

# SUSTAINABILITY REPORT 2018

# INTRODUCTION



At a time when democracies are facing challenges on a scale not experienced since the end of the Cold War, we are reminded of the importance of preserving peace and stability. Nammo remains committed to pursuing niche technologies that deliver not only on the requirements of today, but help our customers take on the challenges of tomorrow.

Nammo is an international aerospace and defense company headquartered in Norway. With 2,435 employees across more than 30 sites and offices in 13 countries, the company is one of the world's leading providers of ammunition and rocket motors for both military and civilian customers.

Nammo Group operates five business units: Commercial Ammunition, Small and Medium Caliber Ammunition, Large Caliber Ammunition, Shoulder Fired Systems, and Aerospace Propulsion. 80 percent of Nammo's revenues are derived from national armed forces and national defense industries. Nammo is a significant player in the European demilitarization market, and we are specialized in offering safe and environmentally friendly dismantling, recycling or destruction of old or obsolete munitions.

In terms of corporate responsibility, Nammo continues to address three focus areas chosen from the ten principles of the UN Global Compact. These three areas are:

- environmentally friendly technology development and manufacturing processes
- the work against corruption in all its forms
- empowering women

During 2018, Nammo has focused on strengthening the company's supply chain management. A new version of the Supplier Conduct Principles has been developed, focusing on implementing the 10 UN Global Compact principles throughout the supply chain. Several procedures and due diligence processes have been improved in order to further strengthen the control of selected third parties.

Nammo AS is committed to making the Global Compact and its principles part of the strategy, culture and day-to-day operations of our company. We regard this report to be our Communication on Progress to the United Nations Global



Compact (UNGC). In our opinion, we meet the requirements of the UNGC Active Level. This report is prepared in accordance with the Global Reporting Initiative (GRI) Core Level.

In 2018, Nammo Group's revenues were NOK 4.9 billion, profits before tax 331 million and our company tax amounted to 91 million.

**Morten Brandtzæg**  
President & CEO

# CORRUPTION

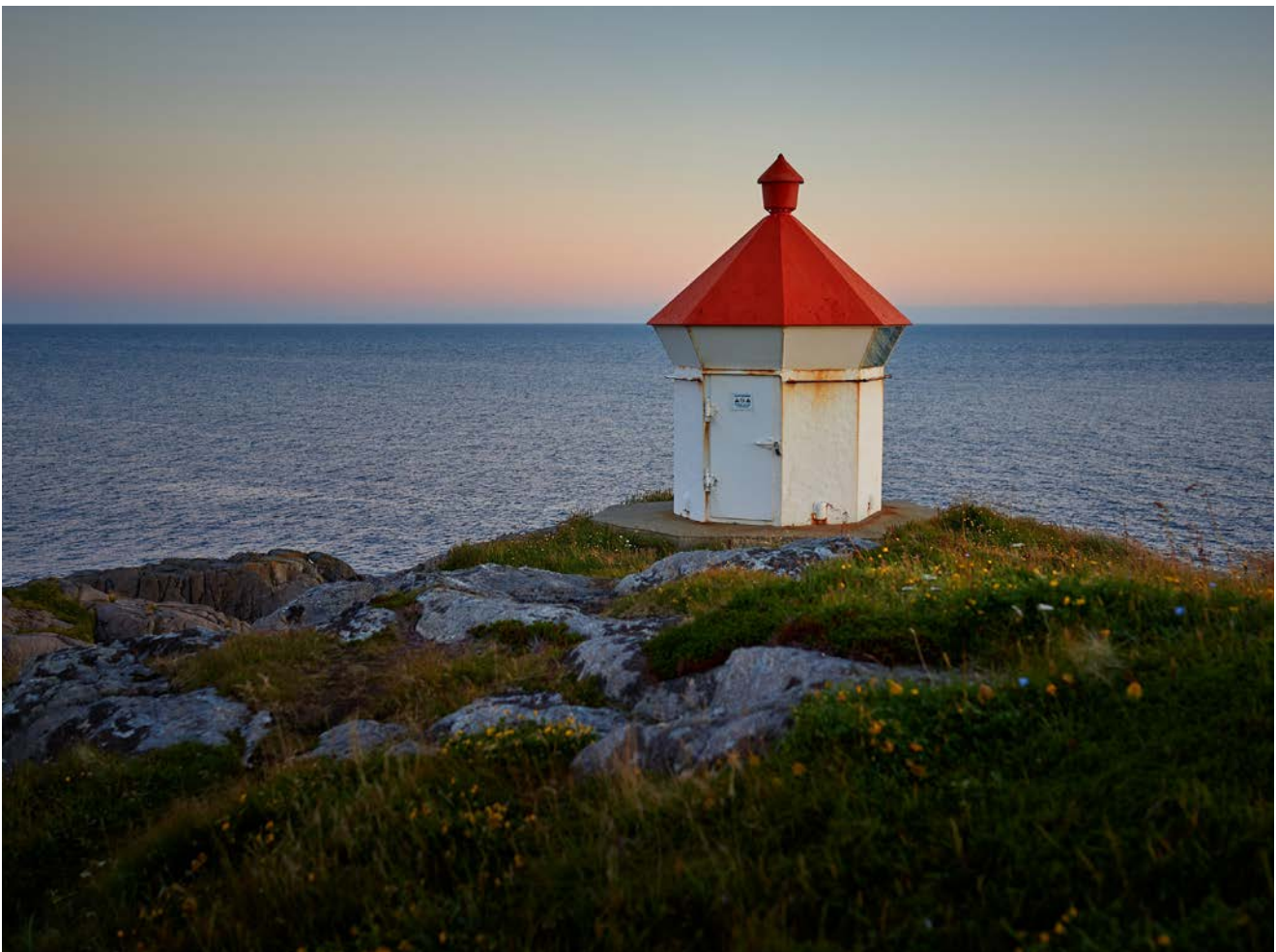
Nammo's reputation is one of the company's most valuable assets. To protect the Group's reputation, it is necessary to build a strong company culture from the inside. Openness and transparency are key to combating corruption. Nammo has a zero tolerance for bribery, and we have in place an anti-corruption manual. All employees must abide by the Ethical Code of Conduct and follow national anti-corruption laws. The company ensures that such responsibility flows down the supply chain where this is required.

