



KONGSBERG

Kongsberg Gruppen ASA

Directive for Gifts and Hospitality

KOG-DIR-0040

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Content

1.	Introduction	3
1.1	Document history	3
1.2	Referenced Documents.....	3
1.3	Objective	3
1.4	Scope	3
1.5	Roles and responsibility	4
1.6	Local laws and regulations	4
1.7	Travel, board and lodging, gifts and hospitality provided to customers and business associates	4
1.7.1	Travel, board and lodging	4
1.7.2	Gifts and hospitality	4
1.7.3	General prohibition against gifts to public officials for improper purposes	5
1.7.4	Gift Giving and Courtesies to U.S. Public Officials	5
1.8	Travel, lodging, gifts and hospitality received by an employee of KONGSBERG	5
1.8.1	Travel, board and lodging	5
1.8.2	Hospitality.....	5
1.8.3	Gifts	6
1.9	Lobbying Activities.....	6
1.10	Payments and Accounting and Recordkeeping Controls	6
2.	Effective date.....	6
3.	Appendix	7
3.1	LAWS GOVERNING GIFT GIVING AND COURTESIES TO PUBLIC OFFICIALS IN THE U.S.....	7
3.1.1	U.S. Federal Bribery and Gratuity Statutes.....	7
3.1.2	U.S. Federal Acquisition Regulations.....	8
3.1.3	U.S. State Laws Governing Gifts to Public Officials.....	8
3.1.4	Limited Exceptions to Gift and Hospitality Rules	8
3.2	COMPANY POLICY ON GIFTS AND COURTESIES TO PUBLIC OFFICIALS IN THE U.S. 9	
3.2.1	General Prohibition against Gifts to Public Officials for Improper Purposes.....	9
3.2.2	Prior Authorization from the Corporate Compliance Officer or KONGSBERG's Legal Department.....	9
3.2.3	Guidelines on Gifts, Hospitality and Other Courtesies	9
3.2.4	Political and Charitable Contributions	10
3.2.5	Lobbying Activities	10

1. Introduction

1.1 Document history

Revision	Date	Change description
-	08FEB2012	First issue
A	01MAR2017	Update format. Simplification of country related information in appendix for the US, ref to generic instructions in 1.6.
B	08DEC2017	Update on the payment of representation, ref art 1.10; the check shall always be payed by the highest ranking KONGSBERG manager attending. Payment for gifts and hospitality shall clearly state purpose, and for representation also who were attending, both internal and external participants. All reimbursement for travel expense and any other cost shall be verified and approved by a superior (according to relevant approval matrix).

1.2 Referenced Documents

Reference and Title	Doc ID	(Rev./Date)	(Publisher)
[1] Code of Ethics and Business Conduct	KOG-GOV-0011		
[2] Directive for Sponsorship in KONGSBERG	KOG-DIR-0039		

1.3 Objective

This Directive shall regulate KONGSBERGS attitude towards gifts and hospitality.

KONGSBERG operates in many countries, and each country has its own culture for giving and receiving gifts and hospitality. Certain giving's might be inappropriate under the applicable anti-corruption laws. Any gift and hospitality must be considered carefully according to the situation at hand. KONGSBERG appreciates that to refuse a gift in certain circumstances and/or countries would cause offence to our business partners.

Gifts and hospitality shall be in accordance with the principles of **predictability, transparency and equal treatment**. Gifts and hospitality must be in keeping with KONGSBERGS's values and Code of Ethics and Business Conduct and in accordance with current relevant legislation in Norway and other countries.

Special care shall be taken when dealing with public officials, both national and foreign, and when being in negotiations, decision-making processes, bids, tenders and similar situations to avoid the appearance of impropriety or excessively. The main rule is to avoid gifts, and to be very careful in participating or offering hospitality in such situations. Remember; you shall seek advice whenever in doubt, either from your manager or compliance officer.

1.4 Scope

This Directive gives details to complement our Code of Ethics and Business Conduct on "Gifts and Hospitality".

