



International Business and Code of Ethics, Kongsberg Implementation.

FSi 10th Nov. 2011

Roar Handeland / Kongsberg Defence Systems



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WORLD CLASS – through people, technology and dedication

Kongsberg Group ASA, Compliance





Any KOG cases?

- No new hot histories about KOG exposed in the media
 - No rumours not yet publicly known
 - No situation where we just avoided to have our reputation ruined
 - Any experiences?
-
- Heard about
Coordinating Committee for Multilateral Export Controls ?
 - CoCom?

Kongsberg Vaapenfabrikk in 1987

- Selling products in violation of the Cocom agreement.
- Called the “Toshiba – Kongsberg scandal”



The case got “everything” :

- International medias
- International politics
- Power struggles
- Consequences

KV Internal feeling:

- Not controllable situation
- Not prepared
- Unfair/ not completely correct
- Consequences for not involved parts
- Unclear responsibility
- Painful

Experience valid today



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**A good reputation takes a
long time to build, but
just an instant to destroy**

NO 100% warranty issued



Reason for not being exposed?

- ~~Just luck~~
- ~~Just slow and lazy~~
- ~~Taking no business risks~~
- ~~Superb ethical behaviour~~



- "Normal" business behaviour
- A systematic approach related to ethical challenges
- Used over time

