

2022

Annual and Sustainability Report

**NAMMO**

# Securing the Future

A silhouette of a woman standing on a cliff edge, looking out over a mountain range at sunset. The sky is a mix of purple, blue, and orange. The woman is wearing a long-sleeved shirt and shorts. The overall mood is contemplative and forward-looking.

# Highlights 2022

Sales	Profit	Order Reserve	ROCE	Gender Equality	Employee well-being	Business Integrity
<p><b>7%</b> </p> <p>Sales rose 7 percent to NOK 7.45 billion</p>	<p><b>12%</b> </p> <p>Profit for the year rose 12 percent to NOK 508 million.</p>	<p><b>44%</b> </p> <p>Order reserve Increase 44 percent NOK 14.8 billion</p>	<p><b>17%</b> </p> <p>Return on Capital Employed was 17 percent</p>	<p><b>27%</b> </p> <p>The percentage of female employees was stable at 27 percent</p>	<p><b>4.9%</b> </p> <p>Sick leave was 4.9 percent</p>	<p><b>93%</b> </p> <p>Completed all e-learning</p>

## Business and customers

- Record sales, profit, and order reserve achieved during the year
- War in Ukraine drives demand for certain products: 18 times higher order reserve for M-72
- Successful qualification of APEX ammunition for the F-35 fighter jet
- Development of Ramjet Artillery round achieved new milestones
- New long range artillery round in production and in high demand
- Nammo’s space business qualified with igniters for Ariane 6
- Increased ammunition deliveries under Security of Supply contracts to Norway and Finland
- Maintained industry-leading levels of R&D to ensure technological relevance for customers

## Organization and people

- Demonstrated resilience by delivering on-time to customers in a challenging business environment
- Group-wide implementation of Nammo Management System to ensure uniform process across the company to support future growth
- Nammo Awards recognizing excellence in HESS, Teamwork, and Sustainability
- No serious injuries and Lost Time Injuries at-record low level
- Achieved target of 27 percent female employees



As a leading international aerospace and defense Group, Nammo is committed to securing a sustainable future.

We stand by our core values of dedication, precision and care.

**Nammo**  
SECURING THE FUTURE

# Table of contents

## 1

### About Nammo

Key figures	6
Vision and values	10
Business units	12
Interview with the CEO	14

## 2

### Sustainability Report

Sustainability	18
Environment	26
Social	40
Governance	47

## 3

### Board of Directors' Report

Board of Directors' Report	76
----------------------------	----

## 4

### Nammo Group

Income statement	86
Balance sheet	87
Cash flow	89
Accounting policies Nammo Group	91
Notes to the financial statements	94

## 5

### Nammo AS

Income statement	105
Balance sheet	106
Cash flow	108
Accounting policies Nammo AS	110
Notes to the accounts	112

## 6

### Auditor's report and GRI Index

Auditor's report	119
Annual Statement on The Norwegian Transparency Act	121
Report by Nammo AS pursuant to the Norwegian Equality and Discrimination Act. 26	123
GRI Index	124



NAMMO ANNUAL REPORT 2022

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# 1 | About Nammo

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Key figures

Vision and values

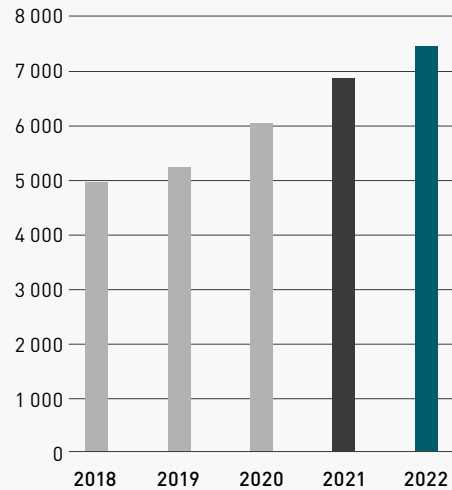
Business units

Interview with the CEO

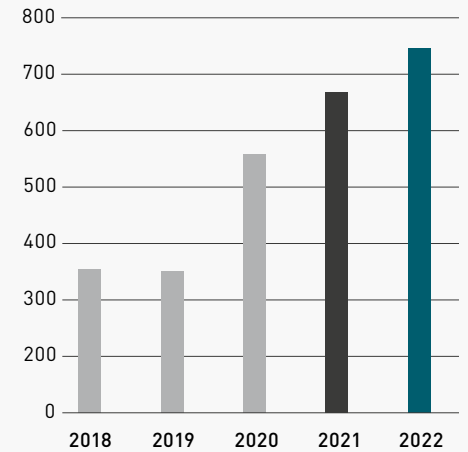
# Revenue and EBIT

(NOK 1 000)	2018	2019	2020	2021	2022
<b>Order reserve</b>	5 813	7 443	9 170	10 307	<b>14 829</b>
<b>Revenue</b>	4 920	5 073	6 036	6 978	<b>7 452</b>
<b>Earnings Before Interest and Tax (EBIT)</b>	362	352	564	675	<b>736</b>
<b>Total Assets</b>	6 083	6 229	7 106	7 024	<b>8 233</b>
<b>Total Equity</b>	2 688	2 776	3 011	3 187	<b>3 564</b>
<b>Average Man-years</b>	2 409	2 377	2 523	2 648	<b>2 679</b>
<b>Pre-tax Return on Sales (ROS)</b>	6.7%	6.0%	9.1%	9.2%	<b>9.2%</b>

REVENUE



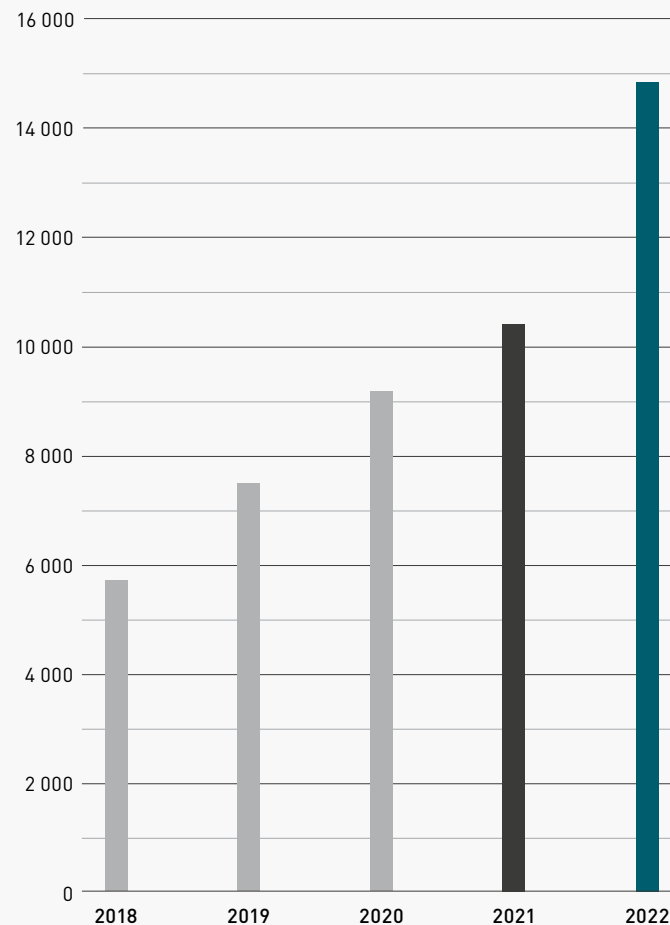
EBIT



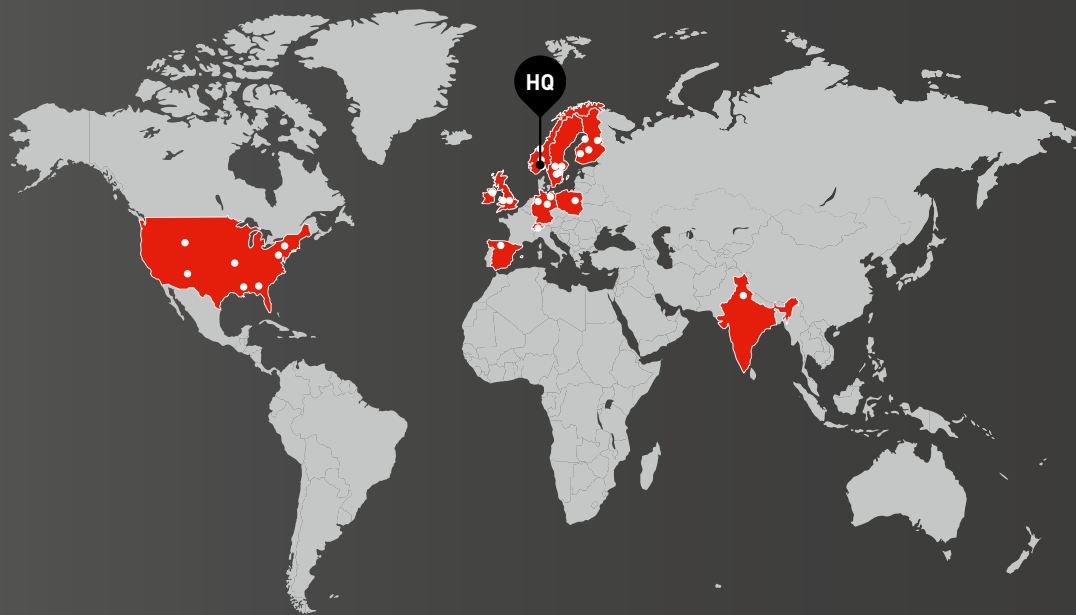
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## ORDER RESERVE



# Global footprint



## USA

- Washington, D.C
- Mesa, AZ
- Columbus, MS
- Bay St. Louis, MS
- Salt Lake City, UT
- Scranton, PA
- Moscow, PA
- Sedalia, MO
- Perry, FL
- Marengo, OH

## IRELAND

- Dublin

## UK

- Westcott
- Cheltenham

## SPAIN

- Palencia

## SWITZERLAND

- Hérémece

## NORWAY

- Raufoss
- Aurskog
- Løkken Verk

## GERMANY

- Schönebeck
- Schwerte

## POLAND

- Warsaw

## SWEDEN

- Lindesberg
- Karlsborg
- Vingåker
- Karlskoga

## FINLAND

- Lapua
- Vihtavuori
- Sastamala
- Tampere
- Vantaa

## INDIA

- New Delhi

<b>NORWAY</b>	<b>11</b>	<b>27</b>	<b>2 800</b>
HQ – Raufoss	Countries	Production sites	Total employees



# Nammo sales

Nammo's main customers are national authorities, defense forces and other aerospace and defense manufacturers. Commercial market products are sold through distributors, retailers and national sport shooting and biathlon associations.



## Segment sales



- Defense and Aerospace
- Commercial

## Geographical sales distribution



- North America
- Nordic countries
- Rest of Europe
- Other (4%)

## Sales to NATO, Europe, and allied countries vs. other



- NATO/Europe/Allied countries
- Other (2%)

# About Nammo

Nammo is an international aerospace and defense company headquartered in Norway. With 2 800 employees across 27 production sites and a presence in 11 countries, Nammo is today one of the world's leading providers of specialty ammunition and rocket motors for both military and civilian customers.

The Group was founded in 1998 through a government-led business combination of the Nordic ammunition and propulsion businesses in Norway, Sweden and Finland, all of whom brought with them proud legacies of innovation, quality and service to their customers. In the years since, these initial locations have been joined by similar businesses from across Europe and North America, making Nammo what it is today – a unique combination of small, yet highly capable, specialist operations that are equally at home on both sides of the Atlantic. Nammo is owned by the Norwegian Government, through the Ministry of Trade, Industry and Fisheries, and the Finnish company Patria Oyj. Both hold 50 percent of the shares, with the position of Board Chairman alternating between the two owners on an annual basis.

Nammo aims to deliver a truly reliable advantage to customers that accept only the best from themselves and their equipment. Customers are primarily located in Europe and North America, markets which consistently represent more than 90 percent of the Group's revenue.

Aerospace and Defense represents roughly 80 percent of Nammo's business, with production facilities in Europe and the United States, all marketed under the Nammo brand. Commercial products, primarily commercial ammunition, gunpowder and components, represents roughly 20 percent, with the majority of production in Europe, marketed under brands including Lapua, SK, Vihtavuori, Berger and Hansson Pyrotech.

# Our values

These values are the fundamental principles guiding the way the company does business and interacts with its stakeholders.



## DEDICATION

We are enthusiastic and creative, always searching for the best solutions.



## PRECISION

We are reliable and accurate in our technology, processes and business.



## CARE

We are inclusive and open-minded, always encouraging team spirit and cooperation.

## Our vision: Securing the future

We will develop and secure a long-term sustainable business for our customers and employees.

Our future development depends on a secure and safe working environment. We must emphasize the importance of every single employee.

We will protect our national and allied forces with high-quality defense products.

We will secure the future development of sustainable products, processes and services.

We will secure further growth based on strong financial performance.

# Business units

Nammo’s day-to-day operations are conducted through four business units, each led by an Executive Vice President (EVP).

## Small and Medium Caliber Ammunition (SMCA)

### EVP: Reijo Bragberg

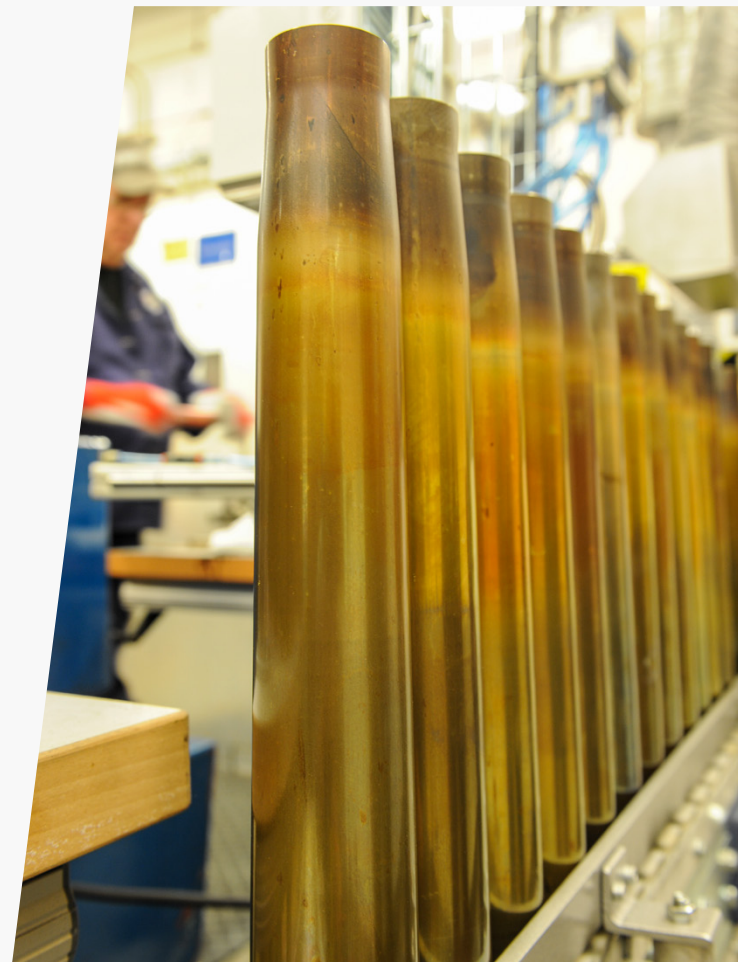
SMCA is the business unit delivering the widest range of defence products to a large number of customers. With major manufacturing operations in Norway, Sweden, Finland and Spain, as well as smaller operations in several other countries, it covers Nammo’s military ammunition products from 4,6 mm up to and including 40 mm. Its specialties include market-leading armor penetrators based on tungsten carbide, lead-free small arms ammunition, programmable 40 mm airburst ammunition, and Nammo’s signature Multipurpose ammunition, which has delivered decisive firepower to both infantry vehicles and aircraft for more than 50 years. SMCA also provides environmentally friendly demilitarization services at facilities in Norway and Sweden.