This directive does not cover sponsorships and charitable gifts which is covered in KOG_DIR-0039 Directive for Sponsorships in KONGSBERG.

1.5 Roles and responsibility

The CEO of KONGSBERG approves this directive, and any deviation shall be approved by the CEO in writing.

Each business area (BA) is responsible for communicating this Directive throughout own BA and for ensuring compliance with it.

1.6 Local laws and regulations

All employees shall familiarize themselves with the local laws and regulations for the country in question. The Compliance Officer in the Business Area shall supply information of local laws, regulations and practice upon question. Be aware that there can be local differences in regions, e.g. will every state in the U.S. have individual regulations, the same will apply for the states in the Middle East.

1.7 Travel, board and lodging, gifts and hospitality provided to customers and business associates

1.7.1 Travel, board and lodging

KONGSBERG shall encourage any customer or business associate to pay own travel, board and lodging expenses. Any such payment from KONGSBERG shall be approved by the Compliance Officer in the Business Area. Such expenses covered by KONGSBERG, must be reasonable and necessary to the business activity in question, and not lavish or excessive. Expenses should under no circumstances be provided when the same products or services could be reasonably promoted locally at a lower cost.

No spending money should be provided to public officials, customers or business associates. Payments for travel, board and lodging expenses should be paid directly to the service providers themselves (for example, the hotels and airlines) and not to the individuals receiving the services.

1.7.2 Gifts and hospitality

Gifts should never exceed a reasonable value, and KONGSBERG encourage giving promotional items bearing KONGSBERG's name or logo.

The provision of a gift or hospitality by way of a business courtesy must not be done if any of the following circumstances apply:

- It is contrary to any applicable laws and/or regulations
- It is done with a view to obtaining any improper advantage or to reward for such an advantage

The provision of a gift or hospitality must be:

- Reasonable and customary under the circumstances
- Provided openly and transparently
- Given in good faith and without expectation of reciprocity.

Some examples of allowable gifts and hospitality might be:

- Symbolic gifts of insignificant value (equivalent/comparable to maximum 100 USD in local spending power. Gifts to the same business partner within a year should not be above this level.)
- Ordinary promotional products with the company's logo or a modestly priced item in consideration for participating in a company event or forum.

- Invitations to a concert, dinner, etc., provided that the costs are moderate. Invitees shall be given the opportunity to pay expenses covering their own participation.

Any gift and/or hospitality must be duly accounted for in the financial accounts of the giver and in a manner which permits reasonable traceability. Symbolic gifts and ordinary promotional products with the company's logo purchased in large quantities are not expected to be traced to individual receiver.

KONGSBERG should give the invitees information regarding their own liability as to possible tax consequences.

1.7.3 General prohibition against gifts to public officials for improper purposes

Several countries have special severe provisions as to gifts and other advantages to public officials. Taking this into account KONGSBERG employees are prohibited from offering, promising or giving gifts, favors or anything of value to any public official or employee, or their families and business associates, in order to influence his or her judgment in conducting governmental duties.

1.7.4 Gift Giving and Courtesies to U.S. Public Officials

The U.S. has special provisions related to gifts and courtesies to public officials. These are described in detail in appendix ref chapter 3.

1.8 Travel, lodging, gifts and hospitality received by an employee of KONGSBERG

KONGSBERG employees are encouraged to engage in network building on behalf of the Group, but not to the extent that such activity is in conflict with laws or requirements given by KONGSBERG, related to anti-corruption, fair trading, antitrust and competition or any other items covered in the Code of Ethics and Business Conduct.

1.8.1 Travel, board and lodging

If a KONGSBERG employee is invited to events or on trips, the travel and lodging expenses are to be paid by KONGSBERG.

Where a trip or event is solely of a professional nature and has no element of being a holiday, it will, according to Norwegian tax rules, entail no tax liability for the employee. Where the trip or the event is a combination of work and holiday, you are, according to Norwegian tax rules, liable to taxation on the part that is considered a holiday. Please note that the tax regulation may be different in other countries.

