



KONGSBERG

Kongsberg Gruppen ASA

Instructions for the Board's Audit and Sustainability Committee

KOG-GOV-0005

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1. Introduction

This is an English office translation of the original Norwegian version of this document. In case of discrepancy between the Norwegian language original text and the English language translation, the Norwegian text shall prevail.

1.1 Document history

Revision	Date	Change description
A	2008-02-06	Changes/additions in section 5
B	2010-02-17	Changes to articles 2, 3, 5 and 6
C	05FEB2015	Small adjustments in articles 5 and 6 and adaptation according to template
D	16MAR2021	Adaptation to the new (Norwegian) Auditors Act and amendments to the (Norwegian) Public Limited Liability Companies Act
E	28OCT2022	Inclusion of sustainability in the Audit and Sustainability Committee.
F	07DEC2023	Included Appendix 1

2. Objective

The Board's Audit and Sustainability Committee is a subcommittee of the Board of Directors of Kongsberg Gruppen ASA ("KONGSBERG") and shall act as a preparatory body for the Board of Directors and support the Board in the exercise of its responsibilities for financial reporting, auditing, internal control, compliance with rules of conduct, sustainability and overall risk management, cf. Sections 6-12 and 6-13 of the (Norwegian) Public Limited Liability Companies Act.

The Committee is responsible to the entire Board of Directors of KONGSBERG. The responsibilities of the board and the individual board member will not change as a result of the work of the Audit and Sustainability Committee.

3. Composition

The committee shall consist of at least three board members. The Audit and Sustainability Committee should be composed so that it can act independently of special interests and collectively have the expertise necessary to carry out the Committee's tasks based on KONGSBERG's organisation and activities. At least one of the members must be independent of the business and have qualifications in accounting or auditing and sustainability. Members of the Audit and Sustainability Committee serve for 2 years, or until they resign from the Board of Directors of KONGSBERG. The Board elects the Chair of the Audit and Sustainability Committee.

KONGSBERG's CFO is the committee's secretary. The external auditor shall normally participate in the meetings on relevant topics. The CEO and board members have the right to participate in meetings of the Audit and Sustainability Committee as observers.

4. Meetings

The Board's Audit and Sustainability Committee meets as often as it deems necessary and when the chair of the committee or two members jointly request it, but at least once a quarter. The committee prepares an annual work and meeting plan to be sent to the Board of Directors of KONGSBERG. At least once a year, the Committee shall hold separate meetings with the Chief Executive Officer.

5. Authority

The Audit and Sustainability Committee has the authority to investigate all aspects of the Group's operations. All employees in the Group shall provide such information and assistance as the Committee may request. The Committee may, if necessary, engage external expertise. For more information on pre-approval of services from the Group's external auditor, see Appendix 1.

6. The Committee's tasks and responsibilities

Section 6-43 of the Public Limited Liability Companies Act sets out requirements for the tasks and responsibilities of the Audit and Sustainability Committee.

The Audit and Sustainability Committee shall:

- A. inform the Board of Directors of the outcome of the statutory audit and explain how the audit contributed to financial reporting with integrity and the role of the Audit and Sustainability Committee in that process,
- B. prepare the Board's follow-up of the financial reporting process and make recommendations or suggestions to ensure its integrity;
- C. with regard to the company's financial reporting, monitor the systems for internal control, risk management and internal audit without violating the independent role of the Audit and Sustainability Committee,
- D. have ongoing contact with the company's elected auditor regarding the audit of the annual accounts, including in particular monitoring the audit performance in light of matters identified by Finanstilsynet pursuant to Article 26(6) of the Audit Regulation, cf. Section 12-1 of the Auditors Act. This means that if the auditor is subject to supervision by Finanstilsynet for the assignment in question, the results of this review must be communicated and discussed with the Audit and Sustainability Committee
- E. assess and monitor the auditor's independence pursuant to Chapter 8 of the Auditors Act and Article 6 of the Audit Regulation; cf. Section 12-1 of the Auditors Act, including in particular that services other than auditing have been provided in accordance with Article 5 of the Regulation; see section 3 above.
- F. be responsible for preparing the company's election of auditor and making its recommendation in accordance with Article 16 of the Audit Regulation, cf. Section 12-1 of the Auditors Act.