## Large Caliber Systems (LCS)

### EVP: Vegard Sande

LCS delivers large caliber ammunition for naval gun systems, projectiles, ammunition for main battle tanks, ammunition and ammunition components for mortar systems and components for artillery systems, and shoulder-fired weapons such as the M72-series. It has major manufacturing operations in Norway, Sweden, Finland, USA and Switzerland.

In recent years, Nammo has positioned itself as the leading provider of range-extension technologies for artillery systems, developing and manufacturing both complete long-range shells and components and technologies for integration into other designs. Its product range also includes hand grenades, such as the Scalable Offensive Hand Grenade, and the Anti-Personnel Obstacle Breaching System (APOBS) used by the US Army and the US Marine Corps.



## Aerospace Propulsion (AP)

### EVP: Stein Erik Nodeland

AP specializes in developing and delivering compact, yet supremely reliable and powerful propulsion systems and energetics for both military and commercial applications. With development and manufacturing operations in Norway, the United Kingdom, Ireland and the USA, it has supported international tactical missile programs since the early 1960s, with Nammo today being the sole provider of rocket motors for several key programs. Nammo's core of aerospace engineers are at the cutting edge of development for new propulsion solutions for both air and space applications, including air-breathing and hybrid designs. Other key products include energetic components for aircraft escape systems and in-space propulsion for satellites and other spacecraft, such as the UK-designed and built LEROS series of engines.

## Commercial Ammunition (CA)

### EVP: Raimo Helasmäki

CA delivers premium commercial ammunition products and gunpowder under the brands Lapua, SK, Vihtavuori and Berger. With major manufacturing operations in Finland, Germany and the USA, its products are trusted and preferred by competition shooters everywhere. CA is also responsible for Nammo's production of ammunition base components such as cups and disks, through Nammo's German subsidiary ND PressTec.





# Resilience through an extraordinary year

Geopolitical upheaval during the year created a new set of challenges for the industry and Nammo. As 2022 came to a close, President and CEO, Morten Brandtzæg shared some of his thoughts and assessments about Nammo's performance through this challenging year, as well as on key topics like R&D, resilience, sustainability and industrial capacity.

**INTERVIEW WITH PRESIDENT & CEO  
MORTEN BRANDTZÆG**



**Q: What went through your mind in late February as Russia launched its war of aggression against Ukraine?**

Brandtzæg: Well, firstly, we had worked very hard to get the company through during the pandemic and had managed well over 90 percent on-time deliveries to our military customers during those two years, but we were still facing supply chain issues. Then, when the war broke out, our first priority was to see how we could get hold of more materials and strengthen our ordering to support our allied nations in a very challenging situation and at the same time take into account the changes in the global market with new regulations and sanctions.

**Q: What have been your main concerns during the year, and why has industrial capacity become so important?**

Brandtzæg: It has been important to convey a good understanding of how the defense industry works to political leaders. The defense industry generally bases production on orders, and it has surprised many that there is little or no excess capacity on hand in the industry to meet the sudden and massive rise in demand.

It's very important that the defense industry can establish the production capacity that is needed. Nammo's order stock has more than doubled during the year, and there is very strong demand in several segments. The uncertainty

for the defense industry is that we do not know how long this peak war-time demand will last. I believe it is a compressed demand, and while we don't know the duration it will still require a lot of extra investment, in production equipment, storage facilities, and raw materials. So, cooperation between government and industry is vital. Industry needs long-term orders so it can form the basis for sustainable investments and government needs to provide that for the industry. This is also necessary to maintain a sustainable and leading defense industry that can support our armed forces. Now the main concern is how production capacity can be ramped-up so that we can deliver on the order reserve. That's a challenge for all of us, but I'm optimistic for Nammo looking ahead.

**Q: What does resilience mean for Nammo?**

Brandtzæg: We are in a situation where western values like democracy and inclusion, equal rights, and freedom to express ourselves are being challenged to the core. We have an iron-clad commitment to support our armed forces in times of peace, crisis or war. So ensuring Nammo's resilience as a company has been more on our minds during the year than ever before, because it's our job to be able to deliver ammunition, rocket motors or shoulder fired weapons to government customers.

Resilience is crucial for Nammo and means we must also be able to work under challenging conditions.

**“We have an iron-clad commitment to support our armed forces in times of peace, crisis or war. So ensuring Nammo’s resilience as a company has been more on our minds during the year than ever before.”**

Our organizational resilience is important for our ability to develop and produce new products and ramp-up in extraordinary times, so we can respond to customer demand and changes in the geopolitical sphere as and when required.

Last summer we were more exposed than ever to extreme weather conditions, and these are new challenges that we need to take into account in our future sustainability strategy. We need to reduce our consumption of energy and water and cut our emissions in general. Nammo is experienced in the demilitarization area, such as reuse, recycling and restoring, and these are capacities that will be needed in the years to come.

We all work hard to ensure that Nammo has the stamina to deliver on our vision of 'Securing the Future', not only for our employees and stakeholders, but also for society as a whole.

Nammo is committed to supporting the ten principles of the UN Global Compact in the areas of Human Rights, Labor, Environment and Anti-Corruption which continue to play an important part of our strategy and day-to-day operations.

**Q: What do you see as Nammo's main achievements during, the year and where do we need to improve?**

Brandtzæg: Firstly, we have managed to deliver on our promise to our customers and maintained a very good track-record in on-time deliveries. Secondly, we have

managed to achieve good profitability, and we're still improving and delivering on our strategic targets. Thirdly, we have kept good control in our supply chain, and continued to insource components, for instance powder from our Vihtavuori plant. Lastly, we have made great progress in the sustainability area where we have started mapping the lifecycle impact on selected products, increased overall attention to evaluate renewable energy solutions at several sites and finalized a physical climate risk assessment of thirteen locations to meet our commitments to the Paris Agreement.

Our main priorities in the coming year will be to improve profitability in the US business and ramp up production across all our facilities to meet the surge in demand. Long lead times on capital expenditure investment mean it will take some time before this is up and running.

**Q: How would you assess the importance of Research and Development for Nammo for the longer term?**

Brandtzæg: History has shown the importance of an effective and future-oriented defense capability to maintain a technological advantage over adversaries. With war in Europe, it is more important than ever to maintain robust levels of R&D activity. For Nammo this means we spend a considerable portion of revenue on customer and internally funded R&D projects and this effort is yielding results,

including the huge strides we've made in Ramjet technology for missile and artillery applications. These are all thanks to tireless, clever and inspirational Nammo-staff, working with the required resources and world-leading partners.

R&D will play an important role in securing the best selection of the most sustainable raw materials and components for new product development.

**Q: Nammo relies on people to succeed, how will the company continue to attract talent ahead?**

Brandtzæg: Nothing happens in Nammo without people. They're our number one asset and it is where we spend most of our resources. To be a world leading company we need world-leading products, processes and competence, but it's also important to have some differentiators when it comes to attracting people to come and work for us.

The defense industry tends to be rather male dominated. We need to continue our work to achieve greater diversity and gender equality and our goal is to have 30 percent female employees by 2030. We're a company with a culture that values competence and provides opportunities for everyone. Bringing that together to create a real commitment between the company and employees is very important, and is something we will continue to do ahead.



# 2 | Sustainability report

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Sustainability

Environment

Social

Governance

# Our approach to sustainability

Nammo is committed to reducing its carbon footprint and maintaining high ethical standards while ensuring decent working conditions and business competitiveness. Sustainability is integrated into Nammo's operations and is a managed, strategic pursuit reflected in our policy and processes.

APPROACH TO SUSTAINABILITY

**Strategic vision**

Nammo is committed to identifying, addressing, and transparently reporting its environmental, social and governance impacts. Our corporate responsibility is to minimize any negative impact from our activities while providing high-quality products, technology, and services to our national authorities and their allies in support of their essential work in maintaining peace and democracy.

**Embedding our strategic vision**

At Nammo, we take our responsibility as a global company seriously and are committed to responsible business practices. We have developed policies that reflect our commitments, which are based on authoritative intergovernmental instruments such as the 10 Principles of the United Nations Global Compact and the Fundamental Principles and Rights at Work from the International Labour Organization Declaration. Our commitment to responsible business conduct includes conducting due diligence, applying the precautionary principle, and

respecting human rights, all of which align with the OECD guidelines for multinational enterprises.

Our commitment to respecting human rights applies to all of our activities and business relationships, with particular attention given to at-risk or vulnerable groups such as workers in our supply chain. Our policy commitments have been approved at the most senior level of our organization and apply to all of our activities and business relationships.

To ensure that our policy commitments are effectively communicated, we provide training on their implementation and integration into our operational procedures. Responsibility for implementing these commitments is allocated across different levels of our organization, and we work to ensure that they are implemented through our business relationships. We believe that embedding our policy commitments in this way is crucial to ensuring that we operate as a responsible and sustainable company.



## APPROACH TO SUSTAINABILITY

### Material topic review

Nammo conducted an in-depth and comprehensive materiality assessment in 2019 to identify and prioritize the most important environmental, social and governance (ESG) topics for reporting. We undertake an annual review of our material impacts and topics for reporting, including independent external review. In 2022, our review process followed the 2021 GRI 3 Materiality Standard, which considered the significance and likelihood of our impacts in determining material topics for reporting. We conduct ongoing assessments where significant changes to our organization, strategy, or business environment occur. There were no changes to the overall material topics in 2022 and we plan to conduct a new materiality assessment in early 2024.

### ESG POLICIES

We have established formal and documented ESG policies at the Group level. These policies govern the management approach and decision making regarding environmental, social and governance matters.

- Code of conduct
- Human rights policy
- Anti-bribery and corruption policy
- Procurement policy
- Trade compliance policy
- Fair competition policy
- Health, Environment, Safety & Security (HESS) policy
- People Policy
- Guideline on “How to raise concerns”
- Supplier Conduct Principles
- Modern Slavery Act Statement
- Executive remuneration policy

All of these policies are approved by the Board and reviewed annually. Copies are available on [www.nammo.com](http://www.nammo.com).

### ABOUT THIS SUSTAINABILITY REPORT

Nammo is committed to transparency and accurately communicating our sustainability performance to stakeholders. Our sustainability report is based on recognized reporting standards, including the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD). This ensures that our reporting is consistent, reliable, and comparable to other organizations. We believe that using these standards ensures that our stakeholders have access to accurate and relevant information about our sustainability efforts.

A GRI Index is available in the Appendix to this report and at [www.nammo.com](http://www.nammo.com). Nammo also incorporates the principles of the United Nations Global Compact and the OECD Guidelines for multinational enterprises, in its management and operations. This report represents Nammo’s Communication on Progress to the UN Global Compact (active reporting level). Nammo’s sustainability reporting includes all of the entities in its financial reporting. Any mergers, acquisitions or name and structural changes are reported to meet the legal requirements of the Norwegian Accounting Act.

Nammo publishes its sustainability report annually alongside its financial report; this report covers fiscal year 2022.

Questions about reported information or sustainability at Nammo can be addressed to the headquarter office in Norway, or by mail at: [sustainability@nammo.com](mailto:sustainability@nammo.com).

APPROACH TO SUSTAINABILITY

## Sustainability framework

Nammo groups its material topics into five pillars under ESG (environmental, social, and governance). Our sustainability framework is developed through feedback from stakeholders, internal surveys, and independent expert analysis. This helps us prioritize areas where we have a significant impact and those that are vital to creating long-term value, guided by our environmental, social, and ethical standards. The five priority areas are each aligned with relevant UN Sustainable Development Goals (SDGs):

### ENVIRONMENT

#### Environmental stewardship

We continuously work on reducing our carbon footprint, from product development to the end of the production process, through industrial innovation, responsible consumption, and a strong focus on climate action.

#### Product stewardship

We manage product safety and life cycle management to ensure that our products meet safety requirements and are responsibly managed from production to end-of-life.

### SOCIAL

#### Employee Safety and well-being

We prioritize employee safety and well-being in our critical industrial business. We provide competence development opportunities and aim to improve diversity.

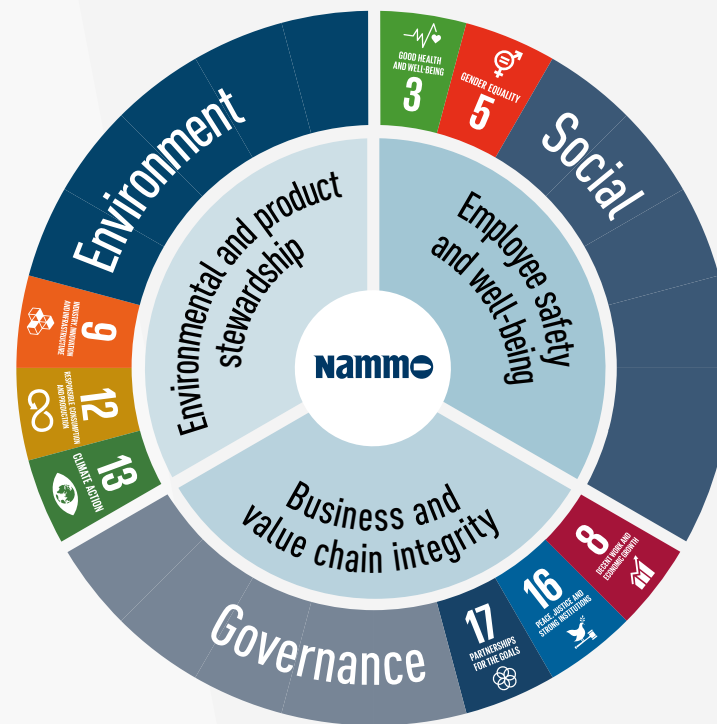
### GOVERNANCE

#### Value chain integrity

We maintain decent working conditions internally and take responsibility for ensuring decent work and economic growth in our supply chain.

