



KONGSBERG

# SUPPLIER CONDUCT PRINCIPLES

KOG-DIR-0038 Directive for  
Supplier Conduct Principles RevH



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# 1. Introduction

We set high standards for the way we do business. These Supplier Conduct Principles (hereinafter “the Principles”) have been established to ensure safe working conditions throughout KONGSBERG’s supply chain, ensuring that workers are treated with respect and dignity, impartially and fairly, that business operations are environmentally sound, and that business is conducted in accordance with internationally recognised principles and relevant international conventions relating to responsible business conduct .

## 1.1 Document history

Rev	Date	Reason for issue	Author	Approved by	Security level
H	01JUL2022	Update	CCO Yngve Larsen	BoD CEO/G. Håøy	Public

## 1.2 Purpose

The Principles set out minimum standards of behaviour and practices we require from suppliers. KONGSBERG requires all its suppliers to adhere to the Principles, in addition to the provisions of any commercial terms agreed between KONGSBERG and the supplier.

KONGSBERG suppliers shall familiarize themselves

with KONGSBERG’s values, which are available at [www.kongsberg.com](http://www.kongsberg.com).

## 1.3 Content, scope and applicability

The Principles are applicable to all suppliers who supply products and/or services to related to KONGSBERG contracts or purchase orders. Suppliers shall cascade the Principles to their own suppliers in order to ensure alignment and implementation throughout their supply chain for both direct and indirect products and services. This includes but is not limited to, in addition to subcontractors directly involved in production, agents, intermediaries, recruitment/employment agencies.

KONGSBERG takes a partnership approach with our suppliers by:

- Proactively seeking continuous improvement on the part of suppliers within the areas covered by the Principles.
- Support and encourage suppliers to identify areas that require improvements.

KONGSBERG will assess compliance with the Principles through supplier dialogue, assessments and audits (see 6.3 “Access for Verification”).

## 1.4 National Legislation

In all of their activities, KONGSBERG’s suppliers must operate in full compliance with the legislation, rules

<sup>1</sup> including, but not limited to the International Bill of Human Rights, the International Labour Organisation (ILO) Declaration on Fundamental Principles and Rights at Work, applicable standards of humanitarian law, the United Nations Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises.



and regulations of the countries in which they operate. Where national law and the Principles differ, suppliers shall follow the higher standard. Such instances where the Principles and legislation does differ this shall be reported to KONGSBERG without delay.

Where suppliers deviate from the higher standard, they shall seek a written exception from KONGSBERG.

## 2. Human and Labour Rights

In order to meet the standards on human and labour rights included in these Principles, suppliers are required to perform human rights due diligence aligned with the OECD Guidelines for Multinational Enterprises and related guidance. Human rights due diligence is an established methodology for respecting human rights, consisting of six steps:

1. Embed responsible business conduct into policies & management systems
2. Identify & assess adverse impacts in operations, supply chains & business relationships
3. Cease, prevent or mitigate adverse impacts
4. Track implementation and results
5. Communicate how impacts are addressed
6. Provide for or cooperate in remediation when appropriate

Through human rights due diligence, suppliers are required to take proactive steps to identify and address any actual or potential adverse human rights impacts which they have caused, contributed to or are directly linked to, through their operations, supply chain or business relationships.

### 2.1 Freely Chosen Employment

Suppliers shall not use or profit from any form of human trafficking, slavery or forced labour, including involuntary prison labour.

Suppliers shall ensure their employees shall have freedom of movement and the right to resign at any time and leave after meeting the conditions of their contract and notice period.

Workers shall not be required to lodge government issued identification, passports or work permits to the supplier or labour agent as a condition of employment.

No recruitment fees or related costs shall be paid by workers. Where evidence of fee-charging is identified, workers shall be reimbursed.

### 2.2 Child Labour Avoidance

Child labour shall not be hired, used or profited from. No child under the age of 15 shall be employed, except where the local minimum age is set to 14 in line with the exceptions contained in ILO Convention 138. Where the local minimum age of employment or mandatory school leaving age is higher than 15, children under that age shall not be employed in the specific country.