International Business



Kongsberg Maritime

**Kongsberg Oil & Gas
Technology**

**Kongsberg Protech
Systems**

**Kongsberg Defence
Systems**



Kongsberg Maritime



Kongsberg Oil & Gas Technology



Kongsberg Protech Systems



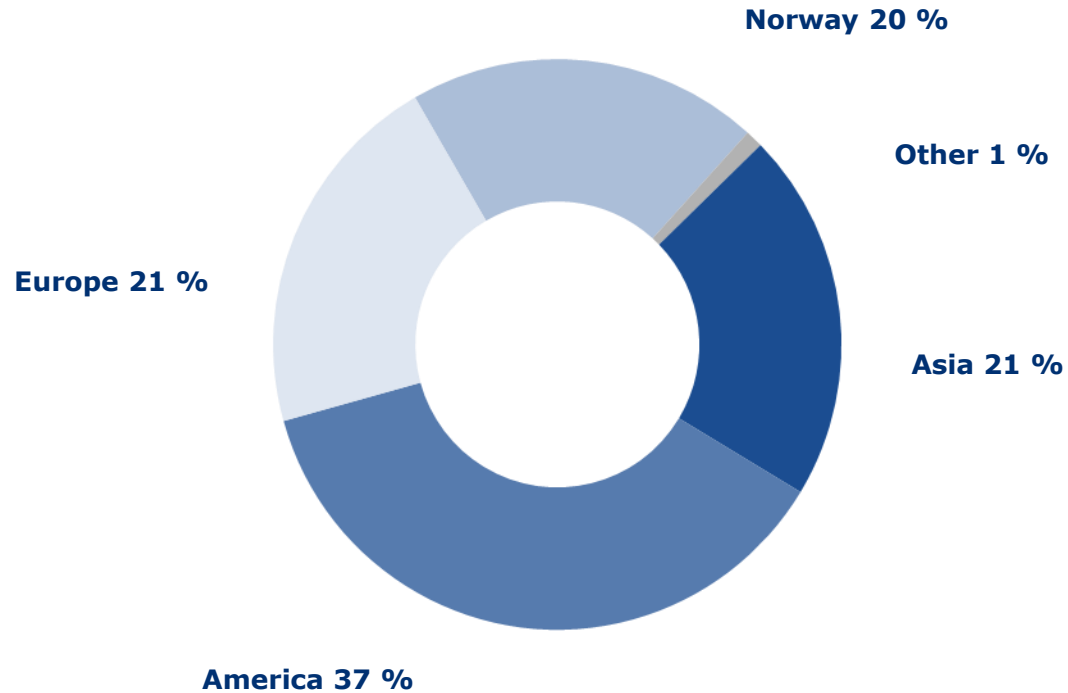


Kongsberg Defence Systems



International Business

Operating revenues 2010 :MNOK 15497
By region



Operations in more than 25 countries



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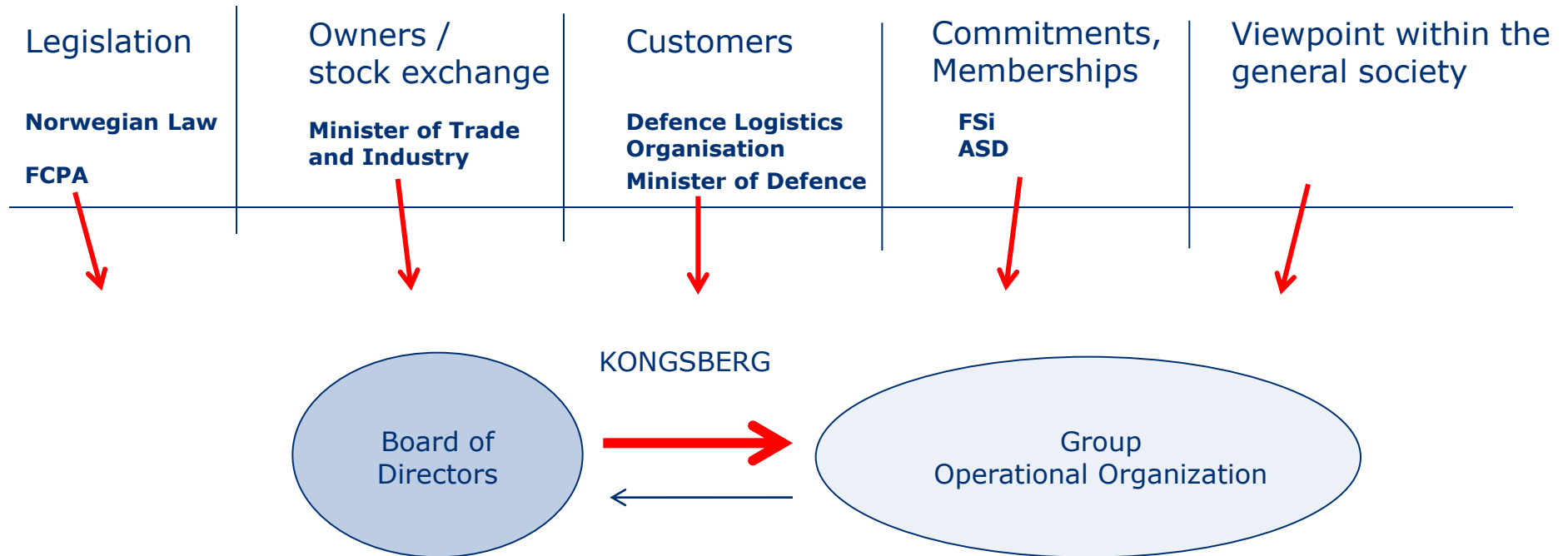
* **Kongsberg**, Asker, Bergen, Billingstad, Horten, Kjeller, Kristiansand, Oslo, Sandefjord, Sandvika, Stavanger, Stjørdal, Svalbard, Tromsø, Trondheim

- High-Tec
- Large Contracts
- Both civilian and defence products
- Different type of customers and culture

None Financial Requirement



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- Complex environment
Dynamically changing requirements
- Dilemmas appear
- Risk for thoughtlessness increases
- Consequences of none compliance increase



Don't compromise, but prioritize

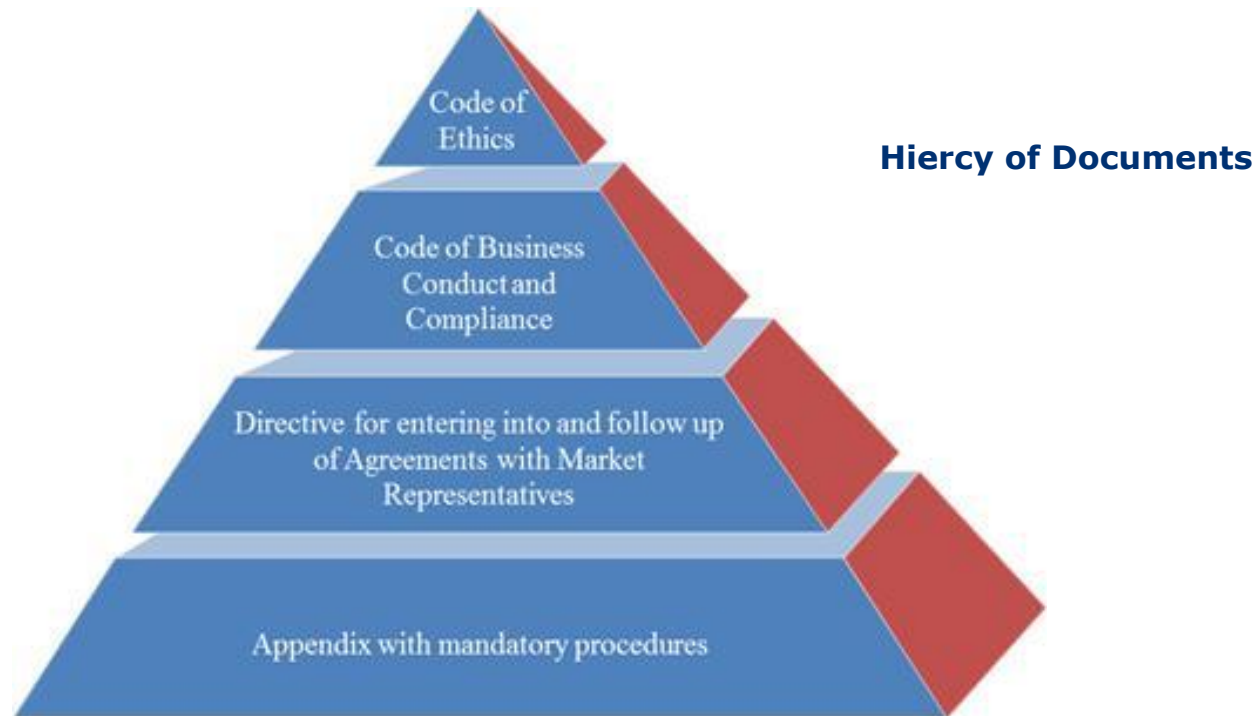
- Engagement and involvement from the Board / Top Management
- KOG focus on:
 - Anti-Corruption
 - Open and free competition
 - Human rights
- One common set of rules on the KOG corporate level
- Look forward into future