6.1 Financial reporting, etc.

In connection with the presentation of annual accounts/annual reports, half-yearly accounts/half-yearly reports and quarterly accounts, the Committee shall discuss significant accounting matters with management and an external auditor. In addition, the Committee shall review and assess the rules and procedures that KONGSBERG has drawn up in order to comply with its financial reporting in accordance with applicable regulations, including reporting to the Oslo Stock Exchange. In this context, the Audit and Sustainability Committee shall prepare the Board's quality assurance of KONGSBERG's financial reporting.

6.2 Relationship with external auditor

In relation to the external auditor, the Committee shall:

- ensure that the external auditor acts independently in relation to management, including ensuring that the rules and decisions in force at any given time regarding the purchase of additional services from the auditor are followed;
- discuss with the auditor planning and approach for the audit, including risk assessment and audit scope;

- consider and recommend to the Board of Directors the election of an external auditor in the Group and on the remuneration;
- assess and recommend to the Board with regard to the financial framework and the nature of the assignment for planned and expected additional services from an external auditor;
- review the external auditor's reports to the Board;
- review and assess mandatory additional reporting from the auditor;
- review letters from the external auditor to corporate management, assess management's responses; and
- have ongoing contact with the auditor regarding auditing.

6.3 Sustainable value creation

The Audit and Sustainability Committee shall assist the Board of Directors in fulfilling its responsibility to prepare clear goals, strategies and risk profiles for the business, so that the company creates value for shareholders in a sustainable manner with regard to economic, social and environmental conditions.

The Audit and Sustainability Committee shall receive information and review the company's risks, practices, results and reporting related to climate and sustainability, including human rights, corporate social responsibility and the environment. The Committee shall assess whether the reporting is adequate for the company's stakeholders and has been provided with sufficient independent confirmation. The administration must report the company's results from external evaluations that it agrees to follow on an ongoing basis.

6.4 Other tasks

In addition to the tasks mentioned above, the Audit and Sustainability Committee shall:

- Minimum quarterly review of compliance cases;
- Review KONGSBERG's procedures and systems for internal control, including non-financial compliance;
- Review KONGSBERG's routines for overall risk management, including;
 - a) *review of the routines in place for management to identify and manage KONGSBERG's significant risk areas; and*
 - b) *assessment of the routines for managing operational risk and financial risk (risk management systems).*
- Annually review all transactions between KONGSBERG and related parties, including members of the Board of Directors and management of KONGSBERG and other group companies that fall under the duty of disclosure pursuant to Section 3-8 of the Public Limited Liability Companies Act/Limited Liability Companies Act;
- Review KONGSBERG's procedures for monitoring compliance with applicable business ethics guidelines and the guidelines for KONGSBERG's operations and reporting;
- Consider other matters that the Board decides or that the committee itself or the auditors wish to address; and
- At least once a year, assess their own work and propose any improvement measures, including changes to these instructions.

7. Rules of procedure

The Audit and Sustainability Committee can consider cases when at least two-thirds of the committee's members participate in the case processing.

The Audit and Sustainability Committee may choose to hold special meetings for sustainability.

Minutes of each meeting of the Audit and Sustainability Committee shall be signed by the members. The minutes of the meetings shall be kept with the secretary of the Audit and Sustainability Committee.

The Audit and Sustainability Committee routinely reports to the Board by posting the minutes of the committee's meetings on the board portal. The Board's Audit and Sustainability Committee submits an oral report to the Board on any critical matters at the first board meeting after each meeting of the Audit and Sustainability Committee. In addition, the Audit and Sustainability Committee provides reports to the Board at board meetings or in other ways when the Board requests this or when the Audit and Sustainability Committee deems this necessary in order for all board members to have access to all material information.

The committee shall not make decisions on behalf of the Board but shall present its assessments and recommendations to the Board.

8. Entry into force

The document enters into force from the date the Board gives its approval.