Children and young persons under the age of 18 shall not conduct hazardous work. This includes work that could endanger their health, safety or morals. Where young workers are subject to compulsory education laws, they may work only outside of school hours.

### 2.3 Working Hours

Standard work weeks are not to exceed the maximum set by local law and should not on a regular basis exceed 48 hours.

Overtime shall not exceed 12 hours per week, i.e., the total working week including overtime shall not exceed 60 hours. Exceptions to this are accepted in exceptional circumstances when regulated by a collective bargaining agreement or permitted by national law, and appropriate measures are taken to safeguard employees' health, safety and wellbeing. All overtime work shall be voluntary, other than as permitted where the company is party to a collective bargaining agreement freely negotiated with labour organisations representing a significant portion of its workforce, then it may require overtime work in accordance with such agreement to meet short-term business demand.

Employees shall as a minimum be allowed at least one day off per seven-day week.

### 2.4 Wages and Benefits

As a minimum, there shall be full compliance with applicable laws regarding wages, working hours, overtime and benefits. In any event, wages should always be sufficient to meet basic needs and to provide some discretionary income.

<sup>2</sup>OECD (2011), *OECD Guidelines for Multinational Enterprises*, OECD Publishing. <http://dx.doi.org/10.1787/9789264115415-en>

<sup>3</sup>The «OECD (2018), *OECD Due Diligence Guidance for Responsible Business Conduct*» provides a comprehensive guide to due diligence in line with the OECD Guidelines: <http://mneguidelines.oecd.org/OECD-Due-Diligence-Guidance-for-Responsible-Business-Conduct.pdf>

<sup>4</sup>ILO Convention 29 (Forced labour) and 105 (Abolition of forced labour).

In compliance with local laws, workers shall be compensated for overtime at pay rates greater than regular hourly rates.

Deductions from wages shall not be permitted as a disciplinary measure.

The basis on which workers are paid is to be specified in a timely manner via a pay slip or similar documentation.

All employees shall be provided with written and understandable information about their employment conditions in respect to wages before they enter employment.

## 2.5 Humane Treatment

The supplier's disciplinary policies and procedures shall be clearly defined and communicated to workers. Abuse or harassment shall not be tolerated in the workplace or in any work-related circumstance outside the workplace. Abuse and harassment include physical abuse or discipline, sexual harassment, verbal abuse, or other forms of intimidation, as well as the threat of any such form of abuse or harassment.

## 2.6 Non-Discrimination

There shall be no discrimination in hiring or in conjunction with employment practices such as promotions, rewards, access to training, termination, or retirement on the basis of gender, race, religion, national or social origin, ethnicity, caste, age, disability, sexual orientation, gender identification or expression, pregnancy, political affiliation, union membership or any other status protected by applicable law.

Supplier employees, or potential employees, should not be subjected to medical tests that could be used in a discriminatory way.

## 2.7 Freedom of Association

Suppliers shall respect employees' freedom of association and recognise the right to collective bargaining in accordance with national laws and regulations. Where the right to freedom of association and collective bargaining is restricted under law, suppliers shall facilitate and not hinder, the development of parallel means of free and

independent organisation and collective bargaining.

## 2.8 Regular Employment

Obligations to employees under international conventions, national law and regulations concerning regular employment shall not be avoided through the use of short-term contracting (such as contract labour, casual labour, or day labour) or other labour relationships. The duration and content of apprenticeship programmes shall be clearly defined.

## 2.9 Minority rights

Suppliers shall not engage in activities that cause or contribute to harm to the livelihoods of marginalised populations, such as through the irresponsible use of land, territories, or other natural resources. Suppliers shall carefully consider whether and how their activities may cause or contribute to such impact.

## 2.10 Privacy

Suppliers shall recognise and respect employees' right to privacy and shall handle all personal data in accordance with laws and legislation.

Where surveillance is required, such as for safety purposes, investigating concerns or maintaining cyber security the impact on employees and others will be assessed and measures put in place to minimise interference with their privacy.