The participation of a spouse should generally be paid for out of the employee's own pocket. In exceptional cases, to the extent that KONGSBERG will cover a spouse's expenses, this is subject to prior approval of the Compliance Officer in the Business Area. Spouse-related expenses shall be reported on the employees wage slip.

1.8.2 Hospitality

Where, by virtue of being a KONGSBERG employee, you are invited on a trip or to an event, the participation must be subject to a prior approval from your superior. The professional content of the invitation must be assessed, and it should be decided whether the activity is of sufficient interest to KONGSBERG.

Employees are allowed to participate in cultural and sports events (and similar events); meetings and dinners in Norway and abroad in connection with business-related activities, provided that it is reasonable and justifiable, and not lavish nor excessive.

1.8.3 Gifts

A gift of significant value (equivalent/comparable to 100 USD or more in local spending power) should only be accepted when it may be considered discourteous to refuse. In such case you shall promptly report it to your immediate supervisor, and hand over the gift to KONGSBERG. This will also apply when receiving several gifts from the same business partner which within a year sum up to the above-mentioned level.

Accepting the gift could have consequences under the laws of one or more countries, including customs duty and the applicable tax laws if the value of the gift exceeds the limit for tax-exempt gifts. You are responsible for handling the gift according to tax and customs rules.

1.9 Lobbying Activities

All lobbying firms, as well as any KONGSBERG employees who are authorized to engage in lobbying activities on behalf of the company, must be duly registered as such and are expected to comply with all lobbying regulations under local law, including written disclosure requirements.

KONGSBERG employees should consult the Corporate Compliance Officer or KONGSBERG's Legal Department for guidance on relevant registration and disclosure requirements in the particular jurisdictions where lobbying occurs.

1.10 Payments and Accounting and Recordkeeping Controls

All payments from KONGSBERG's accounts shall be made by bank transfer. No cash payments are allowed. Any deviation shall be documented, and approved by the Compliance Officer in the Business Area.

To secure internal control on internal and external hospitality, the check shall as a main rule always be paid by the highest ranking KONGSBERG manager attending. (Deviation from the main rule shall be explained.)

Any payment of gifts and hospitality must be on separate accounts for this in the accounts. The voucher must clearly state what payment is for (purpose). Payment for hospitality shall clearly state both purpose and who were attending, both internal and external participants.

Reimbursements to KONGSBERG employees for travel expenses and any other costs shall be made based on submitted expense reports. The expense report shall state clearly the purpose and justification for each expense regardless the amount. All such reports shall be verified and approved by a superior, according to relevant approval matrix, prior to payment in accordance with company regulations. (If the approval is delegated, e.g. to the finance manager, the superior/chair of the board shall as a minimum review the expense reports periodically.)

Expenses and payments shall be recorded in the financial accounts in a way that provides accuracy and full transparency to the purpose of the expense.

2. Effective date

This document becomes operative from the date the CEO gives his authorisation.

3. Appendix

The United States: Gift Giving and Courtesies to U.S. Public Officials

The United States has various and specific rules governing gifts and hospitality with regards to U.S. public officials.

The FCPA governs payments to foreign (non-U.S.) public officials. Payments, gifts and courtesies (including hospitality and entertainment) to U.S. public officials are governed by various Federal, State and local laws. Most U.S. government agencies also have their own specific directives and regulations on the same subject.

Some of these regulations prohibit or limit a company's or person's ability to offer gifts to public officials, while other regulations prohibit or limit a public official's ability to accept gifts.

KONGSBERG employees and others acting on behalf of KONGSBERG are expected to comply with *all* regulations governing gifts and courtesies to U.S. public officials, even if those regulations are focused on the receipt of gifts by public officials.

KONGSBERG employees have the responsibility to check in advance with the Corporate Compliance Officer or KONGSBERG's Legal Department to determine which rules apply when working in a particular jurisdiction or with a specific government entity.