#### Business integrity

We uphold high ethical standards by continuously training employees on best ethical practices and conducting due diligence on customers and partners.

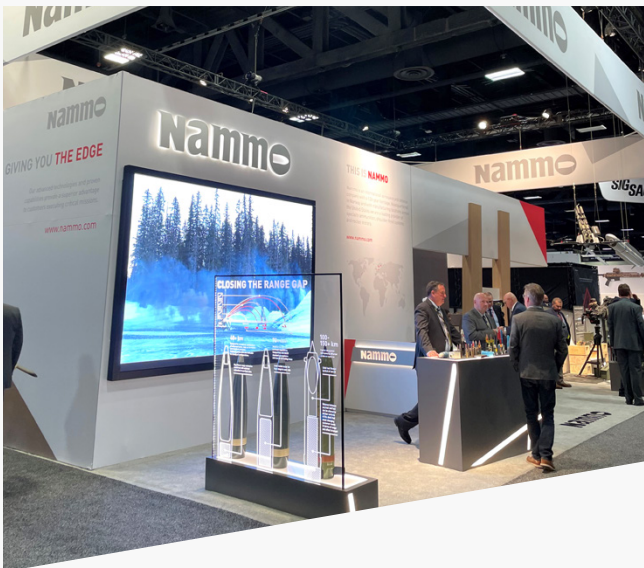


Nammo Sustainability Framework

APPROACH TO SUSTAINABILITY

## Stakeholder engagement 2022

Nammo engages in an open and transparent dialogue with key stakeholders in all the countries where we operate. Our approach to stakeholder engagement is tailored to each individual stakeholder and to the cultures in the countries where we operate. We continuously assess our potential impacts and consider the views of different stakeholders when prioritizing our ESG focus areas. Key stakeholders are divided into four main categories: Nammo’s organization, local communities, external markets, and regulators.



### Management approach

Nammo’s stakeholder engagement strategy involves identifying and prioritizing key stakeholders based on their potential impact on our business and our potential impact on them. We use a variety of methods to engage with stakeholders, including surveys, meetings, workshops, and online platforms. We also regularly review and analyze feedback from stakeholders to inform decision-making and improve our sustainability performance.

### Performance

We have received positive feedback from stakeholders on our engagement efforts, with a high level of satisfaction reported across all stakeholder groups. We have used stakeholder feedback to guide key decisions, including the development of new sustainability initiatives and improvements to our health and safety programs. We

will continue to seek feedback from stakeholders and use it to inform our decision-making.

### Looking ahead

In the coming year, Nammo plans to enhance stakeholder engagement efforts by setting specific goals and targets for engagement, increasing engagement with underrepresented stakeholder groups, and developing new methods for engaging with stakeholders. We will also work to improve our stakeholder feedback processes and increase transparency around how feedback is used to support our decision-making process. Our ultimate goal is to build trust and maintain a constructive dialogue with all our stakeholders to drive long-term, sustainable growth.

The graphic on the next page provides an overview of our stakeholder engagement.

## APPROACH TO SUSTAINABILITY

	Why we engage	How we engage		Key issues raised in 2022	
INTERNAL ORGANIZATION	<b>Employees</b> We depend on our employees, their knowledge, dedication and diversity to successfully deliver our strategy.	<ul style="list-style-type: none"> <li>Employee surveys, branding and e-learning survey</li> <li>All hands meetings</li> <li>Appraisal dialogue</li> </ul>	<ul style="list-style-type: none"> <li>Intranet, Workplace, social events</li> <li>Training</li> <li>Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>Employment relations and satisfaction</li> <li>Covid-19, Health Environment Safety &amp; Security (HESS)</li> <li>State of the business</li> <li>Training, sustainability, ethics, vocational</li> </ul>	<ul style="list-style-type: none"> <li>Company award ceremony (Team, HESS and Sustainability)</li> <li>Leadership programs</li> </ul>
	<b>Unions and union representatives</b> We need to maintain a good relationship with unions to create understanding and common ground for annual negotiations.	<ul style="list-style-type: none"> <li>Local and European work council meetings</li> <li>Working group meetings</li> <li>Annual negotiations</li> </ul>		<ul style="list-style-type: none"> <li>Work environment council meetings</li> <li>HESS Safety council meetings</li> <li>Employment relations</li> </ul>	<ul style="list-style-type: none"> <li>Annual salary negotiations</li> <li>Strategy and business forecast</li> </ul>
LOCAL COMMUNITIES	<b>Civil society/Media/Local community</b> We want to be an important company in the communities where we operate and build trust and support for our employees' community.	<ul style="list-style-type: none"> <li>Meetings</li> <li>Media interviews</li> <li>Opinion pieces</li> </ul>	<ul style="list-style-type: none"> <li>School visits</li> <li>Family day</li> <li>Meetings with local municipality</li> </ul>	<ul style="list-style-type: none"> <li>Business environment and practices</li> <li>Local community topics; infrastructure and crisis handling</li> <li>Industrial Park Open Day/Industrial Conference Day and Award</li> </ul>	<ul style="list-style-type: none"> <li>Environmental monitoring and safety</li> <li>Local sponsorship, local and national fundraising</li> <li>Increase in media attention related to the War in Ukraine</li> </ul>
	<b>Non-Governmental Organizations (NGO's) and political youth parties</b> We recognise the importance of NGOs as watchdogs that remind us to stay vigilant and critical on crucial issues.	<ul style="list-style-type: none"> <li>Meetings and open discussions</li> <li>Conference participation</li> </ul>	<ul style="list-style-type: none"> <li>Contribution to reports and surveys</li> </ul>	<ul style="list-style-type: none"> <li>Export control</li> <li>human rights due diligence</li> </ul>	<ul style="list-style-type: none"> <li>Environment and emissions</li> <li>Sustainable development goals</li> </ul>
	<b>Research institutions, Academia</b> We share knowledge and learn from others to pursue common goals for industry transition towards future SDG requirements.	<ul style="list-style-type: none"> <li>Conferences, meetings</li> <li>Cooperation and partnership for funding projects</li> </ul>	<ul style="list-style-type: none"> <li>ESG surveys and interviews</li> <li>Employment fairs</li> </ul>	<ul style="list-style-type: none"> <li>Innovation and collaboration</li> <li>Sustainability projects</li> <li>Defense industry ambition on ESG</li> </ul>	<ul style="list-style-type: none"> <li>Educational cooperation</li> <li>Recruitment</li> </ul>

## APPROACH TO SUSTAINABILITY

	Why we engage	How we engage		Key issues raised in 2022	
EXTERNAL MARKET	<b>Customers/Distributors/Retailers</b> We engage with our customers, distributors, and retailers to ensure that we consistently deliver quality products and services that meet their requirements.	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Factory visits</li> <li>• Customer audits</li> </ul>	<ul style="list-style-type: none"> <li>• Trade shows and product demonstrations</li> <li>• Factory acceptance tests, lot acceptance test</li> </ul>	<ul style="list-style-type: none"> <li>• Offers, quality, prices and lead times</li> <li>• Product quality, performance and availability</li> <li>• Technology development</li> <li>• Licenses and export control</li> </ul>	<ul style="list-style-type: none"> <li>• Health Environment Safety and Security</li> <li>• Services</li> <li>• ESG</li> </ul>
	<b>Suppliers</b> We engage with our suppliers to ensure that our business partners deliver on their promises while living up to Nammo's ESG expectations and internationally recognized best practices.	<ul style="list-style-type: none"> <li>• Meetings</li> <li>• Factory visits</li> <li>• Quality audits</li> </ul>	<ul style="list-style-type: none"> <li>• Supplier conduct principles</li> <li>• Due diligence</li> </ul>	<ul style="list-style-type: none"> <li>• Sanction risks</li> <li>• Due diligence questions</li> <li>• Offers, quality and prices</li> </ul>	<ul style="list-style-type: none"> <li>• Customer flow-down requirements</li> <li>• Product quality and development</li> </ul>
	<b>National trade associations</b> We engage with NATO, and the national defense and aerospace associations in the countries where we are located (FSi, SOFF, ADAF, ASD, NDIA, NADIC, TEDAE etc).	<ul style="list-style-type: none"> <li>• Participate or lead associations working groups</li> <li>• Conferences</li> </ul>	<ul style="list-style-type: none"> <li>• Exchange knowledge and experiences</li> <li>• Cooperation in Business Fairs</li> </ul>	<ul style="list-style-type: none"> <li>• Defense and aerospace business discussions</li> <li>• Contribute in political hearings</li> <li>• Share knowledge of how to improve our sustainability work</li> </ul>	<ul style="list-style-type: none"> <li>• Share knowledge of available tools for sustainability reporting</li> <li>• Cooperate to understand future sustainability requirements</li> </ul>
REGULATORS	<b>Owners/Shareholders/Board</b> We engage with our owners, shareholders, and board members to provide them with accurate, comprehensive, and timely information that support Group governance.	<ul style="list-style-type: none"> <li>• Monthly report</li> <li>• Quarterly meetings</li> <li>• Board meetings</li> <li>• Annual general meeting</li> </ul>		<ul style="list-style-type: none"> <li>• Business status, M&amp;A</li> <li>• HESS</li> <li>• Sustainable development goals</li> </ul>	<ul style="list-style-type: none"> <li>• Risk, Audit, Compliance Committee topics</li> <li>• HR and compensation Committee topics</li> </ul>
	<b>Regulators/Finance and Insurance/Policy makers</b> We engage with regulators, financial and insurance actors, as well as policymakers to share our knowledge and help shape regulatory actions in pursuit of our common goals and understanding.	<ul style="list-style-type: none"> <li>• Formal meetings</li> <li>• Audits</li> <li>• White paper input</li> <li>• Presentations and Q&amp;As</li> </ul>	<ul style="list-style-type: none"> <li>• Engagement in industry associations by leaders across the company's different locations</li> </ul>	<ul style="list-style-type: none"> <li>• Governance and compliance</li> <li>• Security and Safety</li> <li>• Sustainable business</li> </ul>	<ul style="list-style-type: none"> <li>• Political hearings on export control, input to new law text</li> <li>• ESG with regards to market risks</li> </ul>



# Security and resilience in a sustainability perspective

Climate change is one of the defining challenges of our times. It is a threat that impacts security and is an increasingly important concern for Nammo and the defense industry. Defense is a crucial component of security, and security is a precondition for sustainability.

Investment in the defense industry from a sustainability perspective is being seen in a new light due to the harsh realities exposed by the war in Ukraine. Previously, investment in the defense industry was cast in a negative light and considered by many to be an ESG risk. The events of 2022 and the recognition of a need for a strong defense policy backed by credible deterrence has led many nations to recognize that investment in the defense industry is vital in order to stem the threats being posed to democratic institutions around the world.

Sustainability is an increasingly important concern in the defense industry, and Nammo is leading the way in demonstrating that it is possible for defense companies to balance security with environmental and social responsibility.

In 2022, the war in Ukraine presented new challenges for

the industry. Inflation coupled with supply chains still reeling from the effects of the pandemic have resulted in long lead times for critical raw materials.

Nammo's proactive approach to sustainability, including investing in securing its supply chain of critical raw materials and components, helped demonstrate its resilience in the face of adversity.

There is an increasing pressure on the defense industry from the general public, policy makers and financial markets to improve the way we manufacture defense products. Both NATO and other national defense customers have established climate action plans describing their expectations regarding a more resilient supply chain based on climate risk scenarios.

Nammo sees these trends as new opportunities and

challenges in terms of technological innovation and access to new ways of funding that will be explored.

In this future scenario, Nammo's continued success will rely on its ability to remain resilient by building capacity, securing its highly competent workforce, and shifting product development and processes towards a circular economic model.

Looking ahead, Nammo recognizes that as the climate crisis, human rights issues, and geopolitical tensions create new challenges, the industry will face new waves of ESG regulations and customer requirements. Nammo is committed to adapting our operations to ensuring our long-term financial viability and competitiveness on a global level.



<b>13</b> CLIMATE ACTION 	<b>12</b> RESPONSIBLE CONSUMPTION AND PRODUCTION 	<b>9</b> INDUSTRY, INNOVATION AND INFRASTRUCTURE 
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# Environment

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## Environmental stewardship

Climate risk

Green House Gas emissions

Nammo Group's GHG emissions

Energy use

Water management

Waste and hazardous material

## Product stewardship

Life cycle management

Product safety



OUR COMMITMENT

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**We are committed to reducing our environmental footprint, by measuring and mitigating impact, as well as implementing the most efficient technologies and processes.**

ENVIRONMENTAL STEWARDSHIP

# Climate risk

**Management approach**

In 2022, Nammo partnered with an independent third party to conduct a physical climate risk assessment for 13 of its 27 sites in Europe and the United States. The assessment was based on the EU taxonomy guidance and state-of-the-art, high resolution climate data. The results identified extreme precipitation, heat stress, and extreme winds as the most significant climate-related natural hazards across all assessed sites. River and coastal flooding were also determined to be important hazards to consider for four sites.

Nammo screened all sites for hazards to be excluded, then assessed the remaining hazards in detail using climate data, machine learning, statistical modelling, and expert guidance. Exposure to climate-related natural hazards was evaluated for present-day conditions and for 2030 and

2050 under two IPCC-aligned climate change scenarios.

SSP1-2.6 is a scenario in which there is a rapid transition to a low-carbon future, with ambitious climate change mitigation policies and widespread adoption of sustainable technologies. In this scenario, global CO2 emissions peak around 2020 and then decline rapidly, leading to a global temperature increase of 1.8°C above pre-industrial levels by the end of the century.

SSP3-7.0, on the other hand, is a scenario in which the world continues on a high-emissions pathway, with increasing demand for energy and limited climate change mitigation policies. In this scenario, global CO2 emissions continue to rise throughout the century, leading to a global temperature increase of 3.6°C above pre-industrial levels by the end of the century.

## ENVIRONMENTAL STEWARDSHIP

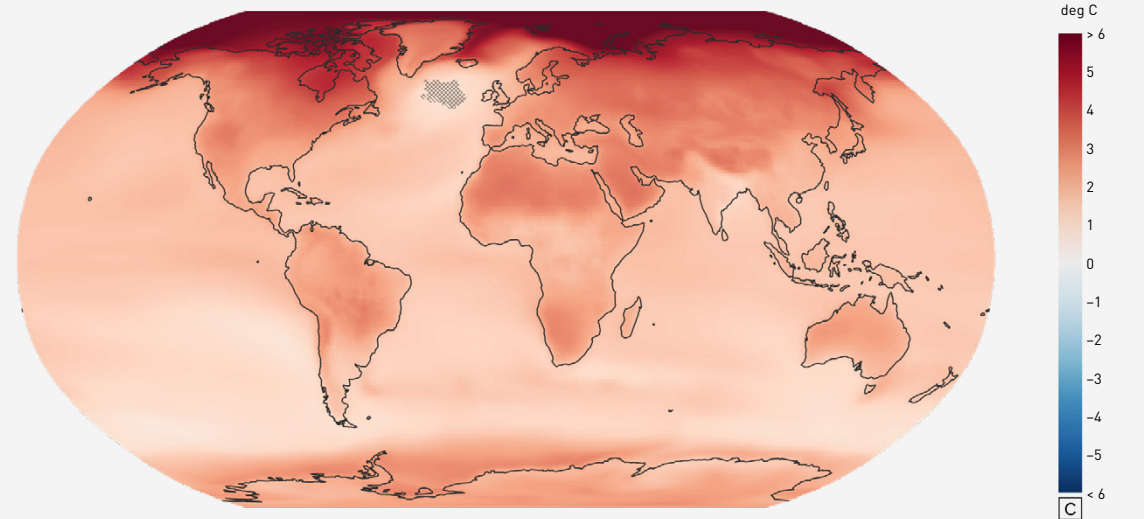
### Performance

Nammo is in the early stages of assessing physical climate risk, and therefore, it is challenging to evaluate our performance as we have not yet taken any actions based on the findings of this initial assessment.

