



KONGSBERG

Corporate Social Responsibility Report 2010



Introduction



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Areas of focus 2010-2011:

Anti-corruption
Suppliers
Human rights
Climate strategy

Key figures 2010

Amounts in MNOK	2010	2009	2008	2007	2006
OPERATIONS					
Operating revenues	15 497	13 816	11 056	8 306	6 720
– Operating revenues, outside Norway	% 84	80	77	71	72
– Operating revenues, civilian	% 45	52	62	62	57
EBITA	2 216	1 376	1 122	796	464
EBITA margin	% 14	10	10.1	9.6	6.9
EBT (earnings before tax)	2 097	1 169	861	685	390
Profit for the year	1 500	828	587	490	252
Backlog of orders	17 759	19 892	16 692	12 646	6 472

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About this report

The purpose of this report is to give all stakeholders who are affected by or interested in our activities information about KONGSBERG's approach to corporate social responsibility (CSR).

The report covers the period from 1 January 2010 to 31 December 2010, and addresses topics related to corporate social responsibility that we feel are of importance to us and our stakeholders. Any significant events occurring between 1 January 2011 and 28 February 2011 will also be discussed. All figures are linked to the 2010 fiscal year.

CHANGES IN THE BASIS FOR REPORTING SINCE THE LAST REPORT

In 2010, KONGSBERG acquired two small companies: Odfjell Consulting AS (after the acquisition, the name was changed to Kongsberg Drilling Management Solutions AS) and Portside AS. Together, the companies have 24 employees. Data from these companies are not part of the environmental accounts for 2010.

REPORTING LIMITATIONS

The information in the report is based on data obtained from different parts of the Group. Although importance has been attached to the information being complete and accurate, some of the data will be based on estimates, and there may be some uncertainty associated with some of the figures. See also page 36 for limitations on environmental data.

PROCESS TO DEFINE THE CONTENT

The content of the report is largely defined by the fact that KONGSBERG has joined the UN Global Compact initiative and that we report according to the principles in the Global Reporting Initiative (GRI). These two frameworks clearly identify focal points related to corporate social responsibility (CSR) and they are useful tools for addressing CSR systematically throughout the entire Group. By joining GRI and Global Compact, we are contributing to international cooperation, measurability, verifiability and benchmarking in this field. Further, our Policy for Corporate Social Responsibility and an analysis of interest provided parameters for the preparation of the report. We have devoted particular attention to the special topics we worked on in 2010.

This refers to the work with anti-corruption, the follow up of the supplier network, the climate strategy and human rights. The Group's Forum for Corporate Social Responsibility has taken part in the process to define the content of the report.

GLOBAL COMPACT - COP

The Group has joined the UN's Global Compact. Among other things, this means that we submit a report to the UN each year, describing our activities and progress

in the field of corporate social responsibility. The Group's report on corporate social responsibility serves as such a report – COP (Communication on Progress).

EXTERNAL VERIFICATION

For the second consecutive year, this report has been verified by a third party, i.e. the auditing company Deloitte. See the Auditor's Report on page 44.

BOARD TREATMENT

The Group's Report for Corporate Social Responsibility has in its entirety been reviewed and approved by the corporate Board of Directors.

GLOBAL REPORTING INITIATIVE (GRI)

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

GRI uses a classification that shows the extent to which a company applies GRI's definitions and disclosure requirements. KONGSBERG complies with the requirements for level B+ (see Table below.)

For more details about GRI, see www.globalreporting.org. The '+' designation indicates that the report has been independently verified.

Relevant information about the indicators can be found directly in the text. The last pages of the report refer to the individual GRI indicators and reference where they are dealt with in the report.

GRI MODEL		C	C+	B	B+	A	A+
Obligatory	Self-declared						
Optional	Independently verified				KONGSBERG		
	GRI-verified						

CEO Walter Qvam

“Almost all the Group's key figures improved in 2010.”



At a time when our global markets are facing more challenges than they have for a long time, we have strengthened our positions in terms of products, markets and finances. Almost all the Group's key figures improved in 2010.

Revenues climbed by 12 per cent to NOK 15.5 billion. EBITA is up 61 per cent, while our backlog generally remained unchanged. Efficiency and productivity improvements led to higher margins, bringing our overall operating margin to 14.3 per cent. We have invested the equivalent of almost 10 per cent of our sales in product development. Furthermore, we intensified our efforts in relation to corporate social responsibility throughout the corporation.

KONGSBERG is a multiproduct group that provides products, services and systems to several industries and market segments. This contributes to resilience, local ownership and a sound network of customers at the international level. At the same time, the Group has a strong common core. Our business areas have many common denominators with a view to basic technology and expertise. The Group's core is also reflected in our shared basic values, corporate culture and common corporate processes. This core will be further devel-

oped, gaining momentum and strength as the Group's focus becomes increasingly international.

STRONGER INTERNATIONAL PRESENCE

As we grow, we also increase the scope of our organisation and its geographical reach. We have welcomed 2200 new co-workers over the past four years, set up new international offices and signed many cooperation and supplier agreements in several new regions. With such an international footprint, it is obvious that we are also active in regions that face formidable challenges related to corporate social responsibility, not least with a view to anti-corruption, labour standards, human rights and climate challenges. This poses more stringent requirements for how we behave in respect of our partners, how we handle our internal processes and how we deal with important questions, dilemmas and attitudes.

VALUE PLATFORM

The Group's value platform and the attitudes our values represent are the very essence of KONGSBERG's work with corporate social responsibility. An organisation characterised by healthy attitudes, transparency and a desire for continuous

development and improvement promotes behaviour that means more than most council regulations and procedures. However, this requires that value issues be placed on the agenda by management and key personnel, and that there is genuine follow up of individual behaviour. KONGSBERG's four values are:

Determined
Innovative
Collaborative
Reliable

Of these values, it is the last one, 'RELIABLE', which to the greatest extent describes our attitude to questions related to corporate social responsibility, as can be seen from the text below:

Reliable (dependable, trustworthy)
 "Our customers and partners can count on KONGSBERG to deliver – always. Working with KONGSBERG means working with reliable individuals, a reliable enterprise and reliable products. KONGSBERG is a responsible organisation characterised by integrity and with respect for health, safety and the environment. We are reliable individuals. We are responsible members of society."

Besides specific activities associated with corporate social responsibility such as those described in this report, we work systematically to discuss and garner support for the importance of our four values in all parts of the organisation.

DILEMMAS

KONGSBERG is a technology enterprise that develops, delivers and maintains products, systems and services in several market segments, ranging from offshore oil and gas, through the merchant marine, defence and aerospace to fisheries. Almost all business activities are exposed to dilemmas associated with the ranking of short- and long-term priorities, or between utopian theories and practical realities. KONGSBERG

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

The other half of KONGSBERG's operations is related to systems and products for defence purposes. KONGSBERG plays an important part in Norway's total defence, and we have developed sophisticated products that have become world leaders and are thereby also sought-after for many other countries' defence programmes. Developments in recent years have shown a rising tendency towards conflicts, unrest and terrorism. With growing pressure on limited resources, water and minerals, the world will have to accept that the efforts to ensure the requisite stability will become increasingly more demanding. It is a dilemma that, in extreme situations, our products can help take lives. This is in the nature of the defence industry. All exports of defence products require permits from the Ministry of Foreign Affairs. The Storting has decided that defence products can only be sold to approved countries. Naturally, we comply with these regulatory parameters in all of our activities.

ETHICS, BUSINESS PRACTICE AND ANTI-CORRUPTION

The Group operates predominantly within the defence, offshore oil and gas and maritime segments. Parts of the international market for defence materiel and oil and gas equipment are alleged to be among the worst in the world as regards corruption. This is a fact that we acknowledge, and it requires even more of us, our regulatory framework, our compliance and our conduct. In 2010, we revised our corporate Code of Ethics and worked systematically on our anti-corruption programme. This takes first priority in our compliance programme, and we invest considerable resources in training, attitude-shaping efforts and preventative procedures.

UN GLOBAL COMPACT INITIATIVE

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

OPPORTUNITIES

As a technology enterprise, we also foresee great opportunities in the years ahead

“All exports of defence products require permits from the Ministry of Foreign Affairs.”

in new and alternative forms of energy. Our Green Shipping concept has been developed further. During the year, we won several contracts based on this technology. We are also considering further product areas in the energy industry where we see that KONGSBERG's technology base may be useful.

CSR GOALS IN 2011

In 2011, we will continue efforts that began in 2010 and add specific new goals, meaning that our main objectives for 2011 will be:

- Work to promote involvement in and support for the Group's value platform in all our international operations and to significantly improve communications about the value platform throughout the Group
- Review all parts of our work associated with corporate social responsibility to establish a strategy and goal process for CSR that is integrated with our other strategy and goal processes
- Continue the work we embarked on in 2010 with a view to procedures and processes for qualification, follow up and audits of suppliers and agents associated with corporate social responsibility.
- Continue the work on a separate climate strategy that began in 2010. Even though KONGSBERG's own

businesses do not generate large emissions to air or water, milestones and action plans will be drawn up

- Plan and carry out dialogues with stakeholders about corporate social responsibility
- Continue the work ensuing from KONGSBERG's explicit affiliation the UN Global Compact

2011 will be a year characterised by a great deal of uncertainty and many challenges in the world, not least in the world of business. KONGSBERG has an excellent point of departure for continuing to make strong headway in our main markets. We will actively continue our work to further develop technology, products and systems that meet the extremely high standards set by our customers. As an integral part of this work, we will continue our corporate social responsibility efforts.



Walter Qvam
CEO
4 April 2011

“We will continue to support the important work done in conjunction with the Global Compact.”

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Corporate social responsibility at KONGSBERG

We live in an age of instability, debt crisis and formidable global challenges, of which climate threats, shortages of clean water and poverty are among the most severe. These challenges also affect our business activities, directly or indirectly.

“Companies that operate on the international arena play an important part in society.”

KONGSBERG takes a pro-active approach to corporate social responsibility. We believe in having broad support for and understanding of the importance of corporate social responsibility as part of both operations and business strategy. The priority given to CSR has increased year by year, and the Group is spending increasingly more resources in this field. In 2010, we focused on: anti-corruption, climate strategy, the supplier chain and human rights. Attention will also be devoted to these areas in 2011.

There is a broad consensus that the major global challenges cannot be resolved without the active participation of business and industry. KONGSBERG recognises its role and its responsibilities in this context. In addition, we know that our owners, customers and partners expect us to integrate corporate social responsibility into our strategy and day-to-day operations. First and foremost, this means that we must act

responsibly in respect of our employees, customers, suppliers, owners and other stakeholders affected by our activities.

KONGSBERG's international operations are significant and growing. At the outset of 2011, 30 per cent of our employees worked outside of Norway, and 84 per cent of the Group's sales took place outside of Norway. This means that we have enlarged our footprint and have more influence in the local areas in which we operate. Companies that operate on the international arena play an important part in society.

KONGSBERG operates in industries that face formidable challenges with a view to corporate social responsibility. By the same token, these are industries of great national strategic importance. We are prepared to address these challenges in an orderly, methodical manner, in keeping with our values and other systems of governance.