During 2018, several types of ethics related training programs have been implemented. The e-learning compliance program has been updated with the aim of raising the general awareness level of ethics, anti-corruption and information security among Nammo employees. This training reached around 1,700 employees with a completion rate of 88 percent.

Nammo will continue to focus on raising such awareness during 2019. Another training program was based on a series of diverse dilemmas and was used to train key individuals within the companies.

Newly acquired companies shall all follow a 100-Day Program, which is an introduction program to Nammo's company culture, the Code of Conduct and an interactive workshop with a set of different ethical dilemmas to be discussed and presented. The training shall be accomplished within the first 100 days after the acquisition. This is part of our general risk management when acquiring new companies.

There were no incidents of corruption or anti-competitive behavior reported in 2018.





## LABOR

Nammo operates in the explosives industry and handles energetic materials. Health, Environment, Safety and Security (HESS) is the highest priority and constantly on the management's agenda. HESS matters shall always have the highest priority even if there is a conflict with other business objectives. The Group's policy is evaluated annually. All accidents or near-accidents involving employees are reported and corrective actions are taken. Accident and near-accident reporting is evaluated to identify trends and develop preventive measures to aid in the reduction of total accidents and near-accidents. Monthly reports are collected from all sites.

All Nammo employees engaged in the handling and storage of potentially hazardous substances receive annual physical check-ups to monitor for any changes that could result from working in proximity of such substances. This is part of Nammo's efforts to safeguard occupational health and safety.

The share of females in Nammo's work force remains stable at around 25 percent. We are working actively through training and recruitment campaigns to enhance the gender balance. Encouraging female University graduates and women with other relevant backgrounds to join Nammo continues to be prioritized, and we strive to motivate women to apply for management positions. We are working actively to address this challenge.

We strongly support freedom of association and collective bargaining and we deem that there is low risk for Nammo's own operations. However we have identified a higher risk in our supply chain. When it comes to child labor, we consider this as a low risk level in our own operations. As risks may be higher in the supply chain, we expect all suppliers to comply to our Supplier Conduct Principles which is supported by our Modern Slavery Act Statement. The statement is also to combat forced or compulsory labour, even if there is a low risk of such incidents in Nammo's own operations.