### Looking ahead

Nammo recognizes that physical climate risks can have significant consequences for businesses, communities, and individuals. The company plans to integrate the results of the initial assessment into its strategy process during 2023 to inform decision-making and risk management; particularly in the context of climate change. Nammo will expand the scope of the assessment during 2023 to include a review of transition risks, including materiality, consequences and adaptation to identified hazards. The company will use this information to make well-informed decisions regarding capital investments and the expansion of existing facilities.

**TEMPERATURE CHANGE BASED ON A 2 DEGREES CELSIUS GLOBAL WARMING SCENARIO IN ACCORDANCE WITH SSP1-2.6.**



□ High agreement  
 ▨ Low agreement

Mean temperature (T) - Change (deg C)  
 Warming 2°C (SSP5-8.5) (rel. to 1850-1900)  
 CMIP6 - Annual (34 models)

<https://interactive-atlas.ipcc.ch/>



ENVIRONMENTAL STEWARDSHIP

# Green House Gas emissions

## Management approach

As part of our efforts to monitor and manage our carbon footprint, Nammo Group sites report their electricity consumption (Scope 2) on a monthly basis, while other GHG emissions data for Scope 1 and 3 is collected annually. In 2022, we began using climate accounting software from an independent third party to provide better analysis and visualization of the data we collect.

## Performance

While we consider our measurement of Scope 1 and Scope 2 emissions adequate, we face challenges in measuring our Scope 3 emissions due to the large number of sub-suppliers, wide range of products manufactured, and resource limitations for data collection at many Nammo Group sites. Moreover, as we gain a greater understanding of GHG emissions, we are discovering previously unreported sources of Scope 1 emissions. For example, the Vihtavuori

propellant manufacturing facility uses peat as fuel, which is a highly carbon-intensive fuel and contributes about 22 000 tons of CO2 equivalent emissions per year. This significant source of emissions was identified during a Life Cycle Analysis (LCA) of nitrocellulose production, a primary ingredient in propellant manufacturing.

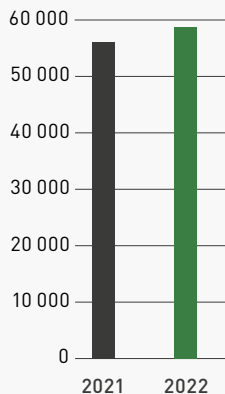
## Looking ahead

We will continue to educate sites regarding reporting to improve data quality and accuracy, while evaluating alternative sources of fuel where we see large sources of GHG emissions such as those in Vihtavuori. In addition, we will also study our Scope 3 emissions to see where improvements can be made and explore how we can leverage our existing programs to further reduce our GHG emissions. Nammo is committed to transparency and will continue to provide updates on our GHG emissions performance in future reports.

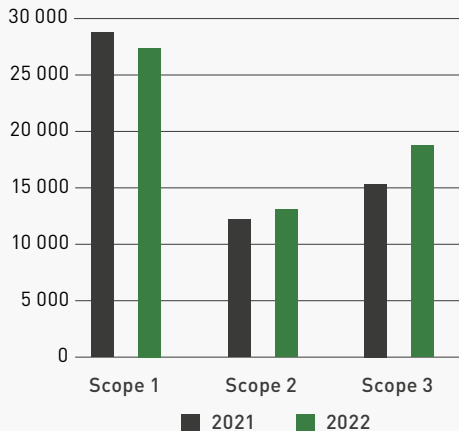
# Nammo Group's GHG emissions

Nammo Group's total registered GHG emissions amounted to 58 842 metric tons of CO2 in 2022, up slightly from 55 789 tons the preceding year due to improved information gathering and a resumption of business travel following COVID-19.

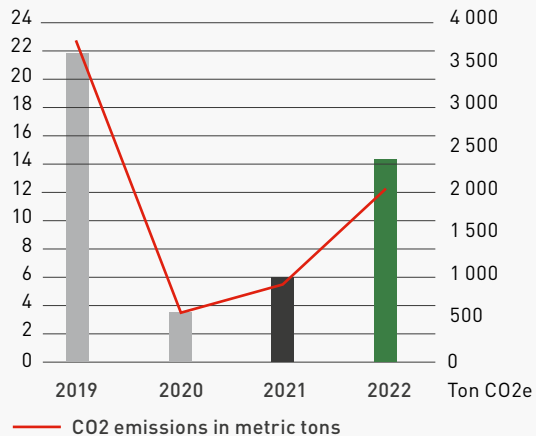
**TOTAL CO2 EMISSIONS NAMMO GROUP**



**SCOPE 1, 2 AND 3 EMISSIONS**



**BUSINESS TRAVEL - DISTANCE IN MILLION KM VS CO2E**



## Scope 1

Emissions from burning fuel, either by heating, production process or vehicles, accounted for 27 159 tons of CO2e in 2022, a decrease of 1 340 tons compared to 2021. Scope 1 emissions are well documented and cover all known scope emissions in the Group.

## Scope 2

All sites in the Nammo Group reports their power consumption annually. This covers electricity, district heating or cooling, and takes into account if the electricity is purchased with or without guarantee of origin (GOO). The Nammo Group generated 13 022 tons of CO2e in 2022 for Scope 2 (Location based), an increase of 1 000 ton compared to 2021. (Market based Scope 2 emissions for 2022: 30 750 tons CO2e).

## Scope 3

Nammo is working to get a better overview of Scope 3 emissions, but still lacks data for emissions from the supply chain. This is work in progress and the aim is to have a total overview in the future. The Scope 3 emissions cover fuel and energy related activities, waste, business travel, and employee commuting. Scope 3 emissions were 18 661 tons CO2e, in 2022 an increase of 3 400 tons from 2021. The main reason for the increase was the increase in business travel in 2022 following COVID-19.



## ENVIRONMENTAL STEWARDSHIP

# Energy use

### Management approach

Nammo is committed to reducing energy consumption and improving energy efficiency. To this end, all Nammo sites report their electricity usage monthly in the HESS report, and in Q4 2022, we began tracking energy use in our climate accounting software. By reviewing the monthly reporting, we can look at trends and spikes to determine the causes for increased or decreased consumption.

### Performance

While we have not been systematically reviewing monthly data, we have been monitoring outlying numbers showing disparities from usage in previous months. When a disparity is identified, the HESS department contacts the affected site to discuss possible reasons for the increased or decreased consumption.

### Looking ahead

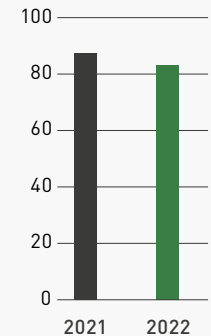
In 2023, the HESS and Sustainability department will begin monthly reviews of our energy usage and water consumption to actively look for trends and large changes. By identifying these, we can contact the impacted site and discuss the issue to improve our monitoring and control of energy use at sites throughout the Group.

Electricity (kWh)

4.5% ↓

Reduced electricity (kWh) compared to 2021

TOTAL ELECTRICITY (MILLION KWH)





ENVIRONMENTAL STEWARDSHIP

# Water management

## Management approach

Nammo recognizes the importance of responsible water management and tracks water usage at all sites. All Nammo sites report their water usage monthly in the HESS report. In Q4 2022, Nammo began tracking water usage in climate accounting software to improve monitoring and management of water usage. This approach enables us to identify trends and spikes in water usage and determine the causes for increased or decreased consumption. By reviewing this data, we are able to better understand water usage patterns, identify areas for improvement, and implement appropriate measures to reduce water consumption.

## Performance

During 2022, we identified several occurrences of increased water consumption through reviews of monthly reporting data. We proactively addressed these occurrences by contacting the affected site and discussing possible reasons

for the increased consumption. This simple process of establishing dialogue between the HESS team and our sites has enabled a reduction in water consumption and an improvement in overall water management practices by building ownership of the issue at the operational level.

## Looking ahead

During 2023, we intend to lift our water management approach to the next level. Nammo’s HESS and Sustainability departments will begin monthly reviews of water consumption and energy usage data to actively look for trends and large changes. This will enable us to manage our water usage and implement further improvements to reduce overall water consumption proactively. We will continue to work closely with sites to improve monitoring and control of water management throughout the Nammo Group and ensure that our water management practices are aligned with our overarching commitment to sustainability.



ENVIRONMENTAL STEWARDSHIP

# Waste and hazardous materials

## Management approach

All Nammo production facilities operate in accordance with local and national regulations regarding the handling of regular and hazardous waste. Additionally, we closely monitor the REACH regulations for hazard substance removal/substitution to minimize possible impacts on our employees, customers and the environment. 70 percent of Nammo Group employees work at ISO14001 certified facilities. As an internationally recognized standard, ISO 14001 helps provide a framework for Nammo Group companies to systematically work in supporting the environmental pillar of sustainability. Information regarding waste streams is collected annually from all sites in connection with the preparation of the sustainability report and all sites include training for personnel handling waste in their annual training plans.

## Performance

Nammo currently has one active remediation project at the facility in Mesa, Arizona, USA. Prior to Nammo’s purchase of the facility in 2007, groundwater and soil were polluted with ammonium perchlorate (AP), a powerful oxidizer commonly used in making solid fuel rocket propellants. While this compound itself contains little acute toxicity, it is water soluble and chronic exposure has been shown to cause various thyroid problems, as it interferes with iodine intake. Nammo is working closely with the Environmental Protection Agency (EPA) and the Arizona Department of Environmental Quality (ADEQ) to establish contamination boundaries, determine the effectiveness of current remediation measures and identify new remediation methods. Several new monitoring wells were established as part of these efforts to help delineate the existing AP plume. There have been no other reports of major issues regarding waste or hazardous materials management.

## Looking ahead

Nammo will continue to comply with all regulations regarding the handling of all types of waste. Integrating life cycle analyses into our R&D projects will help us identify “at-risk” substances to remove or substitute wherever possible. During 2023, Nammo plans to begin tracking waste streams more actively on a monthly basis from selected sites to provide with more data from which to make decisions earlier, rather than waiting for annual reporting results.



INVESTING IN RENEWABLE ENERGY:

# Nammo's commitment to a greener future

At Nammo, we are dedicated to reducing our carbon footprint and minimizing our impact on the environment. One of the ways we are doing this is through renewable energy, and we are proud to share our progress in this area.



## INVESTING IN RENEWABLE ENERGY

In 2022, Nammo reduced its total electricity consumption by 4.5 percent compared to 2021, and also focused on potential application of renewable energy sources. We found photovoltaic solar power to be particularly promising, offering both efficiency and ease of implementation.

We started with Nammo Vihtavuori, where we installed 360 solar panels that generate 128 kW of power. With this installation, we produce 109 000 kWh of renewable electricity each year. During the month of July, the solar power plant generated a remarkable 17 600 kWh of CO2-free electricity.

But we're not stopping there. We are taking renewable energy efforts further by investing in photovoltaic panels at other sites in Europe, and estimate that we'll eventually produce a total of 1 450 000 kWh per year from these

installations. This translates to an estimated saving of up to 476 metric tons of CO2 annually, equivalent to the total emissions of 103 gasoline-powered cars.

Nammo's investment in renewable energy not only benefits the environment, but also the bottom line. By taking control of energy costs and reducing reliance on traditional energy sources, we are increasing resilience and making a long-term investment for the future.

Nammo is proud to be a sustainability leader in the defense industry. Nammo is committed to exploring new and innovative ways to reduce impacts and we are excited about the progress made so far. Nammo's commitment to sustainability goes beyond corporate responsibility; it is our contribution to a better world.



**476 = 103**  
 METRIC TONS OF CO2      GASOLINE POWERED CAR EMISSIONS



OUR COMMITMENT

We will ensure effective and efficient use of resources and materials. We will responsibly manage waste and disposal, and make sure that we do not include “at risk” materials in new development projects.

PRODUCT STEWARDSHIP

# Life cycle management

**Management approach**

Nammo is beginning to integrate Life Cycle Analysis (LCA) into our product development process. By using LCA, we can make informed decisions about material choices and select suppliers that can help minimize emissions to air, water, and soil. LCAs can also provide Nammo with the information needed to develop a more circular life cycle for our products, building on our existing operations at Nammo Vingåker in Sweden.

**Performance**

Two LCAs were completed during 2022; one for nitro-cellulose production at Nammo Vihtavuori in Finland and the other at Nammo Raufoss for one of its 155 mm artillery round. The LCAs were conducted through a partnership between project teams from Nammo and an independent

third party. More information about the nitrocellulose LCA is available in the case study presented later in this section. Nammo has taken the first steps to integrate LCA into the product development pipeline and we look forward to using the lessons learned from the two LCAs in future products.

**Looking ahead**

Based on the experience gained through the two LCAs, the Sustainability and Compliance department at Group level is working closely with the Research and Development department at Nammo Raufoss to identify the best way to integrate LCAs into our R&D efforts in the future. We are also evaluating the possibility of issuing Environmental Product Declarations (EPDs) for several product families in the coming years.



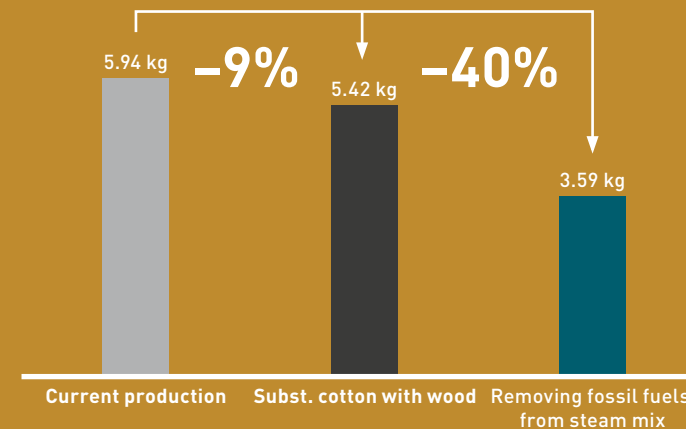
# Vihtavuori LCA

Nammo analyzed nitrocellulose production to evaluate the effect of substituting tree-based cellulose for the cotton-based cellulose currently in use. We believed initially that transportation of cotton linters from Asia to Finland would have the largest impact in terms of GHG emissions, but were surprised to learn that the heating of process steam with peat accounted for 40 percent of GHG emissions. However, our GHG emissions can be reduced by nine percent if we shift from cotton-based to tree-based cellulose in the future.