Areas of focus 2010-2011:



Anti-corruption

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Suppliers

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Human rights

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Climate strategy

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This is KONGSBERG



Kongsberg Gruppen (KONGSBERG) is an international, knowledge-based group that supplies high-technology systems and solutions to customers engaged in oil and gas production, the merchant marine, and the defence and aerospace industries.

KONGSBERG's solutions and deliveries contribute to safer, more efficient operations at sea, on land and in outer space. Our products, whether intended for defence, the commercial fleet, the utilisation of oil and gas resources or fisheries resources, are of strategic importance in Norway and abroad. This makes us especially cognisant of our corporate social responsibility.

In 2010, the Group had a turnover of NOK 15.5 billion and operations in more than 25 countries. The head office is located in Kongsberg.

ORGANISATION

The Group is divided into four business areas and a corporate centre. The business areas Kongsberg Maritime, Kongsberg Defence Systems and Kongsberg Protech Systems make separate financial reports, but for the moment, Kongsberg Oil & Gas Technologies has a limited scope and therefore reports under "Other activities" in the consolidated annual financial statements.

Kongsberg Maritime delivers positioning, surveillance, navigation and automation

systems for merchant vessels and the offshore industry. The business area is a market leader in dynamic positioning, automation and surveillance systems, process automation, satellite navigation and hydroacoustics.

Kongsberg Oil & Gas Technologies delivers products and services for surveillance, integration, analysis, simulation, quality assurance and management of drilling and production operations for the oil and gas industry. The business area also

Kongsberg Gruppen

Kongsberg
Maritime

Kongsberg
Oil & Gas Technologies*

Kongsberg
Defence Systems

Kongsberg
Protech Systems

* Reports its financial figures under "Other activities"

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delivers systems to simulate the status of multiphase pipelines, as well as consultancy services and analytical services.

Kongsberg Defence Systems is Norway's premier supplier of defence and aerospace-related systems. The portfolio comprises products and systems for command and control, weapons guidance and surveillance, communications solutions and missiles. The business area also makes advanced composites and engineering products for the aircraft and helicopter market.

Kongsberg Protech Systems is one of the world's leading makers of several types of remotely operated weapon stations. The business area's main product is the PROTECTOR Remote Weapon Station. The system was developed to protect personnel in armoured personnel carriers. KONGSBERG is the international leader in this market.

OWNERSHIP STRUCTURE

Kongsberg Gruppen ASA is listed on the Oslo Stock Exchange and is subject to Norwegian securities legislation and stock exchange regulations. The Norwegian state owns 50.001 per cent of the shares in the company. A complete list of the 20 largest shareholders can be found on our website under 'Investor information'.

WHAT TYPES OF DEFENCE PRODUCTS DOES KONGSBERG SELL?

Most of our defence businesses deliver systems for command and control, decision-support, communications, missiles and weapon control systems. KONGSBERG does not make weapons systems, or components for weapons systems, that are black-listed by ethical funds, i.e. cluster bombs, land mines, nuclear weapons or small firearms. The export of defence products is subject to strict rules and must

be approved by the Ministry of Foreign Affairs. We manage our activities based on the idea that we bear a particular corporate social responsibility related to the production, sales and export of defence products.

“We manage our activities based on the idea that we bear a particular corporate social responsibility related to the production, sales and export of defence products.”



The world of KONGSBERG

KONGSBERG has a total of 5 681 employees in more than 25 countries, marking an increase of 258 employees from 2009.

Europe

England	Italy	Spain
Finland	The Netherlands	Svalbard
France	Norway	(Spitsbergen)
Germany	Poland	Sweden
Greece	Russia	
Hungary	Scotland	



NUMBER OF EMPLOYEES: 4 298

OPERATING REVENUES: MNOK 5 541

NORWAY

KONGSBERG is headquartered in Kongsberg. The Group's maritime operations are located in Kongsberg, Horten, Sandefjord and Trondheim. The facilities are engaged in development, production, testing, sales and service. The oil and gas activities are located in Asker, Bergen, Horten, Oslo, Kristiansand and Sandvika. All these locations engage in sales, product development, deliveries and service. Defence activities have their main base in Kongsberg, and also have facilities in Horten, Billingstad, Kjeller, Stjørdal and Tromsø. All these places engage in development, production, testing, sales and service. In addition, we

are a co-owner of Kongsberg Satellite Services which has ground stations on Svalbard for receiving satellite data. These locations are engaged in development, production, testing, sales and service.

GREAT BRITAIN

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

Kongsberg Oil & Gas Technologies has operations in Waterlooville, England and Aberdeen, Scotland. These locations are sales and project offices.

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

REST OF EUROPE

The Group also has business operations in Sweden, Finland, Germany, The Netherlands, Spain, Italy, Poland and Greece. These are all sales and service units.

Asia

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



NUMBER OF EMPLOYEES: 797

OPERATING REVENUES: MNOK 2 899

SOUTH KOREA

The Group's main maritime operations in South Korea are located in Jungkwan outside Busan. Its main responsibilities include sales, engineering, installation, commissioning and service/support, as well as local production. For years, we have been building up a local presence with highly qualified co-workers in the world's largest shipbuilding nation. We want our customers to view us as a reliable local supplier that knows the customer's business operations and way of working, and communicates with the customer in his own language.

Our defence activities also have a sales office in Seoul.

SINGAPORE

The maritime activities in Singapore generally focus on sales, installation, engineering, commissioning and service/support. Singapore has one of the world's largest harbours, and having a presence in such a

maritime hub is absolutely essential. KONGSBERG equipment is carried on more than 17 000 vessels. Singapore is also a major shipping and shipbuilding nation, making it important for KONGSBERG to offer good service here as well.

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

CHINA

Kongsberg Maritime has built up a substantial business in China, operated in collaboration with KONGSBERG's long-standing partner, Hoi Tung. We operate as a local supplier to the Chinese shipyard industry, and KONGSBERG now has offices in Shanghai, Dalian, Guangzhou and Zhenjiang. KONGSBERG has built a new 30 000 m² factory in Zhenjiang. The plant will open in August 2011, manufacturing sensors, consoles and electromechanics.

INDIA

Kongsberg Maritime has sales and service offices, software support and development activities in Mumbai. The business has grown in recent years. India is devoting ever more attention to maritime safety and coastal and harbour surveillance.

Kongsberg Oil & Gas Technologies has sales and project implementation operations in Mumbai.

THE MIDDLE EAST

The Group's has defence-related operations in the United Arab Emirates, Kuwait and Saudi Arabia, where the main emphasis is on operations and projects involving tactical radio and communication systems.

Kongsberg Maritime established a new service office in Dubai in 2010.

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North America

Canada
USA



NUMBER OF EMPLOYEES: 553

OPERATING REVENUES: MNOK 6 596

USA

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

Kongsberg Oil & Gas Technologies has operations in Houston (Texas) relating to sales and project implementation.

Kongsberg Protech Systems has a factory in Johnstown, Pennsylvania, devoted to production and maintenance of the Protector weapon control system for the US market. There is also a marketing office for defence activities in Alexandria, Virginia, outside Washington, D.C. and a programme office in New Jersey

CANADA

KONGSBERG's largest maritime operation in Canada is located in Vancouver. The unit there is engaged in proprietary product development and production. The business in Vancouver is based on hydroacoustics-related technology, and is coordinated with Kongsberg Maritime's other subsea activities. Otherwise, Kongsberg Maritime has offices at two locations on

the east coast, i.e. Nova Scotia and Newfoundland. All units are engaged in sales and customer support.

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

Kongsberg Protech Systems will be opening a new factory in London, Ontario, in 2011 for production and maintenance of the Protector weapon control system.

South America og Antarcica

Antarctica
Brazil



NUMBER OF EMPLOYEES: 33

OPERATING REVENUES: MNOK 187

BRAZIL

Kongsberg Maritime's business in Brazil comprises sales, service, engineering and the commissioning of systems for offshore vessels, as well as user training. Business is booming on the oil fields outside Rio de Janeiro. The shipping industry has grown at a pace commensurate with the country's political and financial situation. KONGSBERG currently has a number of delivery and commissioning projects in the area. These are handled by local personnel. The Training Centre in Macaé outside of Rio de Janeiro offers different training programmes for Brazilian crew members, including simulator training. The activity will be expanded by adding a special anchor handling simulator.

ANTARCTICA

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

Operating revenues from other regions/continents currently constitute MNOK 274.

Sustainable key figures

Indicator	2010	2009	2008	2007	2006	2005	2004	2003
FINANCIAL VALUE ADDED								
<i>Value added</i>								
Direct and indirect taxes to State/municipality (MNOK)	1 071	819	700	702	421	368	296	316
Payroll expenses (gross) (MNOK)	3 172	3 003	2 561	1 983	1 778	1 581	-	-
Share dividend (MNOK)	450	240	165	150	75	64.5	60	39
Interest to lenders (MNOK)	41	115	93	59	51	54	86	89
Retained earnings (MNOK)	1 050	558	422	836	177	197	(23)	86
CSR								
<i>Level of education</i>								
Master's (%)	28	29						
Bachelor's (%)	35	33						
Technicians (%)	11	12						
Production workers (%)	13	13						
Other (%)	13	13						
Number of employees	5 681	5 423	5 243	4 205	3 560	3 372	4 017	4 176
Number of full-time employees	5 442	5 195	5 015	4 021	3 486			
Number of part-time employees	239	228	228	184	164			
<i>Corporate social responsibility</i>								
Financial support to to organisations, etc. (NOK 1 000)	3 000	2 750	2 000	1 900	1 785	1 640	1 350	1 500
<i>Percentage of women</i>								
Women as a % of the number of employees	19.5	18.8	19.5	19.5	19	20	22	21
Women in managerial positions as a % of total managerial positions (Norway)	13	15	13	13	12	9	11	10
Shareholder-elected women on the Board (%)	40	40	40	40	40	40	40	40
<i>Age</i>								
Average age	42	41.5	42.0	40.5	42.5	43.2	43.2	42.9
Employees below age 30 (%)	19	19	17	15	12			
Employees between ages 30 and 50 (%)	57	55	56	57	60			
Employees over age 50 (%)	24	26	27	28	28			
<i>Turnover</i>								
Turnover (employees who have resigned)	346	250	222	203	335			
Turnover (%)	6.1	4.6	4.2	3.9	4.3			
- men	4.9	3.4	3.0	3.3	4.3			
- women	1.2	1.2	1.2	0.6	1.2			
<i>Health and safety</i>								
Absence due to illness as % of number available hours	2.5	2.6	2.4	2.4	2.7	3.1	3.2	3.2
Number of reported injuries per million hours (IF) – Norway only	6.3	5.5	3.5					
Number of lost time days per million hours (LTF) – Norway only ¹⁾	22.3	58.2	5.6					
THE ENVIRONMENT								
<i>Waste</i>								
Waste for recycling (metric tonnes)	726	827	717	662	606	502	519	611
Residual waste (metric tonnes)	872	594	511	402	392	347	441	608
Hazardous waste (metric tonnes)	20	52	28	58	59	63	157	91
<i>Energy consumption</i>								
Electricity (MWh)	57 069	57 053	46 895	40 627	39 534	38 537	42 840	42 030
District heating (MWh) ²⁾	45 020	21 324	14 464	14 164	11 957	12 861	15 670	18 230
Gas/oil (MWh)	2 170	1 739	1 208	1 239	689	737	1 860	1 040
Energy consumption (MWh/year) per employee ³⁾	18.4	14.8	11.9	14.1	14.7	15.9		
Energy consumption (MWh/year) as a % of sales (MWh/MNOK)**	6.7	5.8	5.8	6.8	8.0	9.2		
CO ₂ emissions (thousand metric tonnes) excl. travel, incl. Kongsberg Technology Park	11.421	12.914	7.801	6.809	6.142			

¹⁾ The large increase from 2008 to 2009 is primarily ascribable to some of the lost-time injuries in 2009 having led to relatively long sick leave compared with the previous year.