APPENDIX 1

AUDIT- AND SUSTAINABILITY COMMITTEE

- PREAPPROVAL POLICY FOR SERVICES BY THE GROUP AUDITOR

Statement of principles

According to the Norwegian Public Limited Liability Companies Act section 6-43 e), the audit committee is to assess and monitor the auditor's independence, cf chapter 8 of the Norwegian Audit and Auditors Act and article 6 of Regulation (EU) 537/2014 on specific requirements regarding statutory audit of public-interest entities (the EU regulation), including the extent to which non-audit services (NAS), provided by the auditor or the audit firm, comprise a threat to auditor's independence. In particular, the audit committee should ensure that non-audit services provided to group companies within the EU /EEC are in line with the EU regulation article 5. In addition, the International Ethics Standards Board for Accountants (IESBA) have issued an International Code of Ethics for Professional Accountants (the Code). In accordance with the Code, the statutory auditor should communicate their independence assessment of any proposed NAS to and obtain the pre-concurrence from the those charged with governance (TCWG) of a PIE audit client for the service before the provision of services begins.

In KOG, the Audit and Sustainability Committee (ASC) have the role of following up on auditor independence and must approve any NAS provided to Kongsberg Gruppen ASA (the Company) and its controlled undertakings (subsidiaries) by the statutory auditor and members of its network in order to ensure that the provision of such services do not impair the auditor's independence.

The ASC shall review and discuss with the statutory auditor any documentation supplied by the statutory auditor as to the nature and scope of any non-audit services to be approved, as well as the potential effects of the provision of such services on the auditor's independence.

When considering the permissibility of non-audit services to subsidiaries domiciled in the EU/EEA, the independent auditor must comply with the EU-PIE rules in force in the country of domicile of the relevant affiliate that will consummate the services. However, it should be noted that non-audit services to a branch office must comply with the EU-PIE rules in force in the country of domicile of the legal entity of which the branch forms a part. The ASC will evaluate the permissibility of non-audit services based on the applicable EU/EEA country Member State laws and regulations of the relevant affiliate.

Appendix A to this Preapproval Policy describe in detail the particular audit, other assurance, direct and indirect tax, and other non-audit services that have the preapproval of the ASC pursuant to this Preapproval Policy. The preapproval is subject to local laws and regulations in the country the service will be provided. The ASC shall periodically revise the list of preapproved services.

Delegation

The ASC may delegate preapproval authority to one or more of its members for matters requiring approval prior to a scheduled committee meeting. The member or members to whom such authority is delegated shall report any approval decisions to the ASC at its next scheduled meeting. The Chair of the ASC is deemed to have approval authority in the absence of any other ASC members having such delegated authority. The ASC may not delegate to management its responsibilities to approve services performed by the independent auditor.

For services within the preapproved categories in Appendix A, the ASC has designated the Chief Compliance Officer to monitor compliance with this Preapproval Policy for audit and non-audit services by the independent auditor. However, the ASC assume the ultimate responsibility to approve non-audit services.

Preapproval fee levels

The ASC may consider the amount or range of estimated fees as a factor in determining whether a proposed service would impair the independent auditor's independence. For services within the preapproved categories in Appendix A, the following regulation applies:

- For engagements with an estimated fee of up to NOK 100 000, the local KOG entity can engage the independent auditor to provide the preapproved service if NOK 100 000 is within the limit stated in the Authority matrix. If not, the next level in the authority matrix entitled to approve an amount of NOK 100 000, must consider and approve the service.
- Engagements with an estimated fee in excess of NOK 100 000 requires confirmation by the Chief Compliance Officer before the local KOG entity can engage the independent auditor to provide the preapproved service.
- Engagements with an estimated fee in excess of NOK 500 000 requires confirmation by the Chairman of the ASC before the local KOG entity can engage the independent auditor to provide the preapproved service.

Procedures

All requests for non-audit service engagements to be provided by the independent auditor will be submitted to the Chief Compliance Officer and the Group Vice President Corporate Accounting. The local entity (if the fee is up to NOK 100 000 and within the limit stated in the Authority matrix) or the Chief Compliance Officer (if the fee is up to NOK 500 000) will determine whether the services in excess to be rendered is included within the list of services preapproved by the ASC in Appendix A.