GHG emissions are not the only consideration in an LCA. Toxicity to soil, air, water, and the impact on local communities were also assessed. When considering eutrophication of water, freshwater ecotoxicity, land use and water consumption, transitioning from cotton-based to tree-based cellulose becomes even more important to consider.

Site leadership is currently evaluating alternative fuels to replace the carbon-intensive use of peat and the process changes required to consistently produce nitrocellulose of the required quality from tree-based cellulose.

REDUCTION IN CO2 EMISSION



Reduction in CO2 emission per kg nitrocellulose changing to tree-based cellulose and removing Peat from the process

**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE

**12** RESPONSIBLE CONSUMPTION AND PRODUCTION



OUR COMMITMENT

We will ensure that the safety levels in systems and products meet all relevant laws, regulations, international standards and best practices.

PRODUCT STEWARDSHIP

# Product safety

## Management approach

Product safety is a core priority for Nammo, and a fundamental element in the design and qualification process for the products we deliver. Customers rely on us to provide high-quality, safe products that meet their needs, and we take this responsibility very seriously. To achieve this, we use a range of tools, such as Failure Mode Effects Analysis (FMEA), during the product design and testing phases. These tools help identify and mitigate potential issues before they arise, which in turn provides end-users with a high degree of safety. Lot Acceptance Testing (LAT) is another important tool that we use to ensure that customers receive high-quality products that meet operability and safety requirements set forth in the product technical specifications.

## Performance

Nammo has a strong record of product safety, and we are proud to state that we did not have any product safety-related issues reported during 2022. We attribute this success to the rigorous design and qualification process in place. However, product safety is a process, and we remain vigilant in our efforts to continuously improve the product safety features.

In the rare instance of performance challenges during LAT, Nammo project teams have worked closely with customers to resolve the issues promptly. We understand that prompt and effective communication is critical in such situations, and we remain committed to maintaining open channels of communication with our customers to ensure that their needs are met.

PRODUCT STEWARDSHIP

**Looking ahead**

As part of Nammo's ongoing commitment to product safety, we will continue to look for opportunities to integrate safety features into product design. We are actively seeking customer feedback to identify areas to improve product safety features. To coordinate the collection of customer input, a new Customer Relationship Management (CRM) system has been implemented, which will enable storage and tracking of customer feedback more effectively. We are confident that by working closely with the customers and incorporating their feedback into our design and qualification processes, we can continue to deliver high-quality products that meet their needs.





# Social

## Employee safety and well-being

Occupational health and safety

Diversity and gender equality

Competence development





OUR COMMITMENT

We shall ensure that our employees are working in a safe and healthy environment with the opportunity to develop their skills and build competence.

EMPLOYEE SAFETY AND WELL-BEING

# Occupational health and safety

## Management approach

Nammo is dedicated to creating a culture of safety that goes beyond simply avoiding accidents. While we will continue to prioritize the prevention of Lost Time Injuries (LTIs), near-misses, and hazardous conditions, we will also recognize and learn from normal, successful operations. Identifying “weak signals” during normal operations will help prevent a “drift towards failure” that could lead to hazards for our personnel, equipment, and facilities. To achieve this, we will build a foundation of psychological safety that allows employees at all levels to raise concerns without fear of punishment or retaliation.

In 2022, the Nammo Group conducted training sessions with Health, Environment, Safety & Security (HESS) leaders, corporate management, and site management on Human and Organizational Performance (HOP) principles.

These five principles will help guide our operations moving forward:

- People make mistakes
  - Blame fixes nothing
  - Context drives behavior
  - Learning & improving is vital
  - Leaders’ response matters
- (Conklin, 2012; Edwards & Baker, 2020)

Understanding the complexity of work and acknowledging the competing priorities that our employees face is crucial to our success. Rather than imposing ever more complicated checklists and Standard Operating Procedures (SOPs) on them, we are engaging with our staff to understand the challenges they face in their daily work. We are committed

## EMPLOYEE SAFETY AND WELL-BEING

to building a more resilient organization that can tackle supply chain disruptions, machine stoppages, and unforeseen events, such as a pandemic.

### Employee Health

We prioritize the health and safety of our employees, particularly those who work with potentially hazardous materials. Employees working with hazardous materials are screened in accordance with the guidance provided in Material Data Sheets and national regulations in each of our nine operating countries. We also recognize the importance of the psychosocial working environment, particularly considering the increased production pressures resulting from the war in Ukraine.

### Performance

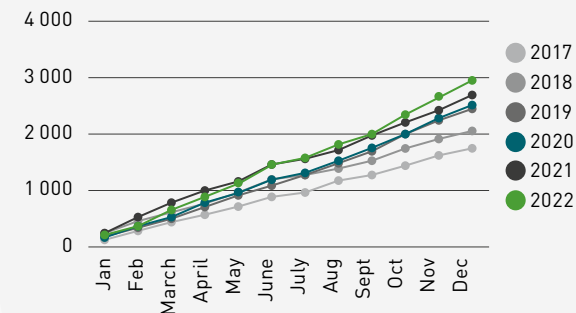
In 2022, the Nammo Group achieved the lowest LTI value in the company's history, with only 4.6 LTIs per 1 million working hours. There were no serious injuries or fatalities reported during 2022. However, as the Worldsteel Association Safety and health metrics report issued in April 2022 clearly states: "LTI Value correlates poorly with the severity level of injuries and accidents, the number of hours worked significantly impacts injury frequency measurements and comparison between industries should not be made due to the varying

definitions of LTI and reportable incidents based on local/national guidance". While this reduction in LTIs may be a sign of progress, it is not a leading indicator and provides no guarantee of future success.

### Looking ahead

Integrating HOP principles into operations is key in our efforts to look beyond injury frequency rates to improve the safety of employees. During 2023, we will continue to build knowledge regarding HOP principles with our leadership teams through interactive workshops. Learning Teams methodology will also be introduced at selected sites to stimulate operational learning. The first significant effort in developing Learning Teams facilitators will be through a combined HESS/Lean Six Sigma Forum in 2023. Learning Teams can be used following an event (such as an LTI or near-miss), during daily management meetings/lean standup meetings, or for management of change/periodic process review (Sutton, McCarthy, Robinson, 2020). By developing operational intelligence through Learning Teams, we will be able to adjust processes to improve safety and efficiency. We plan to integrate this new perspective into existing Lean Six Sigma/Continuous Improvement structures, which will enable us to identify and mitigate risks more effectively.

### ALL REPORTS - ACCUMULATED



Reporting of accidents, near-misses, and hazardous conditions has increased significantly from 1 769 total reports in 2017 to 2 961 reports received in 2022, an increase of 67 percent while our total staff headcount has increased by approximately 23 percent. By focusing on integrating the principles of Human and Organizational Performance (HOP) we aim to build upon the positive reporting culture we have built and work to take prompt action to address the occupational health and safety issues identified by our staff.



OUR COMMITMENT

**We are committed to building and maintaining a One Nammo culture.**

**We shall demonstrate a measureable improvement in gender balance year-to-year.**

EMPLOYEE SAFETY AND WELL-BEING

# Diversity and gender equality



Nammo is committed to creating a working environment that values diversity, is free from unlawful discrimination and harassment, and is based on the principle of equal opportunity and affirmative action. Our equality and anti-discrimination principles, procedures, and standards comply with the robust requirements of the Norwegian Equality and Discrimination Act § 26 and further our goal to build and maintain a culture that creates an effective operational structure with a positive work environment characterized by empowerment, involvement, and teamwork. Our Code of Conduct and People Policy supports our values of Dedication, Precision, and Care, which together guide our daily interactions with our internal and external stakeholders.

**Management approach**

Nammo offers equal employment opportunities to all

employees and applicants, and no person shall be discriminated against because of race, color, marital status, parental status, ancestry, source of income, religion, gender, age, national origin, disabilities, sexual orientation, or veteran status. Our commitment to maintaining a working environment free from sexual harassment is enshrined in our Code of Conduct and People Policy.

It is Nammo’s policy to recruit based on merit, regardless of gender, pregnancy, trade union membership, sexual orientation, race, disability, age, or religion. Existing employees will have an opportunity to apply for vacancy or promotion opportunities. Each legal entity is responsible for developing recruitment and selection procedures or techniques that support this policy and for training recruiters. Nammo recognizes that its people are the key to future success. Through performance management processes, we aim to ensure that all employees know what

## EMPLOYEE SAFETY AND WELL-BEING

is expected of them and possess the necessary skills, knowledge, values, and experience to achieve the highest level of performance of which they are capable.

Nammo’s employment policies are based on the principles of equality and diversity, with a belief that the elimination of unfair discrimination in the workplace contributes to productivity and performance as it allows people’s talents to be most effectively utilized. The managing director of each legal entity is accountable for ensuring that these principles are followed and for establishing appropriate action plans for their business. Nammo is committed to the dignity at work and fair treatment of all colleagues. The managing director of each subsidiary company is accountable for ensuring that procedures are in place for resolving any grievance or harassment issue, which colleagues may have in connection with their employment.

Nammo aims to be an “Employer of Choice” for all sectors of the working community. As a responsible employer, we have policies in place to support a reasonable work-life balance. In addition, at a legal entity level, there are numerous policies, systems, and guidelines to support well-being and a healthy work-life balance, including many family-friendly arrangements.

### Performance

As the end of 2022, women account for 27 percent of all

Nammo employees, unchanged from the previous year. From January 2020 to December 2022, the proportion of female employees increased by 1.6 percentage points.

### Looking ahead

Nammo is committed to continuing its efforts to encourage women from diverse backgrounds and educational levels to join our workforce. We will also continue to prioritize increasing the number of women in leadership positions, as well as enhancing overall diversity within our organization. Our strategic goal is to achieve a 30 percent female workforce by 2030, and we have established key performance indicators (KPIs) for all Group legal entities to help us track our progress. Nammo will regularly report on progress and support its efforts with both global and local initiatives related to employer branding, recruitment, talent management and succession planning.

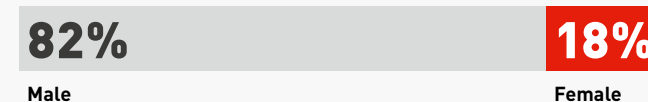
In addition, Nammo is dedicated to being a positive contributor to the development of the local communities where our facilities are located. To achieve this, Nammo is engaged in local sponsorships in areas such as sports, science, and culture, with a special focus on children and youth.

To more closely monitor Nammo’s progress in ensuring equality and preventing discrimination, it is planned to perform a global employee engagement survey. Nammo will

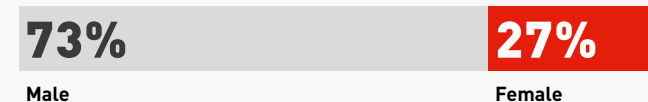
also prioritize diversity and inclusion in its Global Leadership Development program.

In 2022, an analysis was carried out of the actual situation in Nammo AS with regard to gender equality and what is done to fulfill the activity obligation pursuant to the Norwegian Equality and Discrimination Act. 26. The analysis can be found in the Annex of this Annual and Sustainability Report 2022.

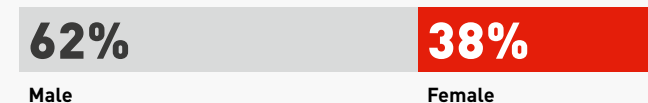
### Group Management



### Nammo Group



### Nammo Board



EMPLOYEE SAFETY AND WELL-BEING

# Competence development

## Management approach

Nammo recognizes that competent employees are essential to our competitiveness and future success. To this end, we have identified “excellent competencies” as a critical success factor. Our performance management processes aim to ensure that employees have the necessary skills, knowledge, and experience to excel in their roles. We offer several measures to support competence development, such as the Nammo Academy, on-the-job training, talent management and succession planning, as well as various internal forums, including the HR forum, HESS forum, Finance Forum, Procurement forum, and Contracting-Purchasing-Compliance forum.

## Performance

In 2022, Nammo increased its focus on competence development in the Group, recognizing its importance to future success. We developed our Human Capital Management system to support learning through a Learning Management module. This was also supported by the Nammo Academy and the leadership development programs, both globally and locally.

## Looking ahead

In 2023, we will continue to develop the Human Capital Management system by further improving the Learning Management module. This will allow us to govern, assign, automate, and track required training for all employees, regardless of location. We will provide a standardized framework for training and development through a common policy. Additionally, we will recruit for a new position with a sole focus on learning and development to strengthen our corporate support on competence development.



NAMMO RAUFOSS MECHANICAL DEPARTMENT:

# Award-winning sustainability efforts

At Nammo, we are committed to promoting sustainability and innovation in all aspects of our business. This commitment received concrete recognition when the Nammo Raufoss Mechanical department won the Sustainability Award at the local Industry Conference in the Raufoss Industry Cluster in 2022.

This award is a result of the systematic effort by our management, union and safety representatives, process-engineers, and maintenance personnel, who worked together to improve production processes at Nammo Raufoss. As a result, we reduced the amount of city water used by 52 percent or 1 737 cubic meters, sulfuric acid by 5 970 cubic meters, and lubricating oil by 13 000 liters. We also reduced the department’s annual power consumption by 16.6 percent. These improvements have made a significant, positive impact on the environment and society, and can be tied to several of the UN Sustainable Development Goals, including number 9 (Industry, Innovation and Infrastructure), 12 (Responsible Consumption and

Production), 13 (Climate Action), and 17 (Partnership for the Goals).

We are thrilled by the success of the Raufoss team, and we hope their achievement will serve as a model to emulate for other departments within our organization. At Nammo, our commitment to sustainability goes beyond achieving headline awards; it is an integral part of our daily business operations.





# Governance

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Value chain integrity

Business integrity

Internal control, risk and compliance

Corporate Governance



OUR COMMITMENT

**We shall hold suppliers and business partners to the highest standards on responsible business conduct.**

**We shall be a collaborative partner in reducing sustainability risk and promoting understanding of and respect for ESG issues.**

VALUE CHAIN INTEGRITY

# Business partner due diligence

**Management approach**

Nammo holds its suppliers and business partners to the highest standards, aiming to facilitate responsible business conduct and reducing sustainability risk while promoting understanding of and respect for ESG issues. Our risk-based due diligence process includes screening and background checks, with a varying level of due diligence depending on the relevant country or countries involved, the role of the business partner, size and nature of the transaction, end-user, currency situation, sanction risks, fraud, and corruption risk, and previous experience with the business partner.