²⁾ The 2010 figures include the production of district heating at Kongsberg Technology Park for companies outside KONGSBERG.

³⁾ The 2010 figures cover energy consumption per employee and relative to sales at Kongsberg Technology Park. Had this consumption also been included in the figures for 2009, the result for the year would have been 18.4 MWh per employee and 7.2 MWh/MNOK, respectively.

Our value platform

We evaluated and revised the Group's value platform in 2010, clarifying our identity and values.

*“World Class –
 through people, technology and dedication”*

We will be examining our understanding of the values in our organisation throughout 2011.

Special attention will be devoted to common denominators in our corporate culture and to what can be described as typical KONGSBERG behaviour – described through our vision, our common values and our corporate identity.



WORLD CLASS VISION

For many years, “WORLD CLASS – through people, technology and dedication” has been our vision, reminding us of our ambitions. It is a point of reference in our day-to-day work.

Our values are fundamental for the work we do. This is because these values define who we are and let us know how to comport ourselves, both as individuals and as companies. Compliance with our value platform is crucial for reaching the targets we have set in our vision, and thus for creating value for our stakeholders.

Our values are:

**DETERMINED
 (DEFINITE, RESOLUTE, GOAL-ORIENTED)**

We are known for our vitality and stamina. We always do our best to live up to our customers' expectations. We set ambitious targets and make advances by being clear and maintaining our focus continuously.

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

**INNOVATIVE
 (INNOVATIVE, CREATIVE)**

Constantly striving for improvement is an important part of who we are. We are distinguished by continuous innovation, and we introduce improvements in all parts of our operations – from our products, through our work processes, to how customers experience us.

We are adamant in our quest for improvements, new ideas and new solutions.

**COLLABORATIVE
 (COOPERATIVE, NETWORK-ORIENTED)**

Collaboration is fundamental in respect of our activities. We exchange ideas with colleagues, suppliers and partners, and we co-operate closely with our customers. We work as a team, sharing knowledge and appreciating shared success that benefits our customers and promotes our own competitiveness.

We collaborate as individuals and as an organisation.

**RELIABLE
 (DEPENDABLE, TRUSTWORTHY)**

Our customers and partners can count on KONGSBERG to deliver – always. Working with KONGSBERG means working with reliable individuals, a reliable enterprise and reliable products. KONGSBERG is a responsible organisation characterised by integrity and with respect for health, safety and the environment.

We are reliable individuals. We are responsible members of society.

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Our systems of governance and guidelines



KONGSBERG's overall system of governance is linked to the "the Norwegian Code of Practice for Corporate Governance".

GENERAL MEETING

The General Meeting is the Group's supreme governing body. Through this, shareholders are guaranteed their right to co-determination.

THE BOARD

The corporate Board of Directors bears the ultimate responsibility for KONGSBERG's contribution to sustainable development. The report on Corporate Social Responsibility is discussed and approved by the Board.

EXECUTIVE MANAGEMENT

Executive management bears the ultimate responsibility for the Group's strategy, development and day-to-day work. This means executive management is responsible for compliance with legislation and regulations and with our Policy for Corporate Social Responsibility, as well as for the implementation of appropriate and effective initiatives to ensure that we reach our goals.

THE BUSINESS AREAS

The day-to-day work with corporate social and environmental responsibility is usually handled by the four business areas with support from the Corporate Centre.

THE ETHICS COUNCIL

The Group's Ethics Council is to help raise ethical awareness, ensure ethical behaviour, and protect KONGSBERG's good reputation. The Ethics Council's mandate is to deal with cases of principle and questions linked to policies and regulations. Ordinarily, the Council will not examine individual cases. The composition of the Ethics Council is subject to Board approval.

CSR FORUM

The Group has a CSR Forum that forms a link between the business areas, the Corporate Centre and executive management in respect of issues associated with corporate social responsibility. The forum's main task is to follow up corporate policy and ambitions related to corporate social responsibility.

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BUSINESS CONDUCT REVIEW BOARD

In 2009, the corporate Board of Directors approved a comprehensive management document on compliance and the follow up of topics related to ethics and corporate social responsibility. The Business Conduct Review Board is responsible for following up compliance with the governance document. This committee consists of one representative from each business area, the corporate HR manager, the corporate CSR manager and the chief corporate counsel. The Group's compliance officer chairs the committee.

ENVIRONMENTAL FORUM

The Environmental Forum is responsible for following up, evaluating and proposing changes to and adjustments in the Group's environmental policy. The Forum is also responsible for drawing up and proposing environmental goals at the corporate level, for following up the goals in the business areas, and for routines and reporting at the corporate level. The Group's climate strategy was a focal point of the forum's work in 2010 and that will continue to be the case in 2011.

Compliance

KONGSBERG's guidelines for "Code of Business Conduct and Compliance" were adopted by the Board in autumn 2009. This is a comprehensive document with a detailed set of rules that describe how we should comport ourselves when conducting business. It explains how we should ensure compliance with the guidelines described in the document, as well as with current legislation and regulations, the Group's Code of Ethics and governance documents.

KONGSBERG is responsible for compliance with Norwegian legislation and legislation in the countries in which we operate. In certain cases, legislation applies across national frontiers, e.g. the US FCPA regulations (Foreign Corrupt Practices Act), and the 2011 UK Bribery Act. This means we need systems and procedures that ensure compliance with these. Especially stringent rules apply in the field of anticorruption. KONGSBERG does a large part of its business abroad, and is subject to strict export regulations. The further development of our compliance programme for exports will also be given priority in 2011.

For further details about our governance systems, see the section on corporate governance on our website at www.kongsberg.com.

Policy for Corporate Social Responsibility

The following basic principles underpin KONGSBERG's Policy for Corporate Social Responsibility (CSR). Minor adjustments were made to this governance document in April 2010. The policy has been discussed and adopted by the corporate Board.

INTRODUCTION

KONGSBERG aspires to achieve long-term sustainable development, i.e. to strike a good balance between financial results and corporate social responsibility. The value created is to benefit owners, stakeholders and society-at-large.

The Group's CSR work will be on a par with the general national and international trends in the field. The quality and focus of this work are to be commensurate with the expectations of owners, customers and other stakeholders.

KONGSBERG's CSR goal is to understand and deal with the local and global challenges facing society in the geographical areas in which KONGSBERG operates.

We will strive to ensure that the Group's suppliers and other partners follow basic principles for corporate social and environmental responsibility that coincide with KONGSBERG's principles.

Integrity and transparency are to be guiding principles for the Group's CSR work.

CORPORATE SOCIAL RESPONSIBILITY

KONGSBERG supports the UN Global Compact initiative and is actively committed to promoting the initiative's 10 basic principles. Similarly, will the Group will work to promote the spirit of the ILO conventions and the OECD's Guidelines for Multinational Enterprises. KONGSBERG's employees shall comply with the Group's corporate Code of Ethics, which reflects attitudes expected and accepted by the community. The Code of Ethics will be updated to stay abreast of trends in society.

Anti-corruption

Corruption shall not occur at KONGSBERG. KONGSBERG will work systematically to fight all forms of corruption.

Human rights

KONGSBERG will work systematically to promote internationally recognised human rights. All our operations will comply with the UN's Universal Declaration of Human Rights. Abuses of human rights shall not occur at KONGSBERG.

Environment and climate

KONGSBERG will act responsibly with a view to the footprint left by its activities on the outdoor environment. This means we will strive to reduce direct and indirect harmful influences on the outdoor environment, including emissions of greenhouse gases resulting from our activities.

KONGSBERG has joined the UN's Global Compact and is committed to actively promoting the initiative's environmental principles. Similarly, the Group will strive to promote the eco-intentions of the OECD's Guidelines for Multinational Enterprises.

KONGSBERG aspires to reduce the direct and indirect greenhouse gas emissions produced by its operations. We will strive to achieve efficient, environment-friendly energy consumption.

Pro-active efforts will be made to find innovative product solutions that can reduce greenhouse gas emissions in the areas in which we operate.

Product development, production, distribution, and the use, re-use and recycling of KONGSBERG products are to be compatible with long-term sustainable social development. KONGSBERG will strive to minimise the environmental burdens generated by its products.

KONGSBERG collaborates on environmental and safety issues with customers, partners and suppliers to find the most eco-friendly solutions possible in the short- and the long-term perspective.

Active efforts will be made to raise awareness and get the organisation and individuals engaged in environmental issues.

Employees

KONGSBERG's employees are to be challenged to use their abilities and skills to contribute to the Group's progress as well as their own. They will be taken seriously, treated with respect and given orderly working conditions.

KONGSBERG is to be a corporation with an abundance of diversity. As a matter of course, health and safety will be given priority and all of our employees will have equal opportunities.

Local engagement

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

FOLLOW UP

We will ensure that our work to promote corporate social responsibility is planned in a professional manner and integrated into the Group's business strategy, becoming part of the Group's business planning and follow-up routines.

The Group's Policy for Corporate Social Responsibility will provide an overarching framework for our CSR work, and the Policy will be evaluated at least every other year.

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

KONGSBERG's Policy for Corporate Social Responsibility has been adopted by the corporate Board of Directors.

28 April 2010



“All our operations will comply with the UN's Universal Declaration of Human Rights.”

The UN Global Compact



In 2000, the UN introduced the Global Compact as a global network for businesses. The initiative is designed to encourage the private sector to contribute to reaching goals related to poverty reduction and sustainable development.

Global Compact is based on 10 basic principles in the areas of human rights, labour, the environment and anti-corruption. The principles are excerpted from internationally adopted conventions, and therefore provide a platform of common fundamental values for the global business community. Global Compact represents a global frame of reference for what corporate social responsibility implies for the business community.

Enterprises that join the Global Compact undertake a commitment to do their best to run their operations in keeping with these 10 principles. Common goals such as building new markets, fighting corruption, reducing negative environmental impacts and promoting social justice have resulted in fruitful cooperation between businesses, the authorities, the community, labour organisations and the UN.

Global Compact has two main objectives:

- To make the 10 principles part of business practices in enterprises the world over
- To promote activities and partnerships that help achieve the UN's goal of sustainable development

Global Compact is a voluntary initiative, and by joining, an enterprise signals that it is striving to improve in relevant fields.

Global Compact is currently the world's largest initiative for the business community's corporate social responsibility. At the end of 2010, approx. 8 800 (7 300) companies and institutions from more than 130 countries had joined the initiative, including 59 (44) Norwegian companies. The number of Norwegian companies joining the initiative increased by 25 (47) per cent from 2009 to 2010. KONGSBERG joined the initiative in 2006.

The table below indicates where the 10 principles are discussed in the report.