1. Anti-corruption
2. Fair Trading, Antitrust and Competition
3. Safe and healthy Workplace
4. Ethical and non-discriminatory supply chain
5. Environmental Protection
6. Community Involvement
7. Export and Trade Regulations
8. Confidential and Proprietary Information
9. Military Security
10. Illegal insider trading and disclosure
11. Accuracy in reporting
12. Raising Concern



Need separate KOG Rules?

- Converted to KOG Organization
- Integrated into what we do
- Ownership of the statements
- Knowledge has a preventive effect





Defence Marked Characteristics

- Few customer
- Long introductory/evaluation period
- Changes in the introductory period
 - Budget
 - People
 - Technology
 - Requirements
 - Procurement rules
 - Time schedule
- Large contracts
- Long cycle-periods between similar procurements
- Politically influenced decisions
- Government customer



Marketing Representatives / Agents

- No local KOG establishment in all potential customer areas
- Still need to understand
 - Customer organization, need and time schedule
 - Decision process
 - Culture, language and local manners
- Be able to give correct KOG information to the right people at the right time
- Establish necessary KOG credibility
- Knowledge about local industry
- “ Business is people”



Combined with the time characteristic of the sales process, a close relation with a Marketing Representative can be need

An external Marketing Representative can represent a potential risk for None compliance

Organization / Dilemmas Balanced Solutions

None Financial Requirement.
Risk Reduction



Solution Involvement:

- Board of Directors
- Top Management
- Corporate Staff
- Compliance Officers
- Dedicated Marketing Employees

Acknowledgment:

- Risks
- Necessary distance to the detailed engagement
- Characteristics of the Business
- Consequence of alternatives



- Establish Process/Rules Giving Acceptable protection
- Prepared for Future Adaptions

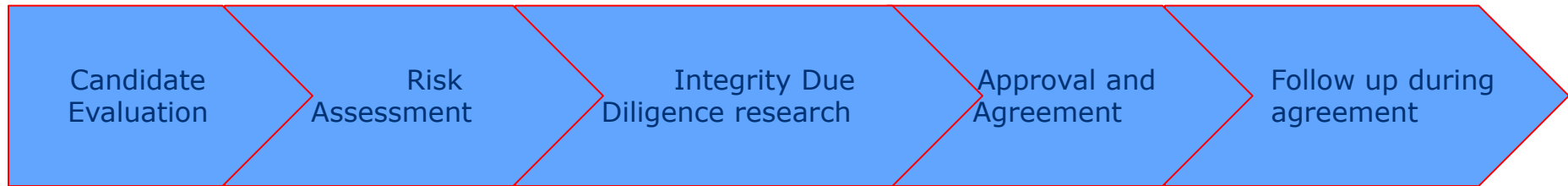
Business Budget Commitment
Marketing Challenges/ Possibilities
Established mode of operation

Approval of a new Market Representatives, MR



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Sequence



- Five Milestones in the evaluation process of a MR
- IDD based on
 - Area of registration
 - Organization
 - Ownership
 - Financial Situation
 - Track record
 - Self Assessment
- Ensure Ethical behaviour and Business capacity
- Documented evaluations and conclusions
- Approval at a high Management Level