Nammo has a strict "know your customer/know your supplier" policy, performing thorough due diligence before onboarding business partners to ensure they follow the same business and ethical standards as ours, and entering

into long-term agreements with minimum risks. If a partner is deemed too risky, they will be evaluated by the compliance approval board before an eventual denial to be onboarded. If a supplier is of high risk but critical importance, we evaluate how to mitigate the risks pragmatically in cooperation between the relevant Nammo entity and the supplier.

Business partners in the category of local country representatives are onboarded according to the Group's Manage Representative framework integrated into the Nammo Management System. Legal and Regulatory Affairs handle the process of onboarding and offboarding, while International Sales and Marketing are the day-to-day contact point during the agreement period. Quarterly reports from the representative about ethics and local business are part of the evaluation before contract renewal, and Nammo reserves the right to audit the representative.



## VALUE CHAIN INTEGRITY

Distributors in commercial sales have increased focus, requiring closer follow-up and a more thorough risk assessment as this business is not as regulated as the military business.

### Performance

Nammo strengthened screening and background control in 2022 to mitigate the risk of having sanctioned parties in our portfolio. Local representative agreements are subject to updated due diligence and risk evaluations, and in 2022, three agreements were terminated, 16 were renewed, and an internal audit program was established. Nammo received increased interest from banking and insurance companies concerned about how we adapt and ensure responsible business conduct through the supply chain, with a particular focus on human rights and decent work conditions. The war in Ukraine led to increased pressure on the sales organization from individuals and organizations seeking to buy our products, leading us to establish an internal board to carefully evaluate all incoming requests. Distributor agreements for commercial sales were improved and strengthened, and all distributors were risk-assessed and are now under continuous monitoring.

### Looking ahead

In 2023, we will continue to focus on business partner due diligence, to avoid entering into agreements with customers or suppliers who are under any form of sanction, embargo, or breach of laws and regulations. Nammo will continue to follow a risk-based due diligence process and increase screenings and background control to avoid risks related to sanctions, as well as ensure that suppliers and business partners follow the same business and ethical standards, minimise sustainability risk and promote understanding and respect for ESG issues throughout the value chain. A training module for performing due diligence has been established and will be implemented in 2023.



VALUE CHAIN INTEGRITY

# Supply chain governance, human rights and anti-corruption standards

Nammo’s supply chain is comprised of raw material and component suppliers, sub-contractors, and service providers in areas such as transportation, freight forwarding, maintenance, and consulting. In general, we prioritize competitive sourcing of suppliers when possible and most of our suppliers are based in Europe or North America, with a few others in Asia and South Africa. We have over 7 000 registered suppliers, of which around 700 are considered strategic. A strategic supplier is typically pre-qualified by the end-customer or delivers high-quality, technologically advanced goods at competitive prices.

### Management approach

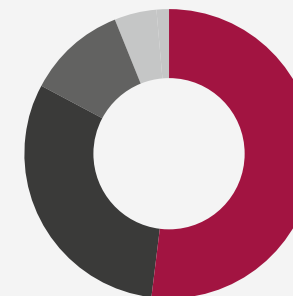
Nammo is committed to upholding the highest standards for suppliers and business partners. Our goal is to foster responsible business practices and work collaboratively to reduce sustainability risks and promote understanding

and respect of ESG issues. We expect all suppliers to comply with our Supplier Conduct Principles and our Code of Conduct if they do not have their own equivalent standards. The Supplier Conduct Principles stipulate that suppliers must conduct business in compliance with modern slavery and human trafficking legislation, minimize their environmental impact, continuously improve their environmental performance, and prevent and mitigate environmental and health-related risks. Each Nammo legal entity and business unit is responsible for performing appropriate due diligence on its suppliers following the Nammo Management System’s procurement and third party risk management process.

### Performance

During 2022, we continuously monitored 1 086 third parties, including all strategic suppliers. These were

RISK EXPOSURE OF THIRD PARTIES



- Low (52.06%)
- Medium (30.94%)
- High (10.96%)
- Not available (6.04%)

## VALUE CHAIN INTEGRITY

monitored against publicly available information within risk categories such as politics, country, legal, sanctions, watch-lists, political exposed persons, ownership, and others. Nammo did not experience any negative social impacts in the supply chain, but seven suppliers were terminated due to reasons such as sanctioned parties within the supplier ownership structure, suppliers with ongoing investigations of corruption, and suppliers in breach of national export regulations. One business relationship was frozen due to ongoing investigations of corruption and lack of reporting status back to Nammo.

Distribution of a Human Rights training module was postponed to 2023 due to technical issues.

The risk exposure of our third parties shows 83 percent low and medium risk and 11 percent high risk.

The RepRisk tool provided an ESG risk rating of close to 30 percent of our screened third parties. 20 percent were rated at A-level, 8 percent was rated at B-level, 2 percent was rated at C-level.

The Rep Risk on ESG does not give satisfactory risk rating and will be replaced with a new system in 2023.

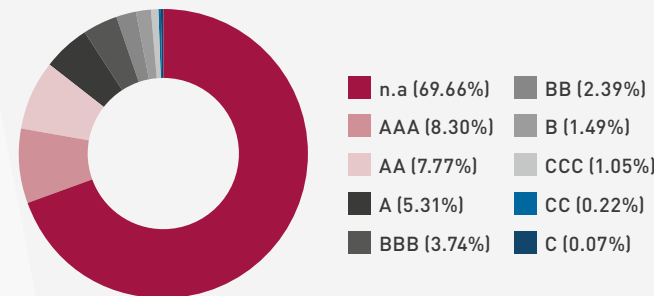
### Looking ahead

We are concerned about the increasing number of reporting requirements related to ESG in the supply chain, which, coupled with the unstable geopolitical situation in Europe, puts pressure on the procurement and contracting organization. This requires more capacity and efficient systems and as we move forward, we plan to:

- Further strengthen focus on background control and screenings of business partners with an improved ESG risk evaluation tool
- Further strengthen focus on supplier audits of human rights and decent working conditions, in addition to quality control.
- Implement a digitalized system for onboarding third parties which handles ESG reporting requirements
- Implement a human rights training module for all employees who have access to computers.

Nammo is committed to ensuring that our supply chain operates sustainably, respects human rights, and adheres to anti-corruption standards. We will continuously monitor the ESG performance of our suppliers and we look forward to collaborating with them on risk management and sustainability.

### REPUTATIONAL ESG RISK SCORE FOR SELECTED SUPPLIER SAMPLE



\* RepRisk is a business intelligence provider specialized in dynamic ESG risk analytics and metrics. The RepRisk scores measure and quantify a company's risk exposure related to ESG issues. The RepRisk Index captures and quantifies reputational risk exposure and the rating provides a metric derived from the RRI taking into account country and sector specific factors to facilitate benchmarking companies between each other. The RepRisk score goes from AAA (Very low risk) to D (Very high risk).

VALUE CHAIN INTEGRITY

# Nammo’s approach to salient human rights issues

As part of Nammo’s ongoing commitment to upholding human rights, the company conducted a thorough mapping exercise in 2021 to identify its salient human rights issues. This involved interviewing key stakeholders both within and outside the organization.

The mapping exercise confirmed the following list of human rights risks that Nammo faces:

- **Selling to high-risk countries**
- **Supply chain management**
- **Diversity**
- **Logistics**
- **Corruption**

In the following sections, we describe how Nammo approaches these risks and takes mitigating actions to address them. Our goal is to demonstrate the company’s commitment to human rights in all areas of its operations.

## **Selling to high-risk countries**

### **Risk Assessment**

In 2022, over 96 percent of Nammo’s sales were made to customers in Europe and North America. These regions are considered low-risk in terms of human rights and decent work conditions. Furthermore, our customers in these countries are national defense authorities and Western European defense industry entities, which are subject to strict regulations.

### **Risk mitigations**

In 2022, Nammo took steps to strengthen due diligence of customers and distributors in the commercial business area. We consider this to be an area of higher risk, as it is less regulated and reaches a broader geographic scope. Our risk assessment takes into account not only the country, but also the type of customer. Therefore, adherence to the sales process and the third-party risk management process

established in the Nammo Management System is of utmost importance. We have also put in place terms and conditions governing relationships with and monitoring of business partners throughout the contract lifecycle, including compliance-related topics. These are additional tools used to mitigate risks.

## **Supply chain management**

### **Risk assessment**

Nammo selects its suppliers based on a range of criteria, including quality, price, geographic location, availability, customer requirements, adherence to recognized standards, and our internal procurement policy. Before onboarding suppliers, we conduct due diligence exercises, including supplier screening, background checks, and a self-assessment questionnaire that includes internal risk ratings. These procedures have been established for several years and are in line with the OECD principles for responsible business conduct.

## VALUE CHAIN INTEGRITY

Most of our supply chain is located in Europe and North America, with a few exceptions in South East Asia and South Africa. Therefore, we consider the risk areas for human rights and decent work conditions to be medium to low in the majority of our supply chain.

### Risk mitigation

Each legal entity must comply with the Group Procurement Policy and adhere to the local procurement process, as well as the third-party risk management process, as defined in the Nammo Management System. Nammo uses supplier screenings as an essential tool in mitigating risk and we have screened over seven hundred of our most strategic suppliers, placing them under 24/7 monitoring for violations.

In 2022, we faced particular challenges due to the increased number of sanctioned parties. As new laws and regulations are established in the jurisdictions where we operate, we will closely monitor and adjust our existing procedures accordingly.

### Diversity

#### Risk assessment

Nammo has already identified lack of diversity as an issue, but given the scale of the imbalance, this remains a salient issue. It is important to note that there is no information

on ethnic diversity within Nammo Group due to laws within mainland Europe that restrict the collection of demographic data. Moreover, for specific functions, security requirements can limit employment opportunities to nationals of the country where Nammo sites are located.

### Risk mitigation

To address its gender balance issue, Nammo has set KPI targets for each Group entity to achieve by 2030. Moving forward, we plan to investigate avenues to measure equality holistically across the Nammo Group, which will empower us to make further improvements on diversity within our organization.

### Logistics

#### Risk assessment

The working conditions of transport drivers are widely known to be arduous, with long hours, minimal breaks, and inadequate facilities. However, in Norway, Nammo works closely with a local transport company and, as such, is confident that it provides satisfactory working conditions for its drivers.

### Risk mitigation

Around 30 percent of shipments are arranged by the supplier or customer, which raises additional concerns about control over the transport chain and driver working conditions. While Nammo cannot directly control these conditions in such situations, it can indirectly influence them by enforcing its Supplier Conduct Principles on its business partners. Nammo aims to partner with fewer transporters, strengthen agreements, and establish robust procedures to identify negative impacts across various contexts, thereby reducing the likelihood of Nammo being complicit in relevant human rights violations.

### Corruption

#### Risk assessment

Nammo has a good track record in avoiding large-scale corruption, but there is still an inherent risk involved. This is especially true because large contracts may only come around once every five years, which means that corruption may not be top-of-mind on a daily basis. However, given the potential scale of corruption in these cases, there is still a risk of significant amounts of money being diverted from public funds. Additionally, smaller-scale corruption is also a possibility.

## VALUE CHAIN INTEGRITY

### Risk mitigation

To mitigate these risks, Nammo has established sales and procurement processes that every legal entity must follow. These processes include instructions and due diligence procedures. Additionally, any contract above a certain threshold must pass an internal bid review and bid approval board. All financial transactions are handled through an established authorization matrix and are subject to internal controls.

Nammo's grievance mechanism has been in place for more than three years, providing employees with a channel to report any concerns or breaches of the Code of Conduct. This can be done anonymously and in their native language. Furthermore, Nammo provides regular ethics and anti-corruption training to its employees. Business partners can report concerns through [ethics@nammo.com](mailto:ethics@nammo.com), and this information is conveyed on our website, in our Supplier Conduct Principles, and in the Terms of Conditions of each contract.

### Looking ahead

The risk of human rights violations within the legal entities is considered low due to their geographical locations and the stringent national regulations they are subject to. Additionally, Nammo's participation in the European Works

Council (EWC) program provides an extra channel of control. EWCs serve as information and consultation bodies representing employees in European multinational companies, allowing Nammo's employee representatives to meet twice a year with management to discuss legal entity issues related to decent working conditions.

Nevertheless, we recognize a need to strengthen due diligence process to detect and address potential human rights issues in the supply chain. To achieve this, the level of supplier audits in this area will be increased ahead.

To ensure that our employees are well-informed on human rights and empowered to identify potential issues, a training module on human rights is developed and planned to be distributed throughout the organization in 2023.

On 1 July 2022, the Norwegian Transparency Act came into effect. Although Nammo AS, as the holding parent company not selling products or services, is not covered by the Act, Nammo Raufoss AS is covered. Therefore, Nammo AS will report on the overall duties related to the Act, including those for Nammo Raufoss AS. Additionally, a separate statement will be published in the Nammo Raufoss AS annual report. The Annual Statement on the Norwegian Transparency Act is enclosed in the Annex of this Annual and Sustainability report.



OUR COMMITMENT

**Nammo is committed to conducting business with efficiency, integrity and the highest ethical standards.**

**Nammo is committed to ensuring that our IT infrastructure utilizes the latest technological standards to protect our operations against external risks.**

BUSINESS INTEGRITY

# Anti-bribery and corruption

**Management approach**

Nammo recognizes its legal responsibilities to prevent corruption and takes this obligation very seriously. We understand that it may not be sufficient to only observe local law when conducting business and international trade, as the extraterritorial application of several anti-corruption regimes may apply to our operations. Therefore, we are regulated by and adhere to several anti-corruption laws, including national penal codes, the UK Bribery Act 2010, and the US Foreign Corrupt Practices Act (FCPA).

Additionally, we are committed to following the United Nations Global Compact’s ten principles and adhering to the OECD guidelines for multinational enterprises.

Nammo’s Code of Conduct outlines the ethical principles that govern decisions and behavior for all employees and third parties acting on our behalf based on regulations described above.

**Performance**

Nammo’s Sustainability and Compliance Department is responsible for keeping the Code of Conduct up to date. The latest version of the Code of Conduct was distributed globally in 2021 and is available in all seven Nammo languages. Every employee must sign off on receiving it and it is part of the listed onboarding documents for new employees. Board members and high-risk business partners not covered by the Supplier Code of Conduct also sign off on the Code of Conduct. A training module is distributed globally and annually for sign-off. Nammo revises its policies annually and they are publicly available.

Implementation of local reporting on gifts and hospitality is ongoing, but more time and guidance are needed before we can confirm that it is well-functioning at all entities.

Nammo believes in preventive anti-corruption work by ensuring that routines and processes are risk mitigating

## BUSINESS INTEGRITY

factors. This is continuously followed up with contract, procurement and sales during meetings, reviews and training sessions.

In 2022, a fraud risk assessment was performed in Norway, and six categories of risk areas were defined as areas to be integrated into the compliance audit program. Nammo employees in high-risk positions and any third party acting on its behalf must participate in relevant anti-bribery and corruption training periodically.