HUMAN RIGHTS

Principle 1	Support and respect the protection of internationally proclaimed human rights	Pages 5,16, 19, 23
Principle 2	Make sure the company is not complicit in human rights abuses	Pages 5,16, 19, 23

LABOUR

Principle 3	Uphold the freedom of association and the right to collective bargaining	Pages 5, 14-16, 19, 22-23, 30-32
Principle 4	Uphold the elimination of all forms of forced and compulsory labour	Pages 5, 16, 19, 22-23
Principle 5	Abolish child labour	Pages 5, 16, 19, 22-23
Principle 6	Uphold the elimination of discrimination in respect of employment and occupation	Pages 5, 16, 19, 22-23, 30-32

ENVIRONMENT

Principle 7	Support a precautionary approach to environmental challenges	Pages 15-16, 19-20, 24, 33
Principle 8	Undertake initiatives to promote greater environmental responsibility	Pages 15-16, 19-20, 24, 33, 38-39
Principle 9	Encourage the development and diffusion of environmentally friendly technologies	side 16, 38-39

ANTI-CORRUPTION

Principle 10	Work against corruption in all its forms, including extortion and bribery	Pages 5, 14-16, 21-22
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For more information on the Global Compact, see www.globalcompact.org

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Activities, objectives and areas of focus for 2010-2011



The priority the Group assigns to corporate social responsibility has grown year by year. This means, among other things, that we have selected areas on which to focus over a longer period of time. In so doing, we have more continuity in our work and we achieve better results.

Another goal is that within our areas of focus, we will discuss what we have done at length, including our results. This report marks a start, and in the 2011 report, we aspire to present a clearer picture of the results we achieve.



Corporate Social Responsibility Activities 2010

The Group maintained its growth trend and high level of activities once again in 2010. The following is a list of Kongsberg's main goals and activities in 2010. The activities marked with a 😐 face are still goals, but have been postponed. Activities with a 😊 will also be continued where this is practical.

GOAL - 2010	ACTIVITIES	STATUS:	EXECUTION:
Strategy			
<ul style="list-style-type: none"> In 2010, the Group will make an in-depth review of the strategy and goal process associated with corporate social responsibility 		<ul style="list-style-type: none"> The topic was discussed during the Group's annual strategy process, but will generally first be implemented in 2011. 	😐
Other activities			
Activities and goals not fully completed in 2010 will be continued in 2011			
Human rights			
<ul style="list-style-type: none"> Assess the risk associated with our activities relative to human rights 	<ul style="list-style-type: none"> Implement risk and country analyses on issues related to human rights, including the assessment of individual partners and suppliers 	<ul style="list-style-type: none"> The work with risk assessment of the supplier network, including human rights, is well underway 	😊
Suppliers			
<ul style="list-style-type: none"> Revise procedures and systems for the follow up of suppliers 	<ul style="list-style-type: none"> Criteria for follow up, who should be followed up, how, when, the consequences of non-conformance Enter into cooperation with customers and suppliers regarding the follow up of the supplier network 	<ul style="list-style-type: none"> Procedures and systems are being compiled and will be implemented in 2011 Collaboration with customers and suppliers relative to the follow up of the supplier network has not yet been implemented for reasons related to time and resources 	😊 😐
The environment			
<ul style="list-style-type: none"> Develop environment-friendly products Reduce our own emissions 	<ul style="list-style-type: none"> Develop products that help our customers reduce their emissions Implement measures to reduce our own emissions 	<ul style="list-style-type: none"> Continuous efforts are made to develop solutions to lower fuel consumption and reduce greenhouse gas emissions Improved use of heat recovery in connection with district heating at Kongsberg Technology Park has reduced the Group's total greenhouse gas emissions. Work is being done to develop a climate strategy. A plan featuring goals and initiatives will be ready during the year 	😊 😊

Objectives - Corporate Social Responsibility 2011

For the first time, we are presenting goals with a five-year horizon. In drawing up the report for 2011, we will endeavour to make the long-term objectives more concrete.

GOALS	AKTIVITETER	STATUS	GOAL		
		2010	1 YEAR 2011	3 YEARS 2013	5 YEARS 2015
GOVERNANCE					
Strategy	<ul style="list-style-type: none"> Evaluate and revise strategy and goal processes associated with CSR 	started	implement	evaluation	evaluation
STAKEHOLDERS					
Suppliers	<ul style="list-style-type: none"> Draw up procedures and processes for the follow up of suppliers as regards CSR Conduct audits and dialogue with suppliers based on CSR risk assessment 	started	implement selected high risk	evaluate all high risk	evaluate selected
Stakeholders' dialogue	<ul style="list-style-type: none"> Formulate plans and conduct systematic stakeholders' dialogue as regards CSR 		implement	implement	implement
CLIMATE					
Climate strategy	<ul style="list-style-type: none"> Set goals for reducing greenhouse gas emissions and draw up action plans 	started	set goals	activities	activities



Area of focus 2010-2011

Anti-corruption

KONGSBERG is opposed to all forms of corruption. Our attitude to corruption is expressed clearly through our corporate Code of Ethics, affiliation with the UN Global Compact and membership of Transparency International.

KONGSBERG operates in both the defence and the petroleum industries which, according to Transparency International, are two of the sectors most susceptible to corruption. This underscores that our anti-corruption efforts are profoundly important.

ANTI-CORRUPTION WORK

KONGSBERG's Code of Ethics describes several areas that are important for preventing corruption in our business activities. Over the past two years, we have built up a Corporate Compliance function, which has the main responsibility for verifying our compliance with anti-corruption regulations. Our procedures and systems for compliance and follow up were updated in 2009. The main focus in 2010 was on operationalising compliance efforts throughout the Group, and not least on checking the integrity of our agents and market representatives. In 2009 and 2010, the Group conducted extensive training in this area at the general level as well as in-depth training in selected parts of the organisation. In 2011, training will

continue, placing the main focus on selected topics for special target groups. The corporate Board and Group Executive Board devote considerable attention to this work.

SANCTIONS

The Group did not register any breaches of the anti-corruption provisions in 2010. The same was true in previous years, since the company has never been involved in any kind of sanctions associated with corruption.

Corruption is a threat against industry and society in all countries, and it is found in a wide variety of businesses where the purpose is to gain illegal advantages. This undermines the constitutional state, democracy and human rights, eroding ethical and moral values. In a global perspective, corruption is a serious impediment to social and economic development. The world's aggregate development cooperation is modest compared with the money that disappears from poor countries as a result of corruption and tax evasion. This engenders discrimination and impedes social justice. Corruption prevents fair competition between companies.



TRANSPARENCY INTERNATIONAL

KONGSBERG has been a member of Transparency International (TI) since 2007. Transparency International is a nonpartisan organisation intended to fight corruption at the national and international levels. The organisation was established in 1993 and is based in Berlin.

Through national chapters in 90 countries, the authorities are encouraged to implement efficient

legislation and policies against corruption. Along with international organisations, TI aspires to ensure transparency in international business transactions.

TI aspires to raise the general public's awareness of corruption and foster popular resistance to corruption. The organisation's corruption indices are recognised as being systematic and verifiable. Membership of TI is open to everyone who supports initiatives to

reduce corruption.

Transparency International-Norway (TI-Norway) is the Norwegian chapter of Transparency International. Founded in 1999, TI-Norway has the same paramount objectives as the rest of the organisation. The Norwegian chapter is funded by membership dues, support from the State and support from business and industry.

Area of focus 2010-2011

Suppliers

Corporate social responsibility in the supplier chain is a rapidly developing field that is attracting attention and gaining momentum. This responsibility normally encompasses suppliers' positions on ethics, human rights, labour standards, the environment and anti-corruption.

MORE COLLABORATION

The international trend is to take more responsibility for ensuring that the entire value chain honours an enterprise's standards. However, there are often practical and financial constraints on how far down the value chain it is possible for an individual enterprise to QA its suppliers. Many companies solve this challenge by setting standards for the first link in the supplier chain, at the same time as they require this link to set comparable standards for their front-line suppliers, etc.

One central issue in the follow up of the supplier chain is promoting more collaboration between involved parties. There is cooperation with suppliers, that is, enterprises are not merely posing requirements, but engaging in dialogue and training.

It is also becoming increasingly common for several customers, even competitors, to collaborate with suppliers and NGOs (non-government organisations) to draw up uniform standards and implement uniform audits. This builds expertise, enhances quality and ensures that processes are completed more rationally and efficiently.

It is important that the standards for suppliers are designed in compliance with international standards for workers' rights, human rights and environmental issues, making them as uniform as possible.



OPPORTUNITIES

Collaboration with suppliers can also open up business opportunities. The key factors are systematic improvement work and knowledge building over time. By adapting to upcoming regulations early, following long-term market trends and meeting market expectations, enterprises can gain a competitive edge.

WHAT IS KONGSBERG DOING AND WHAT IS IT PLANNING TO DO?

KONGSBERG uses roughly 6 000 suppliers in about 60 countries for its operations.

In 2010, we initiated efforts to develop and update procedures for systematic follow up of the supplier network. Detailed guidelines have been drawn up to describe our expectations of our suppliers (Supplier Conduct Principles). In addition, forms have been compiled for self declarations associated with themes discussed in the Supplier Conduct Principles, procedures

for risk assessments and procedures for audits of suppliers. For us, it is important to underline that we aspire to collaborate with suppliers on any challenges related to corporate social responsibility. Our goal is that elements that do not meet the standards to which we aspire should be adapted and improved through dialogue.

This work will be an area of focus once again in 2011.

“KONGSBERG uses roughly 6 000 suppliers in about 60 countries for its operations.”

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Area of focus 2010-2011

Human rights

The Group's expanding international efforts expose us to problems associated with human rights, either directly through their own businesses or indirectly through our value chain. This means we must be sure that we do not come into conflict with prevailing human rights.

KONGSBERG supports human rights through our affiliation with the UN Global Compact and the ILO (International Labour Organization) conventions. The most recently revised version of our Code of Ethics further emphasises the standards for human rights. The following details

are related to some of the human rights indicators required by GRI.

SUPPLIERS

During the first half of 2011, we will implement special ethical guidelines for our suppliers. Human rights is a key topic in these guidelines.

TRAINING

In the latter half of 2009 and first half of 2010, the Group conducted several human rights training sessions for co-workers for whom this topic is particularly relevant.

Certain co-workers will receive general and specialised training in connection with our new supplier follow-up programme. Human rights will be in focus here as well.

DISCRIMINATION

There have been no reports of episodes or incidents involving discrimination. KONGSBERG's corporate Code of Ethics states:

"We do not accept discrimination of any kind." Further, it states that we are clearly opposed to all types of trafficking. This includes the procurement of sexual services.

CHILD LABOUR AND COMPULSORY LABOUR

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

USE OF SECURITY PERSONNEL OUTSIDE NORWAY

Thus far, our international operations have not called for the use of special security personnel to ensure the safety of our employees.

INDIGENOUS RIGHTS

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



Area of focus 2010 -2011

Climate strategy

Global warming is a problem for KONGSBERG because our activities entail emissions of greenhouse gases, and because we have operations in countries and regions expected to be impacted by global climate changes. According to the World Meteorological Organization (WMO), the year 2010 equalled 2005 and 1998 as the warmest years recorded since readings began in the late 1800s.