# 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.

In 2018, no audits focused solely on environmental issues, however, environmental issues were reviewed as an agenda topic during the annual HESS (Health, Environment, Safety and Security) audit at each of Nammo's sites. Our HESS directive requires all sites to update improvement plans and report any nonconformities. All Nammo sites must comply with the REACH regulations (Registration, Evaluation, Authorization and Restriction of Chemicals). REACH impacts our US entities as well. This means that sites adhere to relevant 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.

Nammo has established diligent processes for supplier environmental assessments. We require all our suppliers to comply with our Supplier Conduct Principles. The principles are founded on the UN Global Compact's ten principles, as well as our Ethical Code of Conduct.

We require that our suppliers minimize their negative environmental impact and that they continuously improve their environmental performance. Furthermore, we make our suppliers commit to ensuring that their operations comply with all applicable environmental legislation and prevent and mitigate environmental and health risks (hazardous materials, radiation, etc.).

Concerning compliance with environmental legislation, Nammo Group experienced no violations in 2018.





## HUMAN RIGHTS

Nammo operates in a challenging industry, and is committed to respecting and protecting human rights in all its operations. We support and respect the protection of internationally proclaimed human rights and make sure that we are not complicit in human rights abuses.

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 treaty 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 ATT, but not all these countries have ratified the agreement. Nammo supports the initiative of the ATT and believes that to follow up the implementation of the treaty, it is important that the defense industry also takes part in the future dialogue on an equal footing with non-governmental organizations. By January 2018, 94 countries had ratified the ATT and 130 states had signed the treaty.

According to Nammo's Supplier Conduct Principles, suppliers must support and respect the protection of internationally proclaimed Human Rights. Suppliers and partners are expected to adhere to standards which are consistent with Nammo's ethical requirements. Specifically, our Ethical Code of Conduct emphasizes maintaining a work environment free from all forms of unlawful discrimination and harassment. Decisions and terms of employment must be based on objective, job related criteria in accordance with the principles of equal opportunity. Nammo will not tolerate any form of harassment based on race, color, religious affiliation, national origin, citizenship, age, gender, sexual orientation, marital status, disability or any other such discriminating factors.

Even in countries without a legal prohibition, Nammo does not permit the purchase of sexual services in connection with work or assignments for the company. In this way, Nammo contributes to combating human trafficking – a violation of human rights.

At Nammo, there were no reported incidents of discrimination resulting in legal verdict in 2018.

# GRI INDEX



## GENERAL DISCLOSURES

GRI INDICATOR      DESCRIPTION      2018 REPORTING

<b>Organizational profile</b>		
102-1	Name of the organization	Nammo AS
102-2	Activities, brands, products, and services	Web: <a href="#">What we do</a>
102-3	Location of headquarters	Raufoss, Norway
102-4	Location of operations	Web: <a href="#">Who we are – Locations</a>
102-5	Ownership and legal form	Annual Report: page 42 Web: <a href="#">Who we are – About us</a>
102-6	Markets served	Web: <a href="#">Who we are – About us</a>
102-7	Scale of organization	<ul style="list-style-type: none"><li>- Employees: 2 435 as of 31.12.18</li><li>- Operations / products: Web: <a href="#">Who we are - About us</a> / Web: <a href="#">What we do</a></li><li>- Net sales / Revenues: NOK 4 920 million</li><li>- Total equity: NOK 2 688 million</li><li>- Total debt: NOK 3 396 million</li></ul>