During 2022, corporate training modules included monthly e-learning to all employees with access to email and computers, a business ethics dilemma workshop for high-risk positions and local site administration, a red flag workshop training with a focus on fraud and corruption risk, and a Legal & Compliance forum. The forum is attended by contract, procurement, and compliance teams to share best practices and secure knowledge of new regulations. Regular presentations are held for new employees taking on management positions with a focus on ethics, compliance and sustainability.

Nammo was not subject to any investigations, fines or sanctions in 2022 relating to incidents of corruption, anti-competitive behavior, illicit international trade or ethical breaches of laws or regulations.

### Looking ahead

In 2023, Nammo will continue to focus on regular training modules as valuable risk mitigating factors. We are developing a compliance and export control audit program that will create an excellent baseline for internal control of processes and procedures covering risk

management of anti-bribery, corruption policy and export control areas in the Group. The fraud risk assessment methodology will be run in Finland during the year and will give valuable input to the methodology as we move forward.

### COMPLIANCE TRAINING

Type of training	2022	2021	2020	Unit of measure	Frequency
Employees completion of monthly e-learning	93	89	88	%	Monthly
Ethics Dilemma training	14	1	4	No. of site administrations	Every second year
Tailormade fraud and anti-corruption	2	1	2	No. of site administrations	Based on risk assessment
Contract, Procurement and Compliance Forum	95	160	0	Headcounts	Twice a year (digital and physical)
Export control	130	209	87	Headcounts	Minimum once a year for key personnel



BUSINESS INTEGRITY

# Grievance mechanisms



### Managing our impacts

At Nammo, we value open and direct communication between colleagues, stakeholders, and the communities in which we operate. We have created arenas for dialog and channels for reporting grievances. These are important elements to identify negative impacts that we may have caused or contributed to.

### Encouraging dialogue between colleagues

We believe that dialogue and discussion are essential to building and preserving good relations between management and employees. To ensure that employees can speak up without fear of retaliation, we encourage them to have courageous conversations with their immediate supervisors. Leaders and managers play critical roles in messaging and improving employee satisfaction, and they must act responsibly and handle these conversations before they become grievance cases. We will continue to prioritize enhancing trust between managers and employees in 2023 and onwards.

### How do we raise concerns?

If employees are unable to resolve an issue with their immediate supervisor, they are encouraged to go to the next higher level of management, HR, or Compliance. We make every effort to settle issues on a fair and equitable basis, with zero tolerance for retaliation, regardless of the reporting channel used.

All concerns raised through our reporting channel, SpeakUp, are handled confidentially by a third party. The system is available 24/7 and employees can report in their native language. The US reporting channel, Ethicspoint, has similar functionality to the European system and is compliant with Nammo's Special Security Agreement (SSA) entities.

Business partners who would like to report concerns about Nammo are welcome to do so through [ethics@nammo.com](mailto:ethics@nammo.com). The email address for reporting by business partners can also be found at [www.nammo.com](http://www.nammo.com) and in Nammo's contracts with its suppliers.

BUSINESS INTEGRITY

# Reported concerns 2022

Total cases 2022

12



12 cases in 2022, compared to 27 in 2021

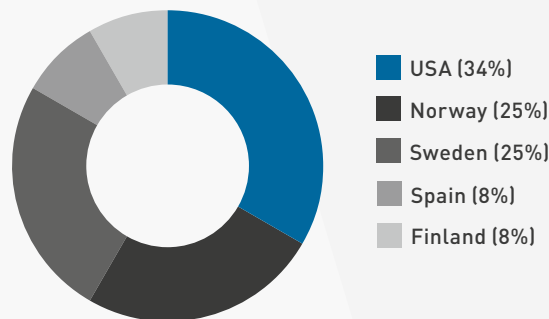
All reports submitted through SpeakUp or EthicsPoint are forwarded to the Chief Compliance Officer (CCO) or the US Ethics and Compliance Director, respectively, who evaluate the risk level in cooperation with the Ethics and Integrity Council (Europe) or the Ethics Incident Investigation Group (US).

In 2022, Nammo received 12 reported concerns compared to 27 in 2021. The majority of the concerns are related to human resources and organizational issues. Five of these reports came through the SpeakUp/Ethicspoint channel compared to 7 in 2021. Most of these cases were handled through the human resources department in the local line organization according to company procedure. One case demanded a more in-depth investigation and was handled by the CCO. None of the cases reported internally led to an investigation requiring external support. One case was reported by an external party and is now closed, while three

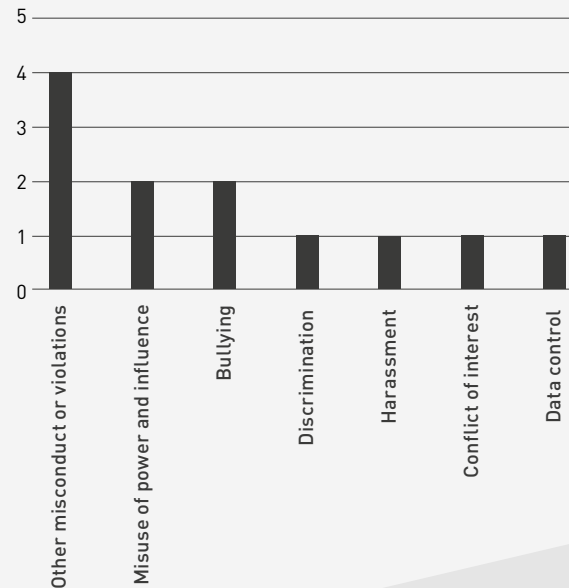
cases remained open at the end of the year. Reported concerns originated in the US, Norway, Sweden, Finland, and Spain.

Reported grievances related to our environmental performance are relayed monthly to our central Corporate HESS function.

TOTAL CONCERNS PER COUNTRY



TYPE OF CASES



## BUSINESS INTEGRITY

### Performance and development discussions

Nammo values the growth and development of its employees and has established regular job appraisals to facilitate this process. These appraisals promote open communication between individual employees and their line managers. Employees are encouraged to discuss their performance, development plans and any other pertinent issues that they want to raise in a face-to-face setting. This allows employees to receive constructive feedback on their work and performance while setting goals for future success.

### All hands meeting

Nammo values the thoughts and ideas of all its employees, and the CEO hosts periodic all-hands meetings to foster an open dialogue across the Group. These meeting can be physical or digital, and all employees are invited to participate. During these meetings, employees can submit any questions or concerns they have, including on an anonymous basis. This practice enables our leadership to understand and address the pressing concerns of our employees and ensures that everyone’s voice is heard in our organization.

### Workplace network

At Nammo, we recognize that employees are our greatest asset and we strive to ensure they feel connected and

engaged. We license Workplace by Meta to provide a corporate internal social media channel to our employees. This is available to everyone with a company email address and a computer or smartphone with exception of the employees under the Special Security Agreement in the US. This platform facilitates engagement by allowing employees to participate in communities, networks, and discussions across a wide range of topics and interests. It also provides an avenue of horizontal engagement for our employees to express their opinions and engage with each other, across time zones and departments, fostering a sense of global community within our workplace. We know that connectivity and engagement is essential to achieving our goals, and proactively look for digital solutions that can facilitate it.

### The Nammo HUB

The Nammo HUB is our corporate intranet, an important source of information. It reaches approximately 70 percent of our employees and provides a platform to access important information about the company, including policies, procedures, and company news. The Nammo HUB is an essential tool for internal, enterprise-level communication, enabling us to keep all employees informed about the latest developments and helps ensure that our company values

and priorities are consistently available, shared and updated in one place.

### www.nammo.com

Our corporate websites feature contact forms for anyone who wants to raise questions or provide feedback on [info@nammo.com](mailto:info@nammo.com)

Any business partner who wants to complain can send us feedback at [ethics@nammo.com](mailto:ethics@nammo.com)

### Mitigating negative impacts

At Nammo, we take responsibility for mitigating the negative impacts of our activities as far as reasonably possible, given our level of impact and influence. In addition to the grievance reporting mechanisms described earlier, we pay particular attention to findings from our Due Diligence process. To prevent environmental damage, we proactively seek to understand the various risks we are exposed to and seek to reduce their likelihood and severity as much as practically possible.

We consider environmental impacts and risks in all relevant business processes, including strategy, business planning, business transactions and capital value processes. We have stringent processes in place to investigate hazardous conditions, near misses, and

## BUSINESS INTEGRITY

incidents, and to be aware of environmental conditions and liabilities in our operations.

By taking a proactive approach to risk identification, assessment, and mitigation, we can better understand how our operations impact the environment and take steps to prevent harm. We believe that it is our responsibility to operate in a way that is both ethical and sustainable, and we are committed to continuously improving our processes to mitigate negative impacts.

For an example of our impact mitigation process at work, please see information on remediation efforts at our Mesa, AZ site on page 33.

### Ensuring accessible and effective grievance channels

In 2022, the number of raised concerns declined compared to previous years. Though this may be normal statistical variation, we are responding with a communication campaign and a survey in 2023 to map and measure the accessibility and effectiveness of our grievance channel. Through this, we aim to understand how to improve our channels and are committed to implementing any necessary changes. Our goal is that all employees are aware of the grievance mechanism, trust it as a secured reporting channel and know where to find it.

### Responsibility to report

At Nammo, we expect employees and business partners to report suspected violations of our Code of Conduct, policies and procedures, or laws and regulations in our own operations and supply chain. For employees, the first point of contact should be their line manager. However, employees may also use the SpeakUp/Ethicspoint channel, which is available 24/7 in 7 languages, or contact the nearest Compliance Officer directly.

We are committed to investigating all reports, and all notifications will be treated confidentially. Our Internal Investigation Response Plan describes a standardized, structured, and effective process for investigations that protects all parties involved and ensures a consistent approach to the handling of allegations. When determining the investigative party for notifications, we prioritize independence and competence. We have a zero-tolerance policy for retaliation, and we are committed to creating a safe and supportive environment for all who speak up about any concerns they may have.



**DO THE  
RIGHT  
THING**

# Internal Control, risk and compliance

Nammo has established governance and internal control guidelines to mitigate risks and promote efficient and sustainable use of resources. Nammo's internal control, compliance, and risk management system is grounded in its leadership culture, vision, and values, as well as its Code of Conduct, risk management, reporting, and control mechanisms.

At the corporate staff level, relevant corporate functions prepare and maintain governance documents in the form of policies, directives, and guiding principles for specific areas. This approach ensures that Nammo operates with consistency and transparency across all departments, promoting accountability and responsible decision-making throughout the Group.

INTERNAL CONTROL, RISK AND COMPLIANCE

# The Nammo Management System

## Management approach

Nammo’s Group Governance and Management Document outlines the Nammo Management System (NMS), which sets the standard for governance and internal control for the entire organization. The NMS ensures that all Nammo legal entities comply with relevant certification standards. Compliance with NMS ensures that Nammo adopts commercial best practices to its operational context in line with the demands and expectations of our stakeholders.

The NMS follows relevant international certification standards (ISO 9001:2015, AS9100D) and is supported by statutory requirements, Nammo Board of Directors (Board) directives, and other guidelines to sustain our competitive strengths in our main markets. Internal control mechanisms, including guiding principles, processes, and tasks, are performed by Nammo employees at all levels, ensuring quality reporting to both internal and external stakeholders in accordance with legal and regulatory frameworks.

## Performance

Nammo have recently made a major upgrade of the NMS, conducting a thorough review of the main global business processes and their accompanying directives and procedures. The purpose of the upgrade was to:

- clarify roles and responsibilities and simplify processes through uniform ways of working, across borders and legal entities
- easy access to updated management and process documentation at one system location (Corporate intranet/Nammo)
- sharing of competence and learning from process improvement activities across Nammo
- benefit from these synergies when Nammo continues to grow and we onboard new colleagues

The upgraded NMS was launched in our European legal entities in 2021 and in our US legal entities in 2022. To enhance the sales process, a customer relationship management (CRM) tool was implemented in 2022.

Additionally, an internal review of the NMS was conducted in 2022 at the European legal entities. Providing valuable input to the annual Management Review of the NMS, carried out January of each year.

## Looking ahead

In the upcoming year, Nammo’s focus will be on internal control of the main processes in Europe and the USA, in particular processes not covered by ISO standard requirement.

The system undergoes continuous development which focus particularly on the technical and digital user friendliness of the system as well as to ensure compliance with relevant requirements.

INTERNAL CONTROL, RISK AND COMPLIANCE

# Risk management

## Management approach

Risk management is crucial to Nammo’s success, and the company strives to identify, assess, and control risks that may impede Group objectives or harm our values, employees, brands, or reputation. A sound risk management process and culture improve strategic decision-making, reduce financial uncertainty, and protect our brands and reputation, while empowering us to recognize the opportunities in uncertainty.

During the annual strategy process, risks and opportunities related to Nammo’s business operations are identified, and operational risks and opportunities are addressed by the responsible corporate function, business unit, or legal entity as appropriate. Corporate functions are responsible for creating and maintaining requirements through policies and directives, and ensuring their effectiveness. Regulatory changes requiring amendments to Nammo Group policies and directives are communicated by responsible corporate functions to the Board of Directors, the Risk, Audit, and Compliance Committee (RACC), and the Group Management Team.

## Performance

In 2022, a third-party maturity assessment was conducted on Nammo’s Enterprise Risk Management cycle and a prioritized audit roadmap was established to strengthen our capabilities. Additionally, an internal audit function was established and outsourced to an external audit company. The first audit was performed on export control compliance, covering the largest legal entities in Europe located in Norway, Sweden, Finland and Spain. The internal audit generated recommendations for improvements and a management response, which were presented to the RACC and the Board of Directors at the end of 2022.

## Looking ahead

The status of management’s selected improvement actions will be presented to the RACC quarterly throughout 2023. The main areas for improvement include establishing an internal compliance review program including export control, strengthening risk assessment processes, and

establishing a minimum standard of export control at the Group level. The internal audit function will continue its work during 2023. Based on a risk assessment, subjects part of the internal audit project portfolio include, but are not limited to, the following:

- Governance model, maturity assessment
- Nammo Management system, selected areas
- Cyber security
- Treasury operations
- Risk management processes

INTERNAL CONTROL, RISK AND COMPLIANCE

# Compliance

## Management approach

Compliance is an integral part of Nammo’s management system directives, processes, procedures, and support tools, and the company has a robust compliance program covering areas such as ethics and anti-corruption, export control, and responsible business conduct. The Sustainability & Compliance department manages the compliance program with support from the Legal & Regulatory Affairs. The established group of compliance champions with representatives from each Nammo legal entity meet regularly and assist in implementing and monitoring local compliance processes. The Sustainability & Compliance department report regularly status of work to the Management Team through the monthly report, quarterly to the RACC and annually to the Board of Directors. The corporate finance department handles financial compliance, determining accounting and reporting principles and monitoring business activities to ensure reliable, relevant, and adequate financial information and control. The finance function is also responsible for handling cases concerning risk management in Nammo.