The Group's operations account for modest emissions and discharges beyond what ensues from ordinary commercial activities. KONGSBERG's rapid growth in recent years has nonetheless increased our environmental footprint both in actual fact and relatively speaking in terms of MWh/MNOK.

Our goal is to achieve sustainable

development by striking a good balance between financial results and corporate social responsibility. This means that we must reduce greenhouse gas emissions to help prevent global warming.

This is important for several reasons:

- Lower energy consumption reduces our direct expenses and makes us less vulnerable to rising energy prices and fluctuations in the energy markets
- Lower emissions of greenhouse gases make us less vulnerable to any future regimes for pricing of such emissions (taxation, quota regimes or the like.)
- Our customers expect a good environmental profile from their suppliers, and that we can provide products and services that help customers reduce their

energy consumption and greenhouse gas emissions

- Our owners expect us to take this threat seriously and minimise the risk that future regulations and expenses will have an adverse impact on our results
- The authorities and society expect that as social players in Norway and abroad, we take the threat of global warming seriously

This is why we started working on a climate strategy for the Group in 2010. Initially, we will compile a list of activities and initiatives to reduce greenhouse gas emissions, then we will set overall targets for the Group's further reductions. The strategy is scheduled for completion in 2011.



“We can provide products and services that help customers reduce their energy consumption and greenhouse gas emissions.”

Corporate social responsibility - an integral aspect of operations



KONGSBERG creates value in the areas and countries in which we operate. This takes place directly by paying dividends to owners and wages to employees, and indirectly by purchasing goods and services from suppliers. Moreover, values are created due to the importance we attach to research and development.

“KONGSBERG purchased goods and services valued at roughly NOK 9.5 billion in 2010.”

The Group has an impact on a large number of stakeholders. Many of them are direct or indirect participants in the Group's value creation. Below please see a list of the values our activities generate and how these are divided among our main stakeholders.

PAYROLL AND SOCIAL SECURITY EXPENSES

In 2010, the Group paid wages totalling NOK 4.0 billion (NOK 3.8 billion). Payroll and social security expenses accounted for 31 (31) per cent of total operating expenses.

PROCUREMENT OF GOODS AND SERVICES

KONGSBERG purchased goods and services valued at roughly NOK 9.5 (8.3) billion in 2010.

Procurements were made from approx. 6 000 suppliers.

TAXES

The Group's tax expenses for 2010 came to MNOK 597 (341). Costs by geographical area:

TAXES	2010	2009	2008	2007	2006	2005
Amounts in MNOK						
Norway	528	270	210	261	99	91
Rest of Europe	18	23	21	12	9	1
North America	26	19	26	10	4	3
Asia	25	29	17	10	26	4
Total	597	341	274	293	138	99

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DIVIDENDS

The Board of Directors will propose to the AGM a dividend for 2010 of NOK 3.75 (NOK 2.0) per share. If the proposal is adopted at the AGM on 11 May 2011, dividends will be paid as follows, based on the same ownership structure as at 20 February:

Amounts in MNOK	2010	2009	2008	2007	2006	2005
The Norwegian state	225.0	120.0	82.5	75.0	37.5	30.2
Organisations/enterprises	97.6	56.4	40.4	36.3	17.25	14.2
Securities funds	48.4	27.6	16.9	16.5	9.0	10.3
Insurance/pension funds	24.4	12.5	9.5	9.9	4.5	3.8
Private individuals	20.2	12.0	7.3	6.6	3.75	3.2
Foreign owners	32.6	11.5	8.4	5.7	3.0	0.6
Total	448.2	240.0	165.0	150.0	75.0	64.5

“KONGSBERG is experiencing growing interest in ethics and corporate social responsibility among our owners and investors.”

FINANCIAL SUPPORT

KONGSBERG received some MNOK 29 (4) in reimbursement of tax from the Norwegian tax authorities. This reimbursement was linked to development projects.

THE ATTENTION OF OWNERS AND INVESTORS

KONGSBERG is experiencing growing interest in ethics and corporate social responsibility among our owners and investors.

FINANCIAL RISK RELATIVE TO COMPLIANCE

KONGSBERG is engaged in business in industries and countries that are particularly exposed to the risk of corruption. We also do business in countries known for having problems associated with human rights, child labour, environmental pollution, etc. We are mindful that this presents challenges with a view to our corporate social responsibility, and that it can subject us to substantial financial risk. To deal with our corporate social responsibility our financial risk, we work systematically with corporate social and our compliance programme.

An international survey (A New Era of Sustainability, the UN Global Compact – Accenture CEO Study 2010) among CEOs and Chairs of Boards of Directors in major companies clearly reflects a distinct trend towards placing more emphasis on corporate social responsibility. The same leaders also expect to see corporate social responsibility having a greater impact on the companies' profits in the years ahead.

- 93% believe that sustainable operations will be decisive to corporate success in future.
- 72% believe that branding, confidence and reputation will be the three most important drivers for achieving sustainability in actual practice. Tax hikes and cost cuts rank number two on the list, with 44%.
- 96% observe that initiatives and items related to sustainability ought to be integrated into company strategies and operations. This percentage increased from 72% in 2007 to 96% in 2010.
- 88% are of the opinion that the company should also integrate the sustainability concept in the supplier chain, while only 54% report that they have accomplished this in their own group.

Ethical conduct – a criterion for success

KONGSBERG's Code of Ethics is the backbone for how we conduct our operations, and it applies regardless of where, when and which of our employees is conducting business.

“Our Code of Ethics emphasises that all employees and the Group's Board Directors must maintain high ethical standards when performing their duties.”

KONGSBERG'S POSITION ON ETHICS

KONGSBERG's corporate Code of Ethics expresses our basic attitude and indicates how we should behave in respect of and relate to colleagues, customers, suppliers and society-at-large. Our Code of Ethics emphasises that all employees and the Group's Board Directors must maintain high ethical standards when performing their duties. We consider this a basic prerequisite for success and for further healthy growth and development.

KONGSBERG's Code of Ethics applies to the Group's directors, managers, employees, all casual employees, consultants, agents, lobbyists and others who act on behalf of KONGSBERG. The Group has drawn up special guidelines for their suppliers (see page 22).

REVISION OF OUR CORPORATE CODE OF ETHICS

First published in 2004, the Group's Code of Ethics was revised and approved by the Board in the latter half of 2010. The Code is to be evaluated and, if necessary, revised every other year.

The main updates in 2010 involved a clarification of our responsibilities in connection with the UN's Human Rights Convention and Convention on the Rights of the Child, as well as the Global Compact and the 10 basic principles on which it rests, in addition to a specification of the work to reduce greenhouse gas emissions. More emphasis was also placed on transparency in connection with our business activities, and to our attitudes to money laundering and the use of intoxicants.

IN-HOUSE TRAINING

All our new employees go through an e-learning programme associated with the Group's Code of Ethics. About 95 per cent of the Group's co-workers had completed the programme as at the end of 2010. The programme has been carried over and will be further developed in 2011.

THE ETHICS COUNCIL

The Group has an Ethics Council which held two meetings in 2010. The Ethics Council is chaired by the CEO and is otherwise composed of representatives of executive management, the Corporate Compliance Officer and the employee directors on the corporate Board. No matters were reported to the Ethics Council during the reporting period.

The Group has special routines for notification of any breach of the corporate Code of Ethics.

SANCTIONS

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



Dialogue with our stakeholders

KONGSBERG depends on having good interaction and dialogue with our stakeholders. The ability to understand and address stakeholders' needs is necessary in order to engage in profitable, socially responsible business operations.

“Transparency and trust are the basis of our dialogue with owners and investors.”



Dialogue with employees, customers, suppliers, investors and other stakeholders is generally an integral part of ordinary day-to-day business activities. Apart from routine contact, it is important to take a systematic approach to contact with those impacted by our activities because we would like to understand how stakeholders' view the Group and what their expectations are. In addition, we want to provide information about our businesses.

Below please find a list of the groups of stakeholders with which KONGSBERG maintains an active dialogue.

OUR CUSTOMERS

Customers are always at the centre of our attention. KONGSBERG has a wide range of products, and our customers are located all over the world. The customer portfolio is highly diverse, and includes shipowners,

shipyards and customers from the public sector that are generally linked to individual countries' defence activities. We aspire to meet customers' expectations of us. Close dialogue is a prerequisite for success.

OUR OWNERS AND INVESTORS

Transparency and trust are the basis of our dialogue with owners and investors. We strive to ensure that all players are treated equally as regards the information provided about the Group.

Our communications channels are the Group's website, the annual report, and regular quarterly investor presentations. In addition, a Capital Markets Day is arranged annually. The Group also participates in investor events and meets with analysts and investors in Norway and abroad. All presentations and events under the auspices of KONGSBERG are public and

open to anyone. KONGSBERG satisfies all the information requirements laid down by the Oslo Stock Exchange.

OUR EMPLOYEES

We emphasise maintaining a good, open dialogue with co-workers through different types of committees where corporate management and union representatives meet regularly for briefings and discussion.

OUR SUPPLIERS

KONGSBERG cooperates closely with our suppliers, not least with a view to the quality of the products we buy and on topics related to corporate social responsibility. According to the Group's Code of Ethics, suppliers are to be treated impartially and fairly, and they can rest assured that they are competing for KONGSBERG contracts on an equal footing with other

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vendors. The Group has drawn up a special set of standards with which we expect our suppliers to comply (Supplier Conduct Principles) – for a more detailed description, see page 22.

OUR ALLIES AND PARTNERS

All of our business areas cooperate with many partners. They are crucial for product development and market contact. As a niche-player in the defence market, we sometimes depend on alliances to ensure market access for our products.

THE AUTHORITIES AND SOCIETY-AT-LARGE

A close dialogue with the authorities is essential for ensuring the best possible conditions for KONGSBERG as a player on the international market. The authorities are both the customer and the decision-maker for most major defence procurements and they determine the framework conditions for many of the sectors in which we operate. We conduct a close, good dialogue with the social partners. We work actively to make positive contributions to the local communities in which we are represented.

ORGANISATIONS

KONGSBERG is affiliated with the UN Global Compact and participates in the Nordic network. The network has a steering committee, on which KONGSBERG represents Norwegian enterprises along with the Confederation of Norwegian Enterprise (NHO). The objective of the network is to exchange lessons learned and experience related to corporate social responsibility.

KONGSBERG joined Transparency International in 2007.

The Group also uses organisations with special expertise in fields related to corporate social responsibility on an *ad hoc* basis.

DIALOGUE WITH STAKEHOLDERS FROM THE PERSPECTIVE OF CORPORATE SOCIAL RESPONSIBILITY

Corporate social responsibility is becoming increasingly more important in companies' business operations. To succeed in this work, it is imperative that corporate social responsibility be integrated as a strategically important part of the company's day-to-day business operations.

In working with CSR, it is important to maintain a systematic dialogue with stakeholders. Through this dialogue, we pick up signals and topics of importance for identifying risk and opportunities related to social

responsibility, in addition to providing information about our businesses.

BENCHMARKING

In 2010, we benchmarked the Group's status with a view to corporate social responsibility and our own express ambitions in terms of the Group's Policy for Corporate Social Responsibility. The survey was conducted by the auditing company Deloitte, which interviewed a number of employees, owners, customers and investors. In addition, an evaluation was made relative to other companies and "best practice".

