3	Management approach for environmental standards and disclosures	PP: p 2-5, 8-11 AR: p 6-7, 42-43 Web: CSR - Introduction, Executive summary, Environment
GRI Standards: Energy		
302-1	Energy consumption within the organization	Web: CSR - environment
302-4	Reduction of energy consumption	Web: CSR - environment
GRI Standards: Emissions		
305-1	Direct (Scope 1) GHG emissions	Web: CSR - environment
305-2	Energy indirect (Scope 2) GHG emissions	Web: CSR - environment
305-3	Other indirect (Scope 3) GHG emissions	Web: CSR - environment
GRI Standards: Effluents and waste		
306-2	Waste by type and disposal method	Web: CSR - environment
306-3	Significant spills	No significant spills reported in 2017
GRI Standards: Environmental compliance		
307-1	Non-compliance with environmental laws and regulations	Web: CSR - Environment
GRI Standards: Supplier environmental assessment		
308-1	New suppliers that were screened using environmental criteria	Web: CSR - Compliance



103 1-3	Management approach for social standards and disclosures	PP: p 2-5, 8-11 AR: p 6-7, 42-43 Web: CSR - Introduction, Executive summary, Ethics & anti-corruption, Compliance, People, Society
GRI Standard: Labor/Management relations		
402-1	Minimum notice periods regarding operational changes	According to national laws and regulations in each country where we operate
GRI Standard: Occupational health and safety		
403-1	Workers representation in formal joint management-worker health and safety committees	Web: CSR - People
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities	AR: p 7 Web: CSR - People
GRI Standard: Training and education		
404-1	Percentage of employees receiving regular performance and career development reviews	Web: CSR - People
GRI Standard: Diversity and equal opportunity		
405-1	Diversity of governance bodies and employees	Web: CSR - People
GRI Standard: Non-discrimination		
406-1	Incidents of discrimination and corrective actions taken	No incidents resulting in legal verdict reported in 2017
GRI Standard: Freedom of association and collective bargaining		
407-1	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk	Web: CSR - Introduction, People Low risk for own operations. Higher risk anticipated in our supply chain.

GRI Standard: Child labor		
408-1	Operations and suppliers at significant risk for incidents of child labor	Web: CSR - Introduction, People Low risk for own operations. Higher risk anticipated in our supply chain.
GRI Standard: Forced or compulsory labor		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	Low risk for own operations. Higher risk anticipated in our supply chain.
GRI Standard: Human rights assessment		
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	Web: CSR - Introduction
GRI Standard: Local communities		
413-1	Operations with local community engagement, impact assessments, and development programs.	Web: CSR - Society
GRI Standard: Customer health and safety		
416-1	Assessment of the health and safety impacts of product and service categories	Web: CSR - Introduction
416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incidents reported in 2017
GRI Standards: Marketing and labeling		
417-1	Requirements for product and service information and labeling	According to customer requirements and national laws and regulations
417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents reported in 2017
417-3	Incidents of non-compliance concerning marketing communications	No incidents reported in 2017
GRI Standard: Customer privacy		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No substantiated complaints reported in 2017
GRI Standard: Socioeconomic Compliance		
419-1	Non-compliance with laws and regulations in the social and economic area	No incidents reported in 2017

AR = Annual report 2017

PP = Performance & Progress 2017