Requests or applications to provide services that require separate approval by the ASC (i.e. not included in the list of preapproved services in Appendix A) shall be submitted to the ASC by the Chief Compliance Officer based on an approval request form (Exhibit 1) provided by the independent auditor. Each submission must include a statement by the independent auditor and the Chief Compliance Officer as to whether, in their view, the request or application is consistent with EU and country specific regulations on auditor independence.

Supporting documentation

With respect to each proposed non-audit service, the independent auditor must prepare documentation regarding the specific services to be provided. For proposed tax services to an affiliate in an EU member state that has adopted a derogation for tax services, the independent auditor must document that the following three conditions are met:

1. they have no direct or have immaterial effect, separately or in the aggregate on the audited financial statements of KOG
2. the estimation of the effect on the audited financial statements is comprehensively documented in an additional report to the audit committee
3. the principles of independence laid down in Directive 2006/43/EC are complied with by the audit firm

A summarized report including documentation and fees for each non-audit service will be prepared by the independent auditor and provided to the ASC bi-annually for discussion and scrutiny.

Exhibit 1 represents the approval request form that must be completed by the independent auditor for each non-audit service being proposed – to manage the process and to demonstrate compliance with the derogation conditions for tax services.

Cap on fees for permitted non-audit services

Article 4 of the EU regulation, establishes that when the Norwegian statutory audit firm¹ auditing Kongsberg Gruppen ASA has been providing non-audit services to the Kongsberg Group for a period of three or more consecutive financial years, the total fees for such services shall be limited to a maximum of 70% of the average of the audit fees paid to the Norwegian statutory audit firm in the last three consecutive financial years for the statutory audits of Kongsberg Gruppen ASA, its controlled subsidiaries and the consolidated financial statements.

Application of the 70% fee cap includes the following three categories of fees paid to the Norwegian statutory audit firm:

1. Audit fees paid to the Norwegian statutory audit firm for the statutory audits of Kongsberg Gruppen ASA, its controlled subsidiaries, and the consolidated financial statements. This includes fees for services in category 1.1 to 1.3 in Appendix A.
2. Fees for non-audit services required by European Economic Community (EEC) or national law to be provided by the Norwegian statutory audit firm is excluded from the fee cap. This relates to applicable fees for services in category 2.2, 2.3, 2.7 and 2.8 in appendix A.
3. Fees for other non-audit services provided by the Norwegian statutory audit firm. This includes fees for all services in category 2, 3 and 4 in appendix A, except for services in category 2.4, 2.6, 2.12 and 2.15 included in item 2. above.

The fees in category 3 above should not exceed the 70% fee cap based on the three-year average of audit fees in category 1. Non audit services in category 2 above are excluded from the 70% fee cap.

Prohibited services

A list of EU Audit Regulation and globally prohibited non-audit services is attached to this Preapproval Policy as Appendix B. The local laws and relevant guidance issued by the local competent authority for audit oversight should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions. No approval will be granted in respect of prohibited non-audit services as defined by the IESBA Code of Ethics for Professional Accountants, EU Audit Regulation 537/2014 Article 5, and/or local country independence rules, regulations or professional standards.

Appendix A - Generally preapproved services

1	Audit services
1.1	Statutory audits or financial statement audits for the Group, subsidiaries or affiliates of the Company, including attestation of tax returns and review/assessment of internal control as required by law and regulation
1.2	Limited Review Engagements performed in accordance with International Standards on Auditing

¹ Statutory audit firm is the Norwegian audit firm elected to audit the legal entity Kongsberg Gruppen ASA. The 70% fee cap relates to fees for applicable non-audit services paid to the Norwegian audit firm from all entities in the Kongsberg Group, but not fees paid to other legal entities in the auditor's global network.