The results of the survey indicate that we are focusing on the right things, and that we are perceived as being serious and as excelling in this area. We still have work to do to integrate our Policy for Corporate Social Responsibility into our general strategy and day-to-day operations. This work will be given priority in 2011.

Our employees

KONGSBERG works continuously with health, safety and the environment (HSE). One important factor for promoting HSE work is the involvement of management and employees.

“The fundamental principle is that KONGSBERG is a serious, long-term and good employer in all areas related to health, safety and the environment.”

The main principle is that HSE is to be preventative, promoting job satisfaction and a good working environment, while maintaining low rates of absence due to illness and avoiding injuries and accidents. Our global HR and HSE policy is still under development.

KONGSBERG has a steadily increasing number of employees outside Norway. This requires additional attention to and insight into health-, safety- and environment-related issues in the countries in which we operate. Safety, security and crisis contingency are taken especially seriously in connection with travel.

THE ORGANISATION OF HSE WORK

HSE work is organised through formal bodies made up of representatives of management and the employees. Each business area, as well as the Group's other operations, has structured cooperation to deal with legislative and regulatory requirements, in addition to operational needs.

HSE information is collected from the business areas and reported to corporate management and the Board of Directors quarterly.

Norway

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

The Works Council is the forum where executive management and the trade union representatives meet to exchange information and discuss issues that involve two or more of the Group's operations. The quarterly HSE reports are reviewed at Works Council meetings.



International

The organisation of HSE work is based on legislation and regulations in the country in question. HSE responsibility is assigned to management in the individual business and they report to local and central authorities as well as to KONGSBERG on HSE activities. Most countries require that a designated HSE manager be assigned responsibility for ensuring compliance with local and central legislation and regulations.

PREVENTATIVE MEASURES

All employees are to be aware of the enterprise's HSE system and are routinely to be kept apprised of any changes. Emphasis is attached to cooperation and joint efforts for reaching the enterprise's HSE goals. Our employees should not accept terms of employment that put their lives or health in jeopardy.

The fundamental principle is that KONGSBERG is a serious, long-term and good employer in all areas related to health, safety and the environment. This means that our local schemes are to be on a par with the average in the countries in which we operate.

Our Norwegian enterprises have well-developed HSE systems. All employees in Norway have access to company health services. This varies in accordance with local practices and legislation for our foreign business activities.

KONGSBERG has established special programmes and preventative measures to protect our employees and their families against serious diseases and epidemics. We adapt to the national public health service and supplement it through special corporate agreements as needed. Necessary vaccination programmes, preventative check-ups and emergency preparedness for extraordinary measures are part of our agreement with the company health service. Employees stationed abroad, their families and personnel travelling on business are given special attention by the

company health service, are offered special seminars and get expanded insurance coverage. KONGSBERG has no activities in countries that call for special measures to protect employees' families and the local population.

KONGSBERG follows the Ministry of Foreign Affairs' recommendations, and the corporate Safety Committee cooperates with International SOS to obtain information on the individual countries. We have routines for how our employees should conduct themselves on business trips. Travel may be advised against or prohibited for political, financial, environmental or health-related reasons.

FORMAL AGREEMENTS WITH THE TRADE UNIONS

In Norway, HSE is largely covered by collective wage agreements and long-standing legislation. Where this is not enshrined in formal agreements at our foreign undertakings, all personnel are given training, personal safety equipment and the right to refuse work they perceive as risky. There are local HSE committees, periodic inspections in which representatives for the employees take part, and division-specific systems for reporting defects and deficiencies. Mishaps or accidents will always be investigated to determine the causes and find opportunities for improvement. It is very important that employees who are familiar with the duties in question and local conditions take part in these investigations.

ABSENCE DUE TO ILLNESS

Absence due to illness (as a percentage of the number of available hours) was at 2.5 (2.6) per cent for the Group in 2010. This is in furtherance of a favourable trend in recent years. For the Norwegian companies, the figure is 2.9 (3.3) per cent, which is well below the national average of 6.9 (7.4) per cent reported by the Confederation of Norwegian Enterprise (NHO) for industry in Q3 2010. We see that a good

working environment, interesting work and good development opportunities have a favourable impact on absence due to illness.

INJURIES

Injuries and near-accidents are registered in the individual unit and then reported to the Group by the business areas on a quarterly basis. While the figures presented are generally limited to the Norwegian part of the Group, they also include events outside Norway involving Norwegian employees. Further, the figures cover certain events involving contractors' employees who have been injured while working at our facilities. In some cases, the reported incident is associated with a non-work-related illness that has caused problems during working hours. In 2010, 70 (53) injuries and near-accidents were reported among employees and contractors' employees. Of this number, 33 (31) were near-accidents.

Of the registered injuries, 11 (19) led to lost time, while 26 (15) did not involve lost time. The number of injuries, with and without lost time, per million man-hours worked (IF) is estimated at 6.3 (5.5). Lost time injury days totalled 132 (360). This corresponds to an estimated Lost Time Frequency (LTF) (number of lost time days per million man-hours worked) of 22.3 (58.7). No occupational diseases or work-related fatalities were recorded in 2010.

There may be some uncertainty associated with the quality and consistency of the records and reporting of injuries and near-accidents in the Group. This applies, for example, to classifying events, distinguishing between work-related injuries and episodes of illness that are not work-related, and to ensuring that all registered events are reported at the corporate level. Accordingly, we will implement measures to promote more homogeneous, consistent and complete reporting throughout the Group.

“Our employees' career paths should be able to be lateral as well as vertical throughout the Group.”



CO-WORKERS, THE WORKING ENVIRONMENT AND EMPLOYMENT

Collective wage agreements

In Norway, all employees are covered by collective wage agreements and 40 (40) per cent are organised in trade unions. Freedom of association and the right to engage in collective bargaining are a matter of course, and apply to all Group units in Norway and abroad. This is dealt with in accordance with legislation and regulations.

In our foreign operations, our policy is that employees are entitled to organise as long as this is allowed by the country's legislation. In such cases, suitable cooperation structures are established, and the requisite training measures are initiated for trade union representatives and management. KONGSBERG's objective is to pave the way for cooperation and dialogue between management and co-workers in countries in which trade unions are not allowed.

No cases have been reported involving attempts to set aside the right to freedom of association or collective bargaining.

Local employment

Each individual business hires people locally with the assistance of local managers. In the establishment phase, we have decided to use Norwegian executives for our international operations, while the other members of the management teams are largely local.

Starting salary

The Group's starting salary follows the average in the local markets in which we do business.

Continuing education

The Group offers an extensive range of further and continuing education through a combination of in-house and external programmes and courses. These include technical courses as well as management development measures. Our employees' career paths should be able to be lateral as well as vertical throughout the Group.

Life-cycle policy at KONGSBERG

KONGSBERG's overarching life-cycle policy applies to all employees the world over. The Group will help ensure that all employees have meaningful work up to the age of retirement. This is done *inter alia* through flexible arrangements adapted to different stages of life, and efforts shall be made to transfer knowledge from senior to more junior employees.

Attractive employer

One prerequisite for attaining the Group's goal of growth is our ability to attract and retain qualified labour. For that reason, we are working to strengthen our position in the labour market and to be at the forefront of the competition for the best and the brightest.

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

In collaboration with other enterprises in Kongsberg, Buskerud University College

and the Norwegian Centre of Expertise, the Group has developed a master's degree programme in Systems Engineering, where the students work in paid part-time positions in one of the enterprises.

Along with other companies in Kongsberg Technology Park, KONGSBERG offers a unique training programme for apprentices.

Each year, a survey is conducted that leads to a ranking of Norway's most popular employers among seasoned engineers and students. In the field of technology, KONGSBERG ranks as number 10 among the seasoned engineers and number 12 among engineering students.

Leadership at KONGSBERG

We are of the opinion that leadership involves achieving results through others. The key to success is vested in the combination of good leadership and dedicated co-workers. A leader demonstrates leadership based on our values, code of ethics and leadership principles. Against this background, we have developed our leadership development process under the brand name Leadership@KONGSBERG.

Leadership@KONGSBERG was developed to clarify and quality-assure processes for setting goals, following up goals, evaluating and ensuring a directed development of the Group's overall management assets.

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Contributing to good causes

KONGSBERG helps promote value creation and economic development in many countries and local communities. The Group aspires to be an integral part of the communities in which we operate. This means that KONGSBERG gets involved in the local community not only through its employees, but also by supporting good causes that can promote growth and development for other groups of people.

INTERNALLY

KONGSBERG's social responsibility is first and foremost to its employees. We emphasise that KONGSBERG is to be a good place of work where employees can feel they are developing and working in a safe, positive and motivating atmosphere.

EXTERNALLY

KONGSBERG gets involved in the local communities in which it operates. For years, KONGSBERG has provided support for sports, culture and humanitarian organisations through gift funds and other grants. In keeping with KONGSBERG's sponsorship strategy, such funding is evenly divided among these three groups.

SPORTS

The Group provides considerable support for sports programmes for children and young people. These are good causes to which we will continue to devote attention.

CULTURE

KONGSBERG supports cultural events in the local communities in which we are located.

HUMANITARIAN ORGANISATIONS

KONGSBERG provides support for many different humanitarian organisations, both nationally and internationally. For several years, the Group has had an agreement with SOS Children's Villages. We also support three different projects in

Rio de Janeiro, Brazil.

The Group supports the Church City Mission's humanitarian efforts in Kongsberg, where they are trying to offer a better programme to substance abusers.

KONGSBERG also has an annual contract with the Norwegian Mission to Seamen, which is of importance to co-workers stationed outside of Norway.



THE GLOGER FESTIVAL

KONGSBERG is the main sponsor of the Gloger Festival. The Gloger Festival is a chamber music festival organised in Kongsberg in late January each year.



BOLA PRA FRENTE, BRAZIL

The Bola pra Frente school project in Rio de Janeiro celebrated its 10th anniversary last year. The goal of the project is to get children and young people off the street, giving them schooling and a better start in life. The project has been successful and is developing constantly. Kongsberg Maritime will now offer some of these young people vocational training.



SOS CHILDREN'S VILLAGES

KONGSBERG has financed the construction of and provides operational support for a family house in "Children's Football Village" in Livingstone, Zambia. The main focus is to give the children care, safety, happiness and stimulation. A teacher has been hired to help the children with their school work and to be a link between the Children's Village and the school.

Green shipping is corporate social responsibility in actual practice

Shipping accounts for three per cent of total global greenhouse gas emissions, so there is a lot to be gained by improving energy efficiency.

"KONGSBERG develops products that result in cleaner, more efficient vessel operation. The goal is to develop and integrate the green concept throughout the product portfolio", comments Geir Håøy, president of Kongsberg Maritime.

"Our advanced systems optimise vessel operation and control by taking advantage of the engines as well as the onboard navigation system. The goal is to monitor operations and help the vessel's operators reduce the use of bunker oil, thereby minimising greenhouse gas emissions", continues Håøy.

INTEGRATED SYSTEMS

The Group develops and manufactures several types of electronic surveillance and control systems. These can be integrated to share information. The engine room

automation system can be integrated with the navigation system and the dynamic positioning system, etc. Uniform technology for the systems on board benefits the operators tremendously. Having the same hardware and software components makes after-sales service easier and better.