<b>Organizational profile</b> (continued)		
102-8	Information on employees and other workers	<p>Total number of employees, by gender*:</p> <ul style="list-style-type: none"> <li>- Female: 605 (35 temporary)</li> <li>- Male: 1830 (76 temporary)</li> </ul> <p>Total number of employees, per region*:</p> <ul style="list-style-type: none"> <li>- Germany: 170 (5 temporary)</li> <li>- Switzerland: 10 (0 temporary)</li> <li>- Spain: 189 (36 temporary)</li> <li>- Finland: 330 (2 temporary)</li> <li>- Sweden: 288 (4 temporary)</li> <li>- Norway: 790 (0 temporary)</li> <li>- Canada: 0 (0 temporary)</li> <li>- USA: 593 (59 temporary)</li> <li>- Australia: 1 (0 temporary)</li> <li>- India: 1 (0 temporary)</li> <li>- Ireland: 21 (2 temporary)</li> <li>- UK: 42 (3 temporary)</li> </ul> <p>There are no significant variations in employee numbers during the financial year. No significant work in NAMMO is performed by workers who are not employees.</p> <p>*All numbers are from 31.12.2018.</p> <p>Nammo aims at providing complete reporting on this disclosure in the future.</p>
102-9	Supply chain	<p>Nammo's supply chains include suppliers of raw materials and components, sub-contractors, and providers of various services. Most of our suppliers are located in Europe and North America. A few suppliers are located in Asia. 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.</p> <p>Each of the Group's legal entities and business units are responsible for undertaking appropriate due diligence on their respective suppliers to ensure that they only do business with suppliers who meet the Group's ethical standards. The revision of the Supplier Conduct Principles started end of 2018 and a new edition was implemented during first quarter 2019. The Supplier Conduct Principles require our suppliers to adhere to the Group's Ethical Code of Conduct and business standards, and specifically address the requirement for undertaking business in compliance with modern slavery and human trafficking legislation.</p>
102-10	Significant changes to the organization and its supply chain	Annual Report: pages 4-7
102-11	Precautionary Principle or approach	NAMMO AS is a signatory of the UN Global Compact and is therefore committed to complying with the precautionary principle.
102-12	External initiatives	UN Global Compact Web: <a href="#">Who we are – About us – Ethics, vision and values</a>
102-13	Membership of associations	Web: <a href="#">Who we are – About us – Ethics, vision and values</a>

### Strategy

102-14	Statement from senior decision maker	Nammo Group Sustainability Report 2018.
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### Ethics and integrity

102-16	Values, standards, principles and norms	Annual Report: page 2 Web: <a href="#">Who we are – About us – Ethics, vision and values</a>
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### Governance

102-18	Governance structure	Annual Report: pages 48-49
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Stakeholder analysis		
102-40	List of stakeholder groups	<a href="#">Stakeholder Analysis 2018</a>
102-41	Collective bargaining agreements	Nammo recognizes the right to organize for all employees.  At Nammo Raufoss AS (the largest subsidiary in the Nammo Group), 90% of the employees are covered by collective bargaining agreements (683 out of 760). In Nammo Group, approximately 80% of the employees in Europe are covered. In other jurisdictions, Nammo does currently not have data on the degree of unionization among employees.
102-42	Identifying and selecting stakeholders	In Nammo, we continuously assess the potential impact and views of different stakeholders. The 2018 Stakeholder analysis was conducted on the basis of an assessment of salient stakeholders. See <a href="#">Stakeholder Analysis 2018</a> .  A thorough analysis of Nammo's stakeholders will be conducted in the fall of 2019.
102-43	Approach to stakeholder engagement	We initiate dialogue with our stakeholders, including national regulators, the political community, political youth organizations, non-governmental organizations (NGOs), local community and defense administrations in the countries where we operate.  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.
102-44	Key topics and concerns raised	<a href="#">Stakeholder Analysis 2018</a>

Reporting practice		
102-45	Entities included in the consolidated financial statements	Annual Report: pages 48-49
102-46	Defining report content and topic Boundaries	Annual Report: page 11  Nammo AS follows the Global Reporting Initiative (GRI) Standard for sustainable reporting. A materiality analysis has been conducted to prioritize which topics to include in the report.  An updated materiality analysis will be conducted in the fall of 2019. Results will define report content and topic boundaries for future reporting.
102-47	List of material topics	Sustainable economic performance Business ethics & anti-corruption Health, safety & security Labour rights Environment Responsible supply chain Diversity and equal opportunity
102-48	Restatements of information	No significant restatements
102-49	Changes in reporting	No significant changes
102-50	Reporting period	2018
102-51	Date of previous report	2017
102-52	Reporting cycle	Annual
102-53	Contact point	info@nammo.com
102-54	Claims of reporting in accordance with the GRI Standards	This report has been based on the GRI Standards: Core option.
102-55	GRI content index	<a href="http://nammo.com/nammosustainability2018">nammo.com/nammosustainability2018</a>
102-56	External assurance	External assurance is not practiced for the Sustainability report.