Suppliers shall carefully consider whether and how their products, services or technology, including if altered, may pose a potential risk to the right to privacy. Where such risk is identified, they shall put in place measures to prevent or mitigate the risk.

## 2.11 Humanitarian law

All applicable standards of international humanitarian law shall be respected.

Suppliers shall carefully consider whether and how their products or technology, including if altered, may be used in breach of humanitarian law, which may again constitute human rights breaches. Where such risk is identified, measures shall be put in place to prevent or mitigate the risk.

## 2.12 Conflict Minerals

KONGSBERG is required to comply with regulatory

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<sup>5</sup>ILO Convention 138 (Minimum age), 182 (Worst forms of child labour) and 79 (Night work of young persons), ILO Recommendation 146 (Minimum age), UN Convention on the Rights of the Child

<sup>6</sup>ILO Convention 1 (Hours of work) and 14 (Weekly rest)

<sup>7</sup>ILO Convention 131 (Minimum wage fixing)

<sup>8</sup>Universal Declaration of Human Rights,



and customer requirements regarding the prohibition and restriction of substances, including hazardous substances and conflict minerals.

To support the responsible sourcing of minerals within our supply chain, KONGSBERG's suppliers are, with regards to certain minerals; including but not limited to cobalt, lithium, tin, tantalum, tungsten, and gold (including their derivatives) originating conflict affected and high risk areas such as the Democratic Republic of the Congo or its surrounding countries, required to have in place a supply chain policy and processes to undertake:

- a reasonable inquiry into the country of origin of conflict minerals incorporated into products it provides KONGSBERG; and
- due diligence (with reference to OECD/RMI guidance or similar) of its supply chain, as necessary, to determine if conflict minerals sourced from the covered countries directly or indirectly support unlawful conflict there; and
- risk assessment and mitigation actions necessary to implement the country of origin inquiry and due diligence procedures, and
- avoid smelters and refiners without an adequate, audited due diligence process in place.

### 2.13 Occupational Safety

Worker exposure to potential safety hazards shall be minimised through proper design, engineering and administrative controls, preventative maintenance, and safe work procedures, as well as by ongoing safety training. Where hazards cannot be adequately controlled by these means, workers are to be provided with appropriate, well-maintained, personal protective gear. Workers shall receive regular health and safety training. Training shall be documented. Workers shall not be disciplined for raising safety concerns.

### 2.14 Emergency Preparedness

Emergency situations and events shall be identified and assessed, and their impact minimised by implementing emergency plans and response procedures, including emergency reporting, employee notification and evacuation procedures, worker training and drills, appropriate fire detection and extinguishing equipment, adequate exit facilities, and recovery plans.

### 2.15 Occupational Injury and Illness

Procedures and systems shall be in place to prevent, manage, track, and report occupational injury and illness, including provisions to encourage workers to report, classify and record injury and illness cases, provide necessary medical treatment, investigate cases and implement corrective actions to eliminate their causes, and to help workers return to work.

### 2.16 Sanitation, Food, and Housing

Workers are to be provided with appropriate, safe, and hygienic facilities. There shall be sufficient ventilation, ready access to clean toilet facilities, clean drinking water, facilities for sanitary food preparation, storage, and eating facilities. Worker dormitories provided by the supplier, or a labour agent are to be kept clean and safe, and provided with appropriate emergency exits, hot water for bathing or showering, and adequate heat and ventilation, as well as reasonable personal space along with reasonable entry and exit privileges.

## 3. Quality and continuous improvement

KONGSBERG is committed to deliver World-Class quality in everything we do, and to seek continuous improvements.

We expect our suppliers to work collaboratively and openly with us to seek best quality and continually improve our operations and products.

We expect our suppliers, where applicable, to comply with ISO 14001 and 45001.

## 4. The Environment

Suppliers are required to have a precautionary approach towards environmental and climate challenges. In manufacturing operations, adverse effects on the community, the environment and natural resources are to be minimised while safeguarding the health and safety of the public.