TAKING THINGS A STEP FURTHER

It is usual to test operations and make adaptations on a vessel before it is going to be delivered new from the shipyard. At that point the tanks are empty and clean, and the engines are new and fine-tuned. As time passes and the vessel has been in operation for awhile, it is possible to measure and log deviations from the 'new' state.

KONGSBERG would like to go one step further, and is developing automatic func-

tions for status reports. These will monitor vessel operations at all times and warn operators of any aberrations. Corrective actions must then be taken. This may involve adjustments to the engines or to the vessel's ballasting and to electrical consumption on board. Nautical adjustments relative to wind, waves and currents might also be required.

TOMORROW'S WINNERS

"KONGSBERG works continuously with customers, partners and suppliers to develop and test solutions that enhance environmental dividends. That will make shipping more sustainable, and guarantee our success in future. The companies that take society's challenges seriously will also be the winners in the long run", concludes Geir Håøy.



“The goal is to monitor operations and help the vessel's operators reduce the use of bunker oil, thereby minimising greenhouse gas emissions.”

Environmental monitoring by satellite

Using satellites, it is possible to monitor ocean territories far more effectively than before. Within half an hour after a satellite has passed over a particular area of the ocean, an oil spill can be detected and notified. Satellite monitoring also helps ensure safer, 'greener' shipping in Arctic areas.



Kongsberg Satellite Services (KSAT) offers services related to the monitoring of ocean territories. Satellite services can be used for several purposes, and environmental monitoring, whether this refers to oil spills or surveying ice conditions in Arctic areas, provides important information to the authorities.

COST-EFFICIENT ENVIRONMENTAL TECHNOLOGY

Oil spills from vessels and oil platforms can seriously damage the environment in coastal areas and at sea. The use of satellites has proved to be an effective policy instrument to help the authorities discover oil spills and track pollution.

For years, KSAT as well as Norwegian and other European authorities have cooperated on the development of a

satellite-based service for environmental monitoring. From the ground station in Tromsø, KSAT routinely monitors ocean territories from the Barents Sea to the Black Sea to detect possible oil spills. If an oil spill is detected, the European Maritime Safety Authority (EMSA) in Lisbon is notified, and it then notifies member countries, including Norway.

"The radar we use is sensitive to small amounts of oil. We analyse the images, and if we find oil, we report it. In less than half an hour, the country affected will be notified", reports Line Steinbakk, manager of this satellite service at KSAT. "Our satellite-based radar technology, followed by aircraft for verification purposes, is a cost-efficient way to detect and issue warnings about oil spills", explains Steinbakk.

SHIPPING IN ARCTIC OCEAN TERRITORIES

More activity in the High North, whether this refers to commercial or scientific activities, can constitute a potential threat to the environment. Activities in Arctic areas also entail a great risk to people, vessels and equipment. Sailing between icebergs and drift ice in harsh weather and with sketchy knowledge of prevailing conditions makes navigation in these waters highly challenging.

With steadily increasing activity levels in the Arctic, there is also a need for better, more accurate knowledge and information about conditions. KSAT's satellite services help ensure safer operations and protect the environment. Through satellite monitoring, KSAT can transmit radar images of conditions in the area in which a vessel is located. Every day, the crew of the vessel receives images that map the area, ensuring not only safer shipping, but also saving tremendous amounts of fuel by selecting the most optimal sea route.

SAR (Synthetic Aperture) sensors provide high-resolution images that provide vital information about ice conditions around a vessel. Precise, updated information about icebergs and ice masses along the vessel's route also entail huge fuel savings and thus also environmental dividends", comments Richard Hall, business development manager at KSAT.

Environment



We work in a determined manner to reduce our footprint on the environment

The Group has grown substantially in recent years, both in terms of the number of new employees and new office buildings, and by establishing several new factories in different parts of the world. This means that our overall footprint on the outdoor environment has grown.

LIMITATIONS OF THE REPORT

The report covers only companies in which we own 50 per cent or more.

The environmental data include all units in Norway, all production units the world over and the largest offices outside Norway.

In recent years, we have worked systematically with the reporting of data associated with energy consumption, waste treatment, the consumption of chemicals and greenhouse gas emissions. This data has made us cognisant of the challenges we face, allowing us to initiate improvement measures.

In 2010, we introduced a new environmental reporting system that will better enable us to register and follow up our environmental footprint.

The Greenhouse Gas Protocol is an international standard for reporting on

greenhouse gases. The Protocol uses three levels for reporting. KONGSBERG reports emissions ensuing from the consumption of energy at levels 1 and 2. This includes direct emissions of greenhouse gases from our own production (level 1) as well as indirect emissions from the sources where we buy external energy (level 2).

Global warming is one of the most serious threats facing the earth. This is why the Group began drawing up a special climate strategy in 2010 to reduce its emissions and prepare for the consequences of the changes currently taking place.

Environmental accounts for 2010

The environmental accounts give an overview of KONGSBERG's consumption of energy and chemicals, as well as its production of waste and CO₂. The accounts cover all units in Norway, all production units and some offices abroad.

Energy

In connection with production and office activities, KONGSBERG consumes energy in the form of electricity, district heating, gas and fuel oil. Kongsberg Teknologipark AS (KTP) generates district heating for enterprises located in the technology parks. District heating is produced using electricity, fuel oil, gas and heat recovery. In 2010, about 52 per cent of the district heating was delivered to units in KONGSBERG, while the remainder was delivered to other enterprises in the technology park.

In 2010, a new central heating plant was built at KTP to recycle residual heat in the cooling water from the technology parks and wastewater from KONGSBERG's municipal purification plant. This helped ensure that 52 per cent of the district heating produced came from heat recovery.

Total energy consumption at KONGSBERG has increased by 4 per cent since 2009. The main explanations for this are a higher level of activity in the Group, that Kongsberg Maritime has moved into a new building in the technology park and that, as from 2010, Kongsberg Teknologipark AS is also reporting energy consumption from property management.

Relative energy consumption dropped slightly from 7.2 to 6.7 MWh per MNOK (Figure 1), while the share of oil and gas remained unchanged from 2009 at roughly 2 per cent of total energy consumption.

ENERGY CONSUMPTION BY SOURCE (GWh)

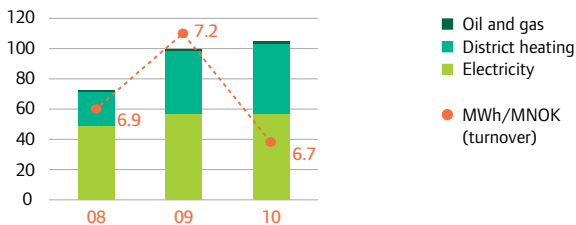


Figure 1
 Total energy consumption (GWh) for KONGSBERG. The figures for electricity, oil and gas show the business areas' own consumption, while the figure for district heating includes energy consumption by the district heating facility at KTP.

ENERGY CONSUMPTION 2010 (GWh)

Business area	2008	2009	2010	Change past year
Kongsberg Maritime	21.0	24.2	26.5	10%
Kongsberg Oil and Gas Techn.	0.6	1.3	1.4	3%
Kongsberg Protech Systems	7.3	8.5	9.5	11%
Kongsberg Defence Systems	32.4	44.4	42.4	-4%
Kongsberg Teknologipark AS ¹	13.1	21.6	24.5	13%
Total	74.4	100.0	104.3	4%

1) Includes the production of district heating provided to companies outside KONGSBERG. Total energy consumption for KONGSBERG is not directly comparable with the reporting of consumption in last year's Sustainability Report inasmuch as it did not include this consumption.



Emissions of CO₂

KONGSBERG's CO₂ emissions have been calculated as recommended by the 'Greenhouse Gas Protocol' published by the World Business Council for Sustainable Development (WBCSD) and World Resources Institute (WRI).

The environmental accounts include the following sources of CO₂ emissions:

- Direct emissions (Scope 1): Emissions from the use of fuel oil and gas for heating buildings and producing district heating.
- Indirect emissions from electricity (Scope 2): Emissions from the consumption of electricity or district heating from external suppliers.

Emissions of CO₂ were reduced by 12 per cent in 2010 compared with last year. The main reason for this is more use of heat recovery in the production by district heating at KTP. This meant that emissions per produced unit were reduced from 164 gram CO₂ per kWh in 2009 to 109 gram CO₂ per kWh of district heating delivered in 2010.

**EMISSION OF CO₂
(METRIC TONNES)**

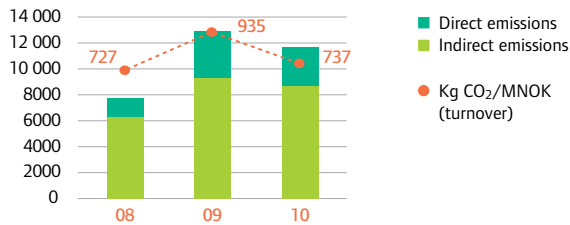


Figure 2
 Emissions of CO₂ (metric tonnes) for KONGSBERG. Emissions from district heating delivered by KTP to KONGSBERG are indicated as indirect emissions, while emissions from district heating delivered by KTP to other enterprises are indicated as direct emissions.

EMISSIONS OF CO₂ (METRIC TONNES)

Business area	2008	2009	2010	Change past year
Kongsberg Maritime	2 189	3 381	3 675	9%
Kongsberg Oil and Gas Techn.	149	217	208	-4%
Kongsberg Protech Systems	1 418	1 911	1 779	-7%
Kongsberg Defence Systems	2 642	4 077	3 225	-21%
Kongsberg Teknologipark AS	1 458	3 331	2 534	-24%
Total	7 856	12 918	11 421	-12%

1) Includes emissions from district heating provided to companies outside KONGSBERG



Waste

KONGSBERG generates waste from production and from office activities. Amounts of waste are included in KONGSBERG's in-house environmental reports, where reporting includes generated waste broken down by category of waste and waste for recycling by recycling fractions. Our property company works with measures to promote more source separation in all the companies located in Kongsberg Teknologipark AS.

The total volume of waste for KONGSBERG in 2010 was on a par with the previous year. Relative waste production diminished from 106.6 kilos per MNOK in 2009 to 104.4 kilos per MNOK in 2010.

For the waste reported in 2009, the percentage of source separation for KONGSBERG as a whole was roughly 45 per cent, compared with 56 per cent in 2009. At KTP, the percentage of source separation was 85 per cent in 2010, and for 2011 is goal is to reach 92 per cent.