3.1 LAWS GOVERNING GIFT GIVING AND COURTESIES TO PUBLIC OFFICIALS IN THE U.S.

The following are some key U.S. laws and regulations of which KONGSBERG employees should be aware. This description is not an exhaustive list of applicable U.S. laws, but is merely intended to provide a general illustration of U.S. laws governing gifts and courtesies extended to U.S. public officials.

3.1.1 U.S. Federal Bribery and Gratuity Statutes

Generally, the U.S. Federal Bribery and Gratuity Statutes make it a crime punishable by prison and fines to:

1. directly or indirectly give, offer, or promise
2. anything of value
3. to any public official, or person selected to be a public official
4. with corrupt or knowing intent
5. in order to influence any official act, or for or because of any official act performed by that official.

A "public official" can be an officer or employee of a U.S. government department or agency, a person acting in an official capacity for or on behalf of the U.S. government entity, any political party or party official, or any candidate for political office. Public officials include not only elected officials, but also consultants who hold government positions, and political party officials. Close family members of public officials might also be considered public officials.

"Corrupt intent" can be shown when the thing of value is given as part of a *quid pro quo*, i.e., an expectation of a favorable official act in return for the gift or favor. Violation of the Federal Bribery Statute is punishable by a maximum fifteen-year prison sentence and monetary fines.

The U.S. Federal Gratuity Statute is similar to the Bribery Statute, but requires a lesser degree of intent and a lesser connection to an official act. Under the Gratuity Statute, it is illegal to reward Federal public officials, and former Federal public officials, for any public acts that they performed. Merely sending such an official

a small gift, such as a bottle of wine or a box of chocolates, tickets for sporting events, for that individual's favourable handling of a procurement action could constitute a violation of the Gratuity Statute. Violation of the Federal Gratuity Statute is punishable by a maximum two-year prison sentence and monetary fines.

KONGSBERG personnel should be aware that employees who violate the U.S. Federal Bribery and Gratuity Statutes may be sentenced to imprisonment, even if their actions were performed solely to benefit the company.

3.1.2 U.S. Federal Acquisition Regulations

The Federal Acquisition Regulations, generally prohibit any Federal government employee from soliciting or accepting any gift or gratuity from a "prohibited source." A "prohibited source" includes any entity that:

1. does or seeks to conduct business with the employee's agency;
2. conducts activities that are regulated by the employee's agency; or
3. have interests that the Federal government employee may substantially affect by performing or failing to perform his or her official duties.

Note that under the Federal Acquisition Regulations, the intent of the prohibited source in giving the gift to the government employee is not a factor.

3.1.3 U.S. State Laws Governing Gifts to Public Officials

In addition to Federal statutes and regulations governing gift giving to government employees, KONGSBERG personnel should be aware of relevant laws of individual states or localities in the United States, limiting or prohibiting gifts to state or local government employees.

Individual U.S. state laws also list specific activities or payments to public officials that are prohibited. Some state laws place specific dollar limits (e.g., \$50) on gifts to public officials from any single source within a calendar year, so long as the gift or other benefits are conferred without risk of undermining the public official's impartiality.

3.1.4 Limited Exceptions to Gift and Hospitality Rules

There are numerous but limited exceptions to the laws prohibiting gifts to U.S. public officials. For example, under U.S. Federal ethics regulations, the definition of "gift" itself does not include modest items of food, refreshments, greeting cards, items with "little intrinsic value" (e.g., plaques, certificates and trophies), or prizes in events open to the public.

Some of the more commonly used gift exceptions for employees of U.S. government entities are listed below, for illustration purposes only:

- Gifts based on family relationships or actual personal friendships.
- Gifts on a single occasion worth \$20 or less in value, so long as the total value of gifts given to a U.S. government employee from a single source does not exceed \$50 per calendar year.
- Parties or widely attended gatherings, so long as the other guests are invited free of charge.