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<sup>9</sup>ILO Convention 100 (Equal remuneration) and 111 (Discrimination (employment and occupation)), UN Convention on the Elimination of all Forms of Discrimination Against Women

<sup>10</sup>ILO Convention 87 (Freedom of association), 98 (Right to organize and collective bargaining), 135 (Workers' representatives), 154 (Collective bargaining)

#### **4.1 Pollution Prevention and Resource Reduction**

Waste of all types, including wastewater and energy, are to be reduced or eliminated at source or by practices such as the modification of production, maintenance and facility processes, materials substitution, conservation and the recycling and reuse of materials.

#### **4.2 Hazardous Substances**

Chemical and other materials that pose a hazard if released to the environment are to be identified and managed to ensure their safe handling, movement, storage, use, recycling or reuse, and disposal.

#### **4.3 Wastewater and Solid Waste**

Wastewater and solid waste generated from operations, industrial processes, and sanitation facilities are to be characterised, monitored, controlled, and treated as required by relevant legislation and permits prior to discharge or disposal.

#### **4.4 Air Emissions**

Air emissions of volatile organic chemicals, aerosols, corrosives, particulates, ozone depleting chemicals and combustion by-products generated from operations are to be characterised, monitored, controlled, and treated as required by relevant legislation and permits prior to discharge.

#### **4.5 Greenhouse Gases (GHG)**

Suppliers are required to identify, measure and report greenhouse gases generated from operations. Targets and plans should be established for how to reduce the GHG emissions.

#### **4.6 Water**

In areas vulnerable to a scarcity of freshwater, our suppliers are required to seek ways to measure and disclose the use of freshwater. Plans should also be established for how to reduce the use of freshwater in operations.

#### **4.7 Sustainable Technologies**

Suppliers are required to encourage the development and use of sustainable technologies, e.g., to choose sustainable effective technologies and components in their own production processes and strive to increase the use of technologies that reduce the environmental footprint.

#### **4.8 Environmental Permits and Reporting**

All required environmental permits, approvals, and registrations are to be obtained, maintained, and kept current, and their operational and reporting requirements are to be followed.

### **5. Business Integrity**

#### **5.1 Anti-Corruption**

Suppliers shall comply with laws and regulations related to bribery, corruption, fraud, and all other illegal business activities.

Suppliers shall not offer, request, accept, or receive any kind of undue benefit, service, or incentives to/from government officials, international organizations, or other third parties for the purpose of obtaining or retaining business or business advantage, or personal benefits. This includes a prohibition on so called 'facilitation' payments or 'grease' payments intended to expedite or secure performance of a routine governmental action like obtaining visa or customs clearance unless there is a formal legal governmental fee schedule for such expediting services and the government provides receipts. Personal safety payments are permitted where there is an imminent threat to health or safety, but this must be documented and advised to KONGSBERG. This applies whether the benefit is being offered directly or indirectly through an intermediary.

Suppliers shall not by intent or negligently search to get access to confidential information that may give an undue advantage.

Suppliers shall not, directly, or indirectly, offer, give, or accept gifts, hospitality or expense coverage that can give, or be perceived as, an improper advantage in connection with a person's position, tasks or missions, unless the gift, etc. is of modest value. Representation, gifts, or expense coverage shall never be given or taken in connection with a bidding processes or negotiations related to contracts. The exception is a normal representation, when there is a legitimate business purpose, and the cost is kept within reasonable limits. Cash or cash equivalents shall not be offered, given, or received.

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<sup>1</sup>ILO Convention 155 (Occupational safety and health) and Recommendation 164 (Occupational safety and health)



Suppliers shall not sponsor political parties or politicians in connection with the contract entered into with KONGSBERG. Suppliers must undertake any lobbying activities in compliance with all applicable laws.

## **5.2 Disclosure of Information**

Information regarding business activities, structure, financial situation, and performance shall be disclosed in accordance with applicable regulations and prevailing industry practices.

## **5.3 Intellectual Property**

Intellectual property rights shall be respected; the protection of technology and know-how shall be done by maintaining a system for secure processing, transmitting, storing, and destroying of information.