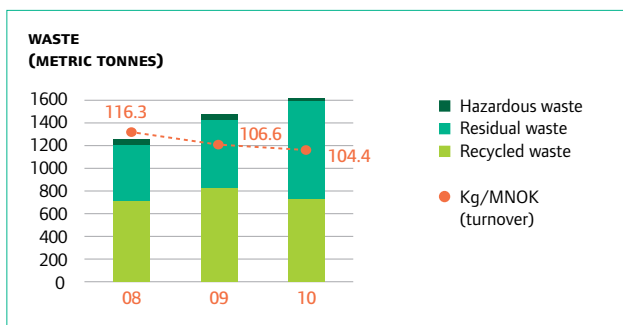


Figure 3
 Total waste production (metric tonnes) by KONGSBERG

WASTE (METRIC TONNES)

Business area	2008	2009	2010	Change past year
Kongsberg Maritime	729	768	1 001	30%
Kongsberg Oil and Gas Techn.	3	23	52	129%
Kongsberg Protech Systems	311	270	280	4%
Kongsberg Defence Systems	202	382	261	-32%
Kongsberg Teknologipark AS	10	30	23	-22%
Total	1 256	1 473	1 617	10%

Chemicals

KONGSBERG uses environmentally harmful and hazardous chemicals in certain parts of its production. The consumption of chemicals is included in KONGSBERG's in-house environmental reporting, which covers chemicals that are hazardous to health and the environment, as well as other types of chemicals.

Problems have been discovered with certain KONGSBERG units' reporting on chemicals in recent years. The amounts of chemicals used should therefore be considered to be estimates. Efforts are being made to improve the reporting of chemicals consumption.

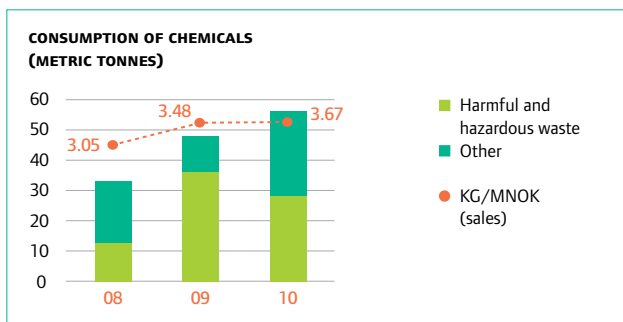


Figure 4
 Consumption of chemicals (metric tonnes) by KONGSBERG

CONSUMPTION OF CHEMICALS (METRIC TONNES)

Business area	2008	2009	2010	Change past year
Kongsberg Maritime	22.7	31.2	22.9	-26%
Kongsberg Protech Systems	9.2	7.8	7.6	-3%
Kongsberg Defence Systems	1.2	9.1	26.8	194%
Total	33.0	48.1	57.3	19%

Appendices



Global Reporting Initiative Index (GRI)

On the following pages, we list the GRI indicators with references to where they are discussed in the report, regardless of whether they are wholly or partially answered relative to GRI. For a full description of the individual indicator, see GRI's website at www.globalreporting.org. Deloitte has verified that our Report on Corporate Social Responsibility is generally consistent with GRI's reporting principles and that our report meets the requirements for level B+ pursuant to the guidelines, cf. the Auditor's Report, page 44.

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

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3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	3,36
3.9	Data measurement techniques and the bases of calculations	3, 12, 37-39



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3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement	3, 37-39
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	3, 37-39
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3.13	Policy and current practice with regard to seeking external assurance for the report	3, 44
4	GOVERNANCE, COMMITMENTS, AND ENGAGEMENT	
4.1	Governance structure of the organization, including committees under the highest governance body	A
4.2	Indicate whether the Chair of the highest governance body is also an executive officer	A
4.3	State the number of members of the highest governance body that are independent and/or non-executive members	A
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body	A
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives and the organization's performance	A
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	A
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics	A
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation	13, 16, 27
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance	3, 14-15, A
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	A
	<i>Commitments to external initiatives</i>	
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization	16
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses	16, 17
4.13	Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the organization: Has positions in governance bodies; Participates in projects or committees; Provides substantive funding beyond routine membership	17,21
	<i>Stakeholder engagement</i>	
4.14	List of stakeholder groups engaged by the organization	28, 29
4.15	List of stakeholder groups engaged by the organization Basis for identification and selection of stakeholders with whom to engage	28, 29
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group	28, 29
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting	28, 29
	ECONOMIC PERFORMANCE INDICATORS	
	Management approach	4, 13-16, 25-26

INDI-CATOR		SEE PAGE(S)
	ECONOMIC PERFORMANCE	
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	2, 12, 25-26
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	4-6, 24, 34
EC3	Coverage of the organization's defined benefit plan obligations	A
EC4	Significant financial assistance received from government	26
	MARKET PRESENCE	
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation*	32 (PA)
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation*	NA
EC7	Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation	32 (PA)
	INDIRECT ECONOMIC IMPACTS	
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	NA
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts*	NA
	ENVIRONMENTAL PERFORMANCE INDICATORS	
	Management approach	4-7, 15-16, 19-20, 24, 36
	MATERIALS	
EN1	Materials used by weight or volume	39 (PA)
EN2	Percentage of materials used that are recycled input materials	NA
	ENERGY	
EN3	Direct energy consumption by primary energy source	12, 37
EN4	Indirect energy consumption by primary source	12, 37
EN5	Energy saved due to conservation and efficiency improvements*	37
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	34 (PA)
EN7	Initiatives to reduce indirect energy consumption and reductions achieved*	37 (PA)
	WATER	
EN8	Total water withdrawal by source	NA
EN9	Water sources significantly affected by withdrawal of water*	NA
EN10	Percentage and total volume of water recycled and reused*	NA
	BIODIVERSITY	
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	NR
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	NR
EN13	Habitats protected or restored*	NR
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity*	NR
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk*	NR
	EMISSIONS, EFFLUENTS AND WASTE	
EN16	Total direct and indirect greenhouse gas emissions by weight	12, 38
EN17	Other relevant indirect greenhouse gas emissions by weight	NA
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved*	24, 38



INDI-CATOR		SEE PAGE(S)
EN19	Emissions of ozone-depleting substances by weight	NA
EN20	NOx, SOx, and other significant air emissions by type and weight	NA
EN21	Total water discharge by quality and destination	NA
EN22	Total weight of waste by type and disposal method	3, 12, 39
EN23	Total number and volume of significant spills	NA
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally*	NA
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff*	NA
PRODUCTS AND SERVICES		
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	34 (PA)
EN27	Percentage of products sold and their packaging materials that are reclaimed by category	NA
COMPLIANCE		
EN28	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with environmental laws and regulations registered transport	None registered
TRANSPORT		
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce*	NA
OVERALL		
EN30	Total environmental protection expenditures and investments by type*	NA
LABOUR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS		
	Management approach	4-6, 16, 19, 23, 30-32
EMPLOYMENT		
LA1	Total workforce by employment type, employment contract, and region	10-12
LA2	Total number and rate of employee turnover by age group, gender, and region	12 (PA)
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations*	NA
LABOR/MANAGEMENT RELATIONS		
LA4	Percentage of employees covered by collective bargaining agreements	31 (PA)
LA5	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements	NA
OCCUPATIONAL HEALTH AND SAFETY		
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs*	30-31 (PA)
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region	12, 31
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	31
LA9	Health and safety topics covered in formal agreements with trade unions*	30-31
TRAINING AND EDUCATION		
LA10	Average hours of training per year per employee by employee category	NA
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings*	32

INDI-CATOR		SEE PAGE(S)
LA12	Percentage of employees receiving regular performance and career development reviews*	NA
DIVERSITY AND EQUAL OPPORTUNITY		
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	12
LA14	Ratio of basic salary of men to women by employee category	NA
HUMAN RIGHTS PERFORMANCE INDICATORS		
	Management approach	4-6, 14-16, 19, 23
INVESTMENT AND PROCUREMENT PRACTICES		
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	NA
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	20, 22, 28 (PA)
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained*	27
NONDISCRIMINATION		
HR4	Total number of incidents of discrimination and actions taken	23
FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		
HR5	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights	22, 31
CHILD LABOUR		
HR6	Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor	23
FORCED AND COMPULSORY LABOR		
HR7	Operations identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of forced or compulsory labor	23
SECURITY PRACTICES		
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations*	23
INDIGENOUS RIGHTS		
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken*	23
SOCIETY PERFORMANCE INDICATORS		
	Management approach	4-6, 14-16, 21
COMMUNITY		
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting	NA
CORRUPTION		
SO2	Percentage and total number of business units analyzed for risks related to corruption	15, 21
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures	5, 21, 27
SO4	Actions taken in response to incidents of corruption	21
PUBLIC POLICY		
SO5	Public policy positions and participation in public policy development and lobbying	NA
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country*	NA
ANTI-COMPETITIVE BEHAVIOR		
SO7	Total number of legal actions for anticompetitive behavior, anti-trust, and monopoly practices and their outcomes*	27

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COMPLIANCE		
SO8	Monetary value of significant fines and total number of non-monetary sanctions for noncompliance with laws and regulations	21, 27
PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS		
	Management approach	4-6, 16, 19
CUSTOMER HEALTH AND SAFETY		
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	NA
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes*	NA
PRODUCT AND SERVICE LABELING		
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements	NA
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes*	NA

INDI-CATOR		SEE PAGE(S)
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction	NA
MARKETING COMMUNICATIONS		
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship	NA
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship by type of outcomes*	None registered
CUSTOMER PRIVACY		
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data*	None registered
COMPLIANCE		
PR9	Monetary value of significant fines for noncompliance with laws and regulations concerning the provision and use of products and services	None registered

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

For further information about KONGSBERG, our products and services, and our Policy for Corporate Social Responsibility, please see:



Annual Report 2010



Annual Review 2010



www.kongsberg.com

Auditor's Report for 2010



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INDEPENDENT AUDITOR'S REPORT To the management of Kongsberg Gruppen

We have reviewed certain information presented in the KONGSBERG – Social Responsibility Report 2010 ("the Report"). The Report is the responsibility of and has been approved by the management of the Company. Our responsibility is to draw a conclusion based on our review.

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

Based on an assessment of materiality and risks, our work included analytical procedures and interviews as well as a review on a sample basis of evidence supporting the subject matters. We have performed interviews of the managers responsible for sustainability aspects at corporate and selected reporting units represented by Kongsberg Teknologipark AS in Kongsberg (Norway) and at Kongsberg Maritime, Lade in Trondheim (Norway).

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

Comments

We note that data reported on injuries and near-accidents, presented on page 31 of the Report, are potentially misstated and that such misstatement may be significant as discussed by management on page 31. We recommend that Kongsberg Gruppen strengthens and adapts the procedures for reporting injuries and near-accidents to ensure that such information is consistent and complete.

Conclusions

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

- Except for the matters raised under "Comments" above, Kongsberg Gruppen has applied procedures to collect, compile and validate sustainability data for 2010 from its reporting units to be included in the Report, as summarised on page 3, and data presented for 2010 is consistent with data accumulated as a result of these procedures and appropriately presented in the Report.
- Data reported for 2010 from the reporting units visited, as specified above, has been reported according to the procedures noted above and is consistent with source documentation presented to us.
- Information about activities related to corporate social and environmental responsibility, presented on page 19, appropriately reflects performance related to the objectives for 2010.
- Kongsberg Gruppen applies a reporting practice for its sustainability reporting that is aligned with the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines reporting principles and the reporting fulfils Application Level B+ according to the GRI guidelines. The GRI Index presented on pages 40 – 42, appropriately reflects where relevant information on each of the elements and performance indicators of the GRI guidelines is presented. The UN Global Compact table presented on page 17 appropriately reflects where relevant information is presented in the Report.

Oslo, 4 April 2011

Deloitte

Statsautoriseret Revisionsaktieselskab



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