1.3	Extended audit procedures related to accounting/financial information and internal controls required to respond to or comply with financial, accounting or contractual requirements, regulatory reporting matters or on the request from management (e.g. extended audit procedures required in relation to implementation of new or revised accounting or reporting standards)
2	Other assurance services
2.1	Services associated with registration statements and other documents filed with the Oslo Stock Exchange or other documents issues in connection with securities offerings and issuance or update of loan programs (e.g. comfort letters)
2.2	Attestation of management reports and application for refunds from government agencies (e.g. "skattefunn")
2.3	Attest services related to attestations/confirmations required by law to be from independent auditor or required to respond to or comply with financial reporting, accounting or contractual requirements or regulatory reporting matters or on the request from management
2.4	Agreed-upon procedures related to accounting/financial information and reporting and/or billing records required to respond to or comply with financial, accounting or contractual requirements, regulatory reporting matters or on the request from management
2.5	Closing balance sheet audits pertaining to dispositions
2.6	Attestation of or agreed-upon procedures on non-financial reporting (in financial reports, corporate responsibility and sustainability reporting, etc.)
2.7	Assurance of sustainability reporting in line with the European Sustainability Reporting Standards (ESRS) as required by the Corporate Sustainability Reporting Directive (CSRD)
2.8	Attestation of management remuneration report

3	Direct and indirect tax services
3.1	Review of, and technical advice in connection with, direct and indirect tax returns, including any disclosure letter to such returns, prior to their submission
3.2	Assistance with direct and indirect tax compliance and technical assistance in connection with this
3.3	Technical assistance in connection with the preparations and submission of direct and indirect tax forms
3.4	Assistance in connection with direct and indirect tax audits (carried out by tax authorities) and appeals related to reassessments
3.5	Review of transfer pricing methods already implemented, including assistance in connection with the preparation of transfer pricing documentation
3.6	Technical assistance in respect of day to day interpretation of statutory tax legislation, including regulatory and/or administrative regulations. Further, guidance, information and technical assistance in respect of suggested and potential development/changes in/to direct and indirect tax legislation
3.7	Direct and indirect tax due diligence in connection with sale and acquisition transactions, including business integrations
4	Other Non-Audit Services
4.1	Assistance in responding to The Financial Supervisory Authority of Norway's comment letters and other letters from regulatory bodies
4.2	Consultations as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or accounting standard-setting bodies or other regulatory or standard-setting bodies
4.3	Consultations relating to sustainability reporting, including reporting and disclosure requirements and/or the actual or potential impact of final or proposed rules, standards or interpretations by regulatory or standard-setting bodies
4.4	Sustainability readiness assessments
4.5	Due diligence and audit services in connection with potential business acquisitions/disposals
4.6	Access to EY's electronic tool for Accounting Literature
4.7	Facilitation of general training sessions and seminars (not relating to company specific policies, procedures and manuals)
4.8	Due diligence, review and assessments of existing and potential suppliers and service providers
4.9	Fact based fraud or forensic investigations
4.10	Provide support and guidance in relation to responsible investment including environment, social, governance (ESG) due diligence
4.11	Advice and technical assistance related to regulatory reporting (i.e. SAF-T)

Appendix B – Prohibited services

Non-audit services prohibited globally

- Services that involve playing any part in the management or decision-making process of the audited entity
- Bookkeeping or other services related to the accounting records or financial statements of the audit client, including technical assistance with preparation of statutory financial statements (independent of materiality and location of the subsidiary)
- Designing and implementing internal control or risk management procedures related to the preparation and/or control of financial information
- Designing and implementing financial information technology systems
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports, except for reports required by law in connection with internal re-organisations that do not impact the values in the consolidated financial statements

Additional non-audit services prohibited within EU / EEA countries

- Tax services relating to
 - Payroll tax²
 - Customs duties
- Services linked to the financing, capital structure and allocation, and investment strategy of the audited entity, except providing assurance services in relation to the financial statements, such as the issuing of comfort letters in connection with prospectuses issued by the audited entity
- Promoting, dealing in, or underwriting shares in the audited entity
- Legal services with respect to the provision of general counsel, negotiating on behalf of the audited entity or acting in an advocacy role in the resolution of litigation
- Services related to the audited entity's internal audit function
- Human resources services with respect to:
 - recruitment, reference checks or selection of management in a position to exert significant influence over the preparation of the accounting records or financial statements
 - structuring the organisation design
 - cost control
- Payroll services

² Comprises the kind of deductions of an employee wage that would normally be processed and administered through the employer's payroll system. This includes shadow payroll and/or tax equalization services.