## **5.4 Competition**

Suppliers shall always meet competitors in an honest and professional manner. The supplier shall not cause or be part of any breach of applicable competition laws and regulations, such as illegal cooperation on pricing, or illegal market sharing.

## **5.5 Data Privacy**

Suppliers shall respect the employees and third parties' privacy policies and shall record and/or monitor personal data in accordance with applicable data protection legislation.

If the supplier handles personal data on behalf of KONGSBERG, it is required that the supplier signs a Data Processing Agreement. Such agreement regulates the supplier's obligations to process personal data in accordance with applicable data protection legislation. For information related to KONGSBERG's handling of personal data please see [www.kongsberg.com](http://www.kongsberg.com) for privacy statement and public version of KONGSBERG Binding Corporate Rules (BCR). The BCR is established to comply with applicable data protection legislation, including the EU General Data Protection Regulation (GDPR).

## **5.6 Money Laundering and Tax obligations**

Suppliers shall be firmly opposed to all forms of money laundering and shall take steps to prevent its financial transactions from being used by others to launder money.

Suppliers shall report and pay its public taxes and fees according to the current law requirements.

## **5.7 Defence Industry Disclosure**

Suppliers of components for military products, management and each individual employee should maintain full transparency, bearing in mind that they are part of the value chain in the defence industry. If the supplier is given access to classified information, the necessary security agreements, clearances, and authorizations must be in place.

## **5.8 Sanctions Denied Parties Lists or Embargoed Countries**

Suppliers shall ensure that neither they nor their suppliers are involved in business with parties that are subject to relevant sanctions, denied parties lists, or embargoed countries. KONGSBERG shall immediately be notified of any nonconformity.

## **5.9 Conflict of interest**

Suppliers are required to avoid personal and financial interests which could conflict with their responsibilities to KONGSBERG. All actual or potential conflict of interests should be immediately notified to KONGSBERG and all affected parties.

# **6. Implementation and Administration**

## **6.1 Compliance Management System**

Suppliers shall adopt or establish a compliance management system related to the content of these Principles. The management system shall be designed to ensure compliance with applicable legislation and regulations, conformance with the Principles and identification and mitigation of operational risks related to the Principles. It should also facilitate continuous improvement.

## **6.2 Responsibilities**

Suppliers should designate an individual in a senior management position to ensure compliance with the Principles.

## **6.3 Access for verification**

In the event of announced and unannounced assessments or audits of the supplier for the purpose

of verifying compliance with the requirements in this document, KONGSBERG personnel, KONGSBERG's customer or KONGSBERG consultants shall be provided relevant documentation and have unlimited access to any part of the premises where work under a contract is being performed as well as to relevant personnel. This also includes work performed at any subcontractors' premises.

#### **6.4 Records**

Suppliers shall maintain accurate and complete records of business transactions and to demonstrate conformance with the requirements of these Principles.

#### **6.5 Communication of the Principles**

Suppliers shall communicate the requirements of the Principles to all workers, suppliers or subcontractors engaged in their supply chain. Suppliers are required take steps to ensure that their suppliers and subcontractors comply with requirements of the Principles. Suppliers shall also ensure that employees have access to channels to discuss and confidentially report non-compliance with the Principles.

#### **6.6 Asking questions and raising concerns**

Suppliers shall have a system for reporting and handling concerns, including any breaches of the Principles in their own operations or with subcontractors, and shall without delay inform KONGSBERG in writing of any concerns related to business with KONGSBERG. KONGSBERG expects full cooperation in relation to the investigation of these matters. Suppliers shall not practice retaliation against anyone raising or helping to address a genuine business integrity concern. Our suppliers shall implement programmes to ensure confidentiality and protection of whistle-blowers. Questions or reporting of concerns can be made to [ethics@kongsberg.com](mailto:ethics@kongsberg.com) or anonymous to KONGSBERG's web-based whistle-blower channel: <https://kongsberg.whistleblowernetwork.net>.

## **7. Effective date**

This document becomes operative from the date the document is signed and authorized.









KONGSBERG