# SPECIFIC STANDARD DISCLOSURES

## ECONOMIC

GRI INDICATOR      DESCRIPTION      2018 REPORTING

<b>Management approach for economic standards and disclosures</b>		
103-1	Explanation of the material topic and its boundary.	Annual Report: pages 8-14
103-2	The management approach and its components.	Annual Report: pages 48-49
103-3	Evaluation of the management approach.	

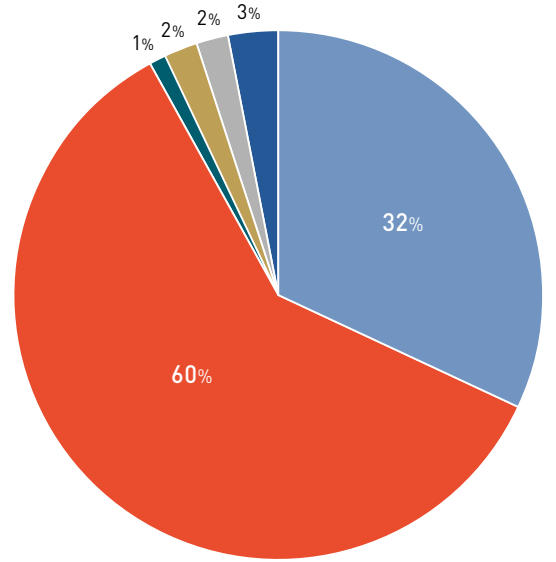
<b>Economic performance</b>		
201-1	Direct economic value generated and distributed	<p>Nammo Group</p> <p>Value generated</p> <ul style="list-style-type: none"> <li>- Revenues: NOK 4 920 million</li> </ul> <p>Value distributed:</p> <ul style="list-style-type: none"> <li>- Payroll expenses: NOK 1607 million</li> <li>- Other operating costs: NOK 2950 million</li> <li>- Net interest cost: NOK 33 million</li> <li>- Other financial income: NOK 2 million</li> <li>- Income taxes: NOK 92 million</li> <li>- Paid dividends: NOK 90 million*</li> </ul> <p>Value retained: NOK 150 million</p> <p>*Dividends paid to shareholders as proposed by the Board of Directors.</p> <p>All numbers refer to the Nammo Group and the 2018 financial year.</p>

# ECONOMIC (continued)

GRI INDICATOR

DESCRIPTION

2018 REPORTING

Economic performance (continued)																
201-1	Direct economic value generated and distributed	<p>Value generated (revenues): NOK 4,920</p>  <table border="1" data-bbox="702 1164 1292 1299"> <thead> <tr> <th>Category</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Payroll expenses</td> <td>32%</td> </tr> <tr> <td>Other operating costs</td> <td>60%</td> </tr> <tr> <td>Net interest cost</td> <td>1%</td> </tr> <tr> <td>Income taxes</td> <td>2%</td> </tr> <tr> <td>Paid dividends</td> <td>2%</td> </tr> <tr> <td>Value retained</td> <td>3%</td> </tr> </tbody> </table>	Category	Percentage	Payroll expenses	32%	Other operating costs	60%	Net interest cost	1%	Income taxes	2%	Paid dividends	2%	Value retained	3%
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Payroll expenses	32%															
Other operating costs	60%															
Net interest cost	1%															
Income taxes	2%															
Paid dividends	2%															
Value retained	3%															

Anti-corruption		
205-3	Confirmed incidents of corruption and actions taken	No incidents reported in 2018.

Anti-competitive behavior		
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	No legal actions reported in 2018.

# ENVIRONMENTAL

GRI INDICATOR      DESCRIPTION      2018 REPORTING

<b>Management approach for economic standards and disclosures</b>		
103-1	Explanation of the material topic and its boundary.	Annual Report: pages 8-14
103-2	The management approach and its components.	
103-3	Evaluation of the management approach.	

<b>Energy</b>		
302-1	Energy consumption within the organization	Nammo Group will provide complete reporting on this indicator in its 2019 Sustainability report.

<b>Water and effluents</b>		
303-3	Water withdrawal	Water withdrawal: 1215 megaliters.  Nammo does not currently break down total water withdrawal by different sources or by freshwater vs. other sources, or assess water stress.