In addition to the broad regulations described above which govern all U.S. Federal agencies, each such agency is charged with prescribing its own agency-specific standards of conduct, which may contain additional exceptions to the general rules above. For example, U.S. Department of Defense regulations provide additional gift exceptions for events sponsored by states, local governments or civic organizations as well as certain educational scholarships and grants. KONGSBERG employees should also be aware of ethical rules adopted by the U.S. Congress, which contain gift rules that pertain specifically to members of

Congress and staff. State laws and regulations may also specify their own exceptions for gifts and hospitality for state officials.

3.2 COMPANY POLICY ON GIFTS AND COURTESIES TO PUBLIC OFFICIALS IN THE U.S.

3.2.1 General Prohibition against Gifts to Public Officials for Improper Purposes

KONGSBERG employees are strictly prohibited from offering, promising, or giving gifts, favors or anything of value to any public official or employee in order to influence his or her judgment in conducting governmental duties. Violations of these rules not only constitute a breach of company policy, but may also be a criminal offense under U.S. law, as described above.

3.2.2 Prior Authorization from the Corporate Compliance Officer or KONGSBERG's Legal Department

KONGSBERG personnel must seek authorization from the Corporate Compliance Officer or KONGSBERG's Legal Department before offering gifts or other courtesies to any public officials or employees, or their families and business associates. Such courtesies include not only tangible items, such as fruit baskets and note pads, but also services and entertainment, such as invitations to attend musical, theatrical or sporting events, as well as political and charitable contributions. Specific rules may also apply to meals, lodging and travel for public officials in various contexts.

3.2.3 Guidelines on Gifts, Hospitality and Other Courtesies

Proposals for gifts and other courtesies submitted to the Corporate Compliance Officer or KONGSBERG's Legal Department for approval must be submitted in advance of making any gifts or other courtesies of any kind, and the gifts or other courtesies must:

- be of nominal value
- not be motivated by a desire to influence the public official inappropriately or to reward the public official for any official act
- be reasonable and customary under the circumstances
- be provided openly and transparently
- be given in good faith and without expectation of reciprocity

Examples of gifts that might be approved by the Corporate Compliance Officer or KONGSBERG's Legal Department in the appropriate circumstances include:

- greeting cards
- plaques, certificates, trophies or other prizes of nominal value awarded at events open to the public
- unsolicited advertising or promotional material (e.g., pens, pencils, note pads, calendars, and other items of nominal intrinsic value) bearing KONGSBERG's name or logo
- sodas, juice, coffee, or light refreshments during the course of a luncheon or dinner meeting to discuss KONGSBERG's business

- reasonably necessary expenses incurred for meals, lodging and travel of a public official for his or her appearance in an official capacity at an event related to the official's public office, such as an aerospace exhibition or other trade show for the promotion, demonstration, or explanation of products or services involving aerospace and defense technology.

3.2.4 Political and Charitable Contributions

KONGSBERG's policy is that all employees must seek prior approval from the Executive Vice President of the business division in question and the Corporate Compliance Officer or KONGSBERG's Legal Department before making any personal contribution to any political party, party official, party representative or candidate, if such party, official, representative or candidate might be in a position to influence KONGSBERG's business.

Any such donation must comply with all applicable laws and regulations and be accurately recorded in KONGSBERG's books and accounts.

KONGSBERG employees should also seek guidance from the Corporate Compliance Officer or KONGSBERG's Legal Department when contemplating charitable contributions, so as to avoid the potential for the appearance of impropriety.

3.2.5 Lobbying Activities

All lobbying firms, as well as any KONGSBERG employees who are authorized to engage in lobbying activities on behalf of the company, must be duly registered as such and are expected to comply with all lobbying regulations under Federal, state and local law, including written disclosure requirements.

KONGSBERG employees are encouraged to consult the Corporate Compliance Officer or KONGSBERG's Legal Department for guidance on relevant registration and disclosure requirements in the particular jurisdictions where lobbying occurs.

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