Contract / Agreements with MR

Standard

- Acceptance of KOG Ethical Rules / Norwegian anti-corruption Law
- Acceptance of FCPA
- KOG Products included
- Defined Territory
- Obligations
- Compensations place, method, size
- Validity period





Implementation Principles

- Cover all KOG subsidiaries,
- Defined responsibility clearly
- Responsibility to the individual employee and Line Management
- Limited number of KOG Employees involved in the evaluation
- Training mandatory for the involved employees
- Performing Audits e.g. follow the money
- None Compliance will have consequences



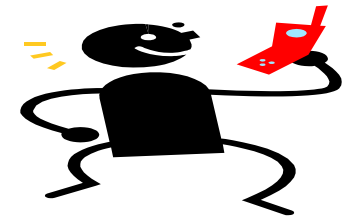
- Compliance / ethics not a separate topic in a separate organization

Related topics



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- Gifts and Hospitality
 - Encouraging of Normal Networking
 - Do it openly
 - Avoid that our actions can be regarded as corruption
 - Respect the Customer's own rules
- Solving Offset requirement on export sales
 - Normally not using offset brokers
 - Responsibility remains on KOG
 - Using sub suppliers
- Reporting Concern (Whistle Blowing)
 - Neutral "Ombudsmenn"
 - International subsidiaries.
Implemented according to the local environment





Summary / Highlights

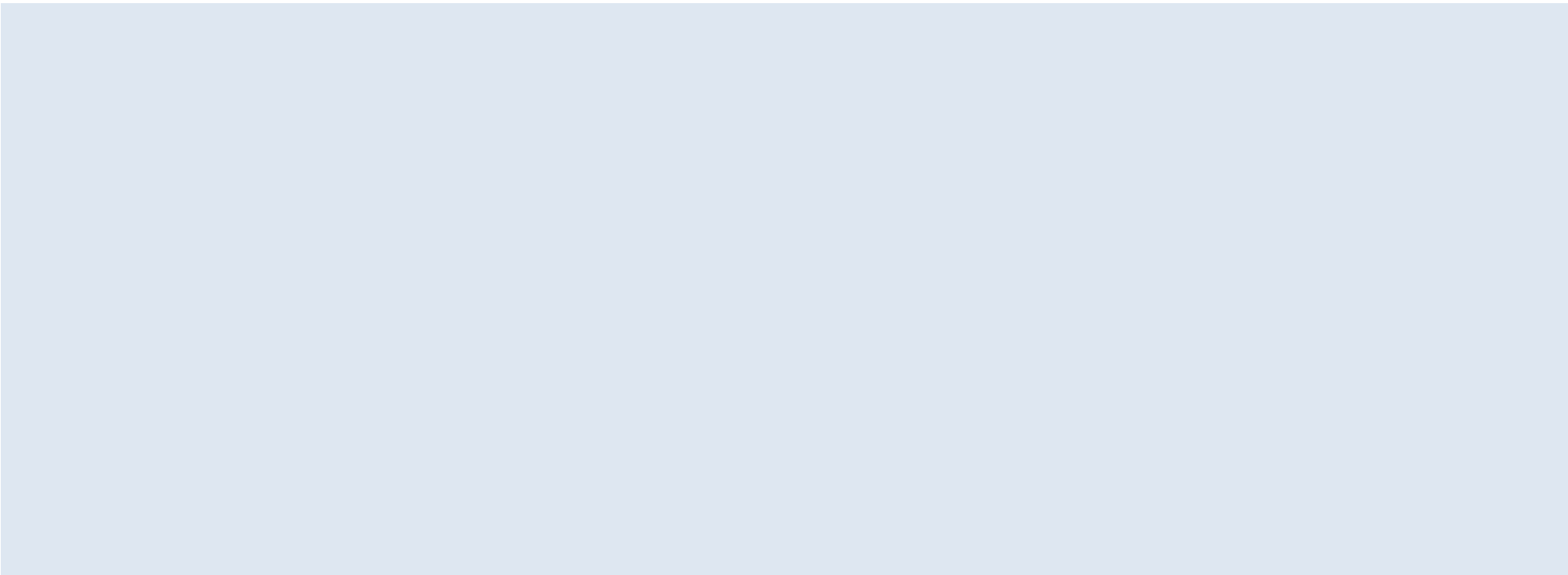
- Take the challenge /risk seriously
- Top Management Engagement
- Prioritize the issues based on your own business
- Combine distance with involvement in evaluation of Marketing Representatives.
Include specialists if necessary
- Anti-corruption work is integrated with “What to do to get business”

- A reliable system for anti- corruption can be a Competitive Advantage



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Thank You for Your Attention!



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