<b>Emissions</b>		
305-1	Direct (Scope 1) GHG emissions	Nammo Group will provide complete reporting on this indicator in its 2019 Sustainability report.
305-2	Energy indirect (Scope 2) GHG emissions	Nammo Group will provide complete reporting on this indicator in its 2019 Sustainability report.
305-3	Other indirect (Scope 3) GHG emissions	3 747.9 metric tons CO <sub>2</sub> e. This figure includes the majority of Nammo's air travels during 2018. Nammo Group will provide complete reporting on this indicator in its 2019 Sustainability report.

<b>Environmental Compliance</b>		
307-1	Non-compliance with environmental laws and regulations	No violations of environmental laws in 2018 for Nammo Group companies.

<b>Supplier Environmental Assessment</b>		
308-1	New suppliers that were screened using environmental criteria	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, the International Labor Organization (ILO) conventions, and Nammo's Ethical Code of Conduct.

# SOCIAL

GRI INDICATOR      DESCRIPTION      2018 REPORTING

Management approach for economic standards and disclosures		
103-1	Explanation of the material topic and its boundary.	Annual Report: pages 8-14
103-2	The management approach and its components.	
103-3	Evaluation of the management approach.	

Occupational health and safety							
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		Lost-Time Injuries	Lost-Time Injury (LTI value) <sup>1</sup>	Lost-Workday (LWD value) <sup>2</sup>	Accidents without days off	Sick absence <sup>3</sup>
		Nammo Group	27	6	69	97	3.7%
		<b>1 LTI Value</b> Number of work-related accidents with recorded absence extending beyond the day the accident occurred per million working hours	<b>2 LWD Value</b> Number of days off due to work-related accidents and/or work-related illnesses per million working hours	<b>3 Sick absence</b> Measured in percentage of normal working hours (not including overtime work)			
<p>All Nammo employees engaged in the handling and storage of potentially hazardous substances receive annual physical check-ups to monitor for any changes that could result from working in proximity of such substances.</p> <p>Nammo Group will provide complete reporting on this indicator in its 2019 Sustainability report.</p>							

Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	Governance bodies:	
			Women      Men
		Board of Directors	3      6
		Group Management	3      10
			Age: < 30      Age: 30-50      Age: 50+
		Board of Directors	0      2      7
		Group Management	0      3      10
<p>Nammo aims at providing complete reporting on this disclosure item in the 2019 Sustainability report.</p>			

# SOCIAL (continued)

GRI INDICATOR	DESCRIPTION	2018 REPORTING
<b>Non-discrimination</b>		
406-1	Incidents of discrimination and corrective actions taken	No incidents resulting in legal verdict reported in 2018.
<b>Freedom of Association and Collective Bargaining</b>		
407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Nammo Group regards that there is low risk of violations of the right to freedom of association and collective bargaining in our operations. Higher risk is anticipated in our supply chain.
<b>Child labor</b>		
408-1	Operations and suppliers at significant risk for incidents of child labor	<p>Nammo Group regards that there is low risk of child labor in our operations. Higher risk is anticipated in our supply chain.</p> <p>Nammo has published a <a href="#">Modern Slavery Act Statement (web)</a> and requires its suppliers to comply with the Group's Supplier Conduct Principles.</p>
<b>Forced or compulsory labor</b>		
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	<p>Nammo Group regards that there is low risk of forced or compulsory labor in our operations. Higher risk is anticipated in our supply chain.</p> <p>Nammo has published a <a href="#">Modern Slavery Act Statement (web)</a> and requires its suppliers to comply with the Group's Supplier Conduct Principles.</p>
<b>Supplier social assessments</b>		
414-1	New suppliers that were screened using social criteria	<p>The Group performs regular audits of the supply chain in order to control flow-down requirements from prime contractors. Sole source and other suppliers considered critical to the Group's business are subject to a bi-annual self-assessment questionnaire. During 2019, selected suppliers will be audited with review of compliance to the Supplier Conduct Principles and how the flow-down is handled through the supply chain.</p> <p>Nammo is committed to cooperate with suppliers to ensure that they have appropriate ethical and responsible policies and practices in place, and to support them in closing any gaps the self-assessment may identify.</p> <p>A global framework of improved third-party risk management is under development at the Group level.</p>
<b>Socioeconomic compliance</b>		
419-1	Non-compliance with laws and regulations in the social and economic area	No incidents of non-compliance resulting in fines reported in 2018.



COMMUNICATION ON  
PROGRESS

This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

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