Corporate Governance in Kongsberg Automotive Holding ASA

1 Implementation of the principles for Corporate Governance

KA's guidelines for Corporate Governance conform with the Norwegian Code of Practice For Corporate Governance of 21st October 2009.

2 Definition of KA's business

The objective is defined in the Articles of Association for the Company article 2:

> *"The company's objective is to engage in engineering industry and other activities naturally related thereto, and the company shall emphasize development, marketing and manufacturing of products to the car industry. The company shall be managed in accordance with general business practice. The company may co-operate with, establish and participate in other companies."*

Article 2 provides a clear description of the actual business of the Company at present. The Annual report contains a description of the Company's objectives and principal strategies.

3 Equity and dividends

The Company shall have an equity capital which over a period of time is at an appropriate level for its objective, strategy and risk profile.

According to the dividends policy of the Company, returns to shareholders should be a combination of changes in share price and dividends. Dividends should reflect the results of the Company, while recognizing opportunities for new, profitable investments. Over time, the returns to shareholders should come more from an increased share price rather than through dividend distributions. The Board of Directors of KA considers that dividends over a period should average roughly 35 percent of the Company's net income.

The general meeting 11th June 2009 has granted a mandate to the Board of directors to purchase up to 6.516. 430 of its own shares. The mandate expires at the earlier of the next ordinary General Meeting or 30 June 2010.

The Board does not at present hold any authorization to increase the share capital of the Company.

The current loan agreement with the Banks sets some restrictions on the Company's ability to pay out dividend. This is related to the gearing level of the Company. See notes in the annual report.

4 Equal treatment of shareholders and transactions with close associates

KA has only one class of shares and all shareholders in KA enjoy equal rights.

Transactions in own shares are in general carried out through the stock exchanges or at prevailing stock exchange prices. Possible buy backs, will be carried out at market prices.

In the event of transactions between the Company and its shareholders, board directors or members of the executive management, or parties closely associated with such parties, independent valuation will be obtained if such transactions are not immaterial, provided that the transactions are not to be approved by the General Meeting according to law. Independent valuation will also be obtained for transactions within the same group of companies even if such companies involved have minority shareholdings.

5 Freely negotiable shares

The shares in KA are freely negotiable and there are no restrictions on negotiability in the Company's articles of association.

6 General Meetings

The notice of calling the General Meeting will be published on the Company's web pages; www.kongsbergautomotive.com no later than 21 days prior to the meeting. The notice shall further be sent to all known shareholders not later than three weeks prior to the meeting. Support information, such as resolutions to be considered by the General Meeting and recommendations by the Nomination Committee shall be made available within the same dates. The supporting material shall be sufficiently detailed and comprehensive to allow all shareholders to form a view on all matters to be

considered at the General Meeting. Documents that according to law shall be distributed to the shareholders may be made available on the Company's web pages.

Shareholders who wish to attend the General Meeting shall notify the Company or its announced representative no later than 5 days prior to the General Meeting.

Shareholders who can not attend the General Meeting may vote by proxy. Forms for the granting of proxies are enclosed with the summons to the General Meetings.

To the extent possible, members of the Board of Directors, the Nomination Committee and the Auditor will be present at the General Meeting.

The General Meetings is usually opened by the Chairman of the Board of Directors. The shareholders are encouraged to propose candidates to chair the General Meeting.

The notice calling the General Meeting will provide information on procedures shareholders must observe at the General Meeting including:

- The procedure for representation by proxy, including form for appointment of a proxy.
- The notice and supporting material will be available on the Company's web pages.

The following information will be made available at the Company's web pages at the earliest opportunity:

- Information on the right of the shareholders to propose matters to be considered by the General Meeting.
- Proposals for resolutions to be considered by the General Meeting, alternatively comments on matters where no resolution is proposed.
- A form for appointing a proxy.

The Board of Directors and the chairman of the General Meeting shall ensure that the General Meeting is given the opportunity to vote separately for each candidate nominated for election to the Company's corporate bodies.

7 The Nomination Committee

The duties of the Nomination Committee are to propose candidates to the Board of Directors and to propose remuneration to be paid to the Directors.

It follows from the Articles of Association for the Company § 5 that the Company shall have a Nomination Committee consisting of 3 members elected by the General Meeting for 3 years at a time, unless the General Meeting resolves otherwise. The members of the Nomination Committee may not have other functions in the Company. Prior to each election of directors to the Board, the Board of Directors shall notify the Nomination Committee and the latter shall find eligible candidates for directorship and deputy directorship to be elected by the General Meeting. The Nomination Committee's nominations shall be enclosed with the summons for the General Meeting.

Information about the Nomination Committee and the deadlines for submitting proposals to the Nomination Committee will be made available on the Company's web pages.

8 Board of Directors, composition and independence

The Board of Directors shall according to the Articles of Association of the Company consist of 3 – 9 members of whom up to 5 members including the chairman and up to 2 deputy members shall be elected by the General Meeting.

All Directors to the Board elected by the General Meeting are independent of the executive management and material business contacts of the Company.

The term of office for the Directors to the Board is 2 years.

Information about the Directors to the Board is available on the Company's web pages.

9 The work of the Board of Directors

The Board of Directors has issued Rules of Procedure for the Board of Directors as well as instructions for the Chief Executive Officer of the Company with the aim of establishing clear internal allocation of responsibilities and duties. Said procedure and instructions are available on the Company's web pages.

The Board of Directors has appointed a Compensation Committee and an Auditing Committee. The members of said committees are independent of the executive management.

The Board of Directors evaluates its performance and expertise annually by a self assessment.

10 Risk management and internal control

The Board of Directors carries out an annual review of the Company's most important areas of exposure to risk and internal control arrangements.

The main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting are included in note 15 to the annual accounts.

11 Remuneration of the Directors of the Board

The remuneration paid to each Board member is specified in note 17 to the annual accounts. The Directors hold no other assignment in the Company than the directorships to the Board and memberships to subcommittees to the Board.

12 Remuneration to the executive management

The Board of Directors has established guidelines for the remuneration to the executive management. The guidelines are available on the Company's web pages and are communicated to the annual General meeting. Information about the remuneration paid to the executive management of the Company is included herein in note 17 to the annual accounts.

13 Information and communication

The Board of Directors has established guidelines for the Company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.
A financial calendar for the Company is available on the Company's web pages.

All information distributed to the shareholders will be made available simultaneously on the Company's web pages.

14 Take-overs

The Board of Directors has established guiding principles for how it will act in the event of a take over bid. These are in compliance with article 14 of the Code of Practice. The main elements of these principles are included in the Rules of Procedures for the Board of Directors and available on the Company's web pages.

There are no defense mechanisms in the Articles of Association for the Company or any underlying documents, nor are there implemented any measures to limit the opportunity to acquire shares in the Company.

15 Auditor

The Auditor participates in the meetings with the Audit Committee and in the Board meeting that approves the financial statements and meets with the Board without the management of the Company present at least once a year. The Company has established guidelines for the Auditor's and associated persons' non-auditing work. Compensation to the Auditor is disclosed in a note to the Annual Accounts hereto and is also reported and approved by the General Meeting.