## Performance

Internal reviews and controls follow up on compliance areas in established management processes regularly, including due diligence of third parties and internal bid approval processes. The compliance program undergoes evaluation and assessment by a third party every 3rd year, and the results are reported to the Group Management Team and the Board of Directors. The compliance program was last evaluated in 2022, and recommendations for improvements, along with management responses, were presented to the RACC at the end of the year.

## Looking ahead

Nammo is committed to continuous improvement and will take the following steps to enhance its compliance program:

- Establish an internal audit program for compliance and export control.
- Implement a digital system for onboarding third parties.
- Strengthen internal communication concerning policies and guidelines.
- Strengthen the internal training strategy and system.

Improvement actions from the external compliance assessment will be reported to the RACC quarterly.



INTERNAL CONTROL, RISK AND COMPLIANCE

# Export control

## Management approach

Export control regulations prohibit the export and transfer of dual-use and defense-related products, technologies and services without the approval of the relevant governmental authority. These regulations protect international security, uphold foreign policy interests and govern how Nammo conducts business.

In 2022, policymakers employed sanctions to address challenges in the geopolitical landscape, including the growing technological capabilities that threatened security and defense policy stability. These trade controls continue to target the proliferation of weapons of mass destruction and their means of delivery.

Each country where Nammo operates has its own national export control regime, and some countries cooperate to standardize trade and exports. These trade controls promote compliance as companies navigate the requirements for trade and export compliance. The baseline requirement for an export authorization is the approval of the national and requisite authorities to export defense or dual-use products,

technology, or services.

Export licensing remains the frontline in prohibiting unauthorized exports. Throughout Nammo, experts conduct due diligence on the value chain before seeking export authorization. Nammo's export strategy is rooted in the basic principles of Know your Customer, Know your Supplier, and Know your Third Parties, including End Users in our business transactions.

## Performance

In 2022, Nammo internal audit function, audited the effectiveness of our internal export controls in several countries where we operate. The audit mapped internal export controls and processes, recognized expertise, and identified growth potential to facilitate best practices for export controls within Nammo. One recommendation that Nammo is implementing is the standardization of tools, applications, and processes to eliminate duplication and increase precision in the export control and licensing processes.



## INTERNAL CONTROL, RISK AND COMPLIANCE

Each legal entity within Nammo is responsible for providing training to meet national requirements for export and trade controls. Nammo employees participated in several training sessions held by authorities in 2022. Additionally, Nammo provides internal export and trade control training both digitally and physically and conducts in-depth training for exports and trade controls in the US International Traffic in Arms Regulation (ITAR) and the Export Administration Regulation (EAR). Nammo conducted training for business partners both directly and in cooperation with national authorities and industry associations to promote transactional compliance.

Nammo's strong focus on export and trade compliance has a direct correlation to our company-wide commitment to adhere to regulatory compliance and the risk of export deviations. In 2022, Nammo had just three regulatory deviations related to export and trade compliance, all of which were disclosed to the required parties, including regulators. None of these deviations resulted in penalties, and all resulted in improvements to Nammo's export and trade compliance and performance in the marketplace.

### Looking ahead

Nammo will follow up on the recommendations for improvements outlined in the external export control audit. We are also developing a compliance audit program that will include export control, a general standard guideline for export control requirements, and a record retention and data classification framework. In response to the challenging and evolving geopolitical landscape, we will continue to place strong focus on maintaining an effective export compliance program in 2023, including distributing well-established and risk based training modules internally.

INTERNAL CONTROL, RISK AND COMPLIANCE

# Cybersecurity

## Management approach

Nammo has increased its focus on cybersecurity and digital preparedness in response to the war in Ukraine. The defense and aerospace industry plays a strategic role in geopolitics, and as a result, faces an increasing threat of cyberattacks. Like most companies in the sector, Nammo is subject to a growing number of attempted cyberattacks related to sabotage, fraud, extortion and additional attempts to retrieve proprietary information.

Proprietary information is one of Nammo’s most valuable assets and embodies the knowledge, experience, and intellectual property that we have developed throughout our history. These assets are the foundation for Nammo as a knowledge-based company, and they are of equal importance to our customers and partners. To protect our

proprietary information, we take a holistic approach to threat management that includes personnel, physical, information and IT security controls.

## Performance

Nammo adheres to the relevant security and privacy regulations in all countries where we operate. We measure and certify our internal security systems using recognized standards including ISO 27001 and UK Cyber Essentials. In 2022, we made continuous improvements to our cybersecurity systems, which reduced both the probability and consequences of severe security incidents.

As innovation narrows the gap between digital and physical systems, it is essential to prevent virtual attacks from affecting real-world assets like our personnel, our equipment, or the surrounding environment. To achieve this, we have provided our staff with rigorous training to raise their security awareness and help prevent fraud, theft, sabotage, and extortion. In 2022, Nammo did not identify any data breaches.

## Looking ahead

The threat landscape for cybersecurity is constantly evolving, and Nammo recognizes the need to remain vigilant and proactive in its efforts to mitigate risks. In 2023, we will

continue to work tirelessly to reduce our vulnerabilities and improve our security measures, including exploring new technologies and approaches.

To strengthen our cybersecurity posture, we will continue to invest in employee training and awareness programs, emphasizing the importance of cybersecurity and educating our workforce on how to recognize and respond to potential threats. We will continue to regularly review and update our cybersecurity policies and procedures to ensure they are in line with industry best practices and regulatory requirements such as the implementation of necessary controls to meet the US Cybersecurity Maturity Model Certification.

Nammo will continue to work closely with our suppliers and partners to ensure they meet our cybersecurity standards and requirements. We will also maintain our current certifications and compliance with recognized cybersecurity standards, such as ISO 27001 and UK Cyber Essentials.

As cyber threats become more sophisticated, Nammo recognizes the need to remain agile and adaptable. We will continue to monitor the threat landscape and proactively adjust our cybersecurity strategy and approach as needed to ensure the security and integrity of our systems, data and intellectual property.

Photo credit: Kristian Haug



NAMMO'S COMMITMENT TO SUSTAINABLE DEVELOPMENT THROUGH PARTNERSHIPS AND INNOVATION:

# Manufacturing Excellence in Norway

At Nammo, we believe that sustainable development is a collective responsibility. That's why we have committed ourselves to supporting Sustainable Development Goal 17, which focuses on "partnerships for the goals". We understand that partnerships between different organizations and nations are key to promoting sustainable development across borders and achieving a fair and equitable trading system that benefits all.

## Manufacturing Technology Norwegian Catapult Centre (MTNC)

One of the ways we are contributing to this goal is through our work with the Manufacturing Technology Norwegian Catapult Centre (MTNC), located in Raufoss. As a member and collaborator of the Norwegian Centres of Expertise

(NCE) Manufacturing, one of the core partners of MTNC, we are able to access the center's facilities and expertise in various technological areas as well as contributing with our own expertise when needed. MTNC offers companies like ours competence and equipment within production technology through their seven mini-factories, which include the following areas:

- Additive manufacturing and joining
- Automated injection moulding and winding
- Metal forming and machining
- Digital manufacturing
- Digital design lab
- Lean lab 4.0
- Automated assembly line

17 PARTNERSHIPS FOR THE GOALS



Photocredit: Kristian Haug



MTNC also provides a platform for companies to develop prototypes, test their products, and access new markets. This is crucial for us as a company that values innovation and is always looking for ways to improve our manufacturing processes. By being part of the MTNC through NCE Manufacturing, we can reduce our risk when developing new products, while also being able to access new markets and potential business partners.

**The Learning Factory (Læringsfabrikken)**

Another initiative we are proud to be a part of is The Learning Factory (Læringsfabrikken), which emerged from collaboration between industrial partners in NCE Manufacturing, Vocational School (Fagskolen Innlandet), Raufoss Upper Secondary School, Innlandet Country Municipality, and the local catapult center. The Learning

Factory allows students to experience real-world industrial environments and learn from experts in the field.

At Nammo, we've taken this concept a step further by incorporating the Learning Factory into our in-company-school program. Our apprentices use it as a valuable teaching tool, while also providing resources and support to other visiting students and teachers. Since its inception, The Learning Factory has become a world-class hub for collaborative innovation, technology, and research and development.

We're proud to be a part of this important initiative, and we believe it is making a real difference in the lives and careers of our students. Thanks to the Learning Factory, we're better able to equip the next generation with the skills and knowledge they need to succeed in the competitive world of industry.

17 PARTNERSHIPS FOR THE GOALS



# Corporate governance

Nammo AS is a limited liability company established under Norwegian law, with a governance structure based on the Norwegian Companies Act. Nammo's Board directs and guides the company in accordance with global and national statutory requirements applicable in the countries where Nammo operates.

Nammo is committed to corporate governance that creates both short- and long-term value for Nammo Group's operations. To achieve this, we actively monitor, measure and seek to improve our governance processes. Areas of corporate governance include leadership culture, vision and values, code of conduct, risk management, reporting, and control mechanisms.

Nammo believes that responsible interaction between

owners, the Board, and management is essential for good corporate governance. We strive to promote effective cooperation, well-defined allocation of roles and responsibilities between the shareholders, the Board and management at every level within the Group, respect for the Group's other stakeholders, and open, reliable communication with the world around us.

Nammo is subject to reporting requirements for

## CORPORATE GOVERNANCE

corporate governance in accordance with the Norwegian Accounting Act. As a 50 percent state-owned company, it is also expected that Nammo adhere to the main principles of "The Norwegian Code of Practice for Corporate Governance." Our Board evaluates and discusses corporate governance periodically and actively pursues good management principles for corporate governance.

### Nammo management system

The Nammo Management System (NMS) outlines how the company is governed and its continuous process for identifying and handling risks in its business operations. It formalizes an annual risk management process and reinforces the hierarchy and structure of governing documents, such as policies, directives, and procedures. The system's continuous process of risk assessment and evaluation of governing documents is maintained throughout the year, and the Board of Directors is kept updated on the company's current risk profile on a regular basis. The NMS is further elaborated on under the Internal Control chapter of this report.

### Corporate directives

The foundation of NMS is our framework for leadership, organization, and culture. The system is based on the

delegation of responsibility to our legal subsidiaries and business units and Corporate functions, such as finance, human resources, communication, IT, HESS, legal, sustainability, compliance, and business development directed from Group level. This ensures a uniform standard and control structure across the Nammo Group. In furtherance of this goal, Nammo has defined common requirements in the form of corporate directives that are mandatory for all parts of the organization. The directives cover critical areas such as strategy and business planning, finance, organizational and employee development, HESS, compliance, and corporate responsibility.

### Controls and procedures

NMS provides Nammo's Group Management Team and Board of Directors with reasonable assurance regarding the preparation and presentation of the company's financial statements. The management of Nammo AS is responsible for establishing and maintaining adequate Internal Control over Financial Reporting (ICFR), which is a process supervised by the Group Chief Executive Officer (CEO) and the Group Chief Financial Officer (CFO). Nammo's accounting principles are based on the Norwegian Generally Accepted Accounting Principles (NGAAP).

In the area of finance, Nammo has directives for

budgeting and forecasting, financial reporting and treasury management. As an integral part of the directives in the financial area, the company has implemented an accounting manual that governs the accounting treatments for all material accounting processes. This work has resulted in an internal control handbook that outlines the minimum requirements for internal control activities to be performed in the respective financial areas.

### Board of Directors appointments

The Nammo AS Board of Directors (BoD) is composed of six to eight members, in accordance with the shareholders' agreement. Three directors are nominated by each owner, the Norwegian Ministry of Trade, Industry and Fisheries and the Finnish company Patria Oyj, while two directors represent the employees. The positions of Chairman and Vice Chairman alternate annually between the two owners and are elected by the General Assembly. The two employee representatives are elected by the employees in each country, following local procedures. The employees may also nominate one additional observer.

The BoD convenes at least eight times a year, seven Board meetings and one strategy meeting. The BoD

## CORPORATE GOVERNANCE

appoints the Group CEO, who is responsible for the daily management of Nammo AS and supervises the Group CEO's performance and ensures that management is carried out in compliance with legal and ethical standards.

### The President and CEO

The President and CEO constitute a formal corporate body in accordance with the Norwegian Limited Liability Companies Act (Aksjeloven). The CEO is responsible for the day-to-day management of the Nammo Group and is governed by the responsibilities outlined in the shareholders' agreement. The CEO directs operations through the internally established corporate directives, policies, management meetings and business reviews.

### The Group Management Team

The Nammo Group Management Team, as of January 2022, consists of the CEO, the CFO, and Senior Vice Presidents (SVP's) for Business Development, Legal and Regulatory Affairs, Sustainability and Compliance, Communication, and the President of Nammo Inc. Additionally, the four Executive Vice Presidents (EVP's) of the business units Commercial Ammunition (CA), Large Caliber Systems (LCS), Small and Medium Caliber Ammunition (SMCA), and Aerospace Propulsion (AP)

are also members of the management team.

The Group Management Team (MT) is responsible for ensuring that Group-level functions are in place to safeguard central control and leadership within Nammo. The MT meets approximately eight times a year, called by the CEO, or more often as needed. The focus of these meetings is to monitor the status of operations and key performance indicators, address the market situation, health, environment, safety and security indicators, compliance, human resource issues, and sustainability.

### Business and site reviews

The CEO conducts individual business review meetings with the business units five times a year, in conjunction with relevant corporate functions. These meetings are means to scrutinize the business units' performance relative to business targets, financial as well various operational objectives. Other specific key subjects covered in these reviews are the status and progress within people, organization, compliance, risk management, operational issues, strategic issues, and sustainability.

### Management remuneration

The Board of Directors sets the principles that apply to the remuneration of executive management, as described in the published Executive Remuneration Report 2022.

The management remuneration is summarized in note number 3 to the Group financial statements.

### Board of Directors processes

In accordance with the Norwegian Limited Liability Companies Act (Aksjeloven), Nammo's Board of Directors (BoD) is responsible for overseeing the company's overall governance and ensuring that appropriate management and control systems are in place. This includes approving the annual budget, Group-wide directives and policies, Group strategy, and investments or divestments above a certain financial threshold, as well as material organizational changes. In addition, the BoD appoints the CEO and supervises their daily management activities.

To support its work, the BoD has established two committees: the Risk, Audit and Compliance Committee (RACC) and the Human Resources and Compensation Committee (HRCC). The RACC assists and makes recommendations to the BoD in reviewing financial reporting, internal controls, compliance and risk management systems, external/internal auditing matters,



## CORPORATE GOVERNANCE

and business ethics compliance matters. The HRCC supports the BoD in reviewing matters concerning human resources and compensation in the Nammo Group, such as succession planning, talent development, compensation policy for executive management.

The BoD periodically conducts a self-evaluation, and the key findings from the evaluation are communicated to the shareholders. The BoD remuneration for 2022 is summarized in note 3 to Group financial statement.

### Annual general meeting of shareholders

The ultimate authority in Nammo AS lies with its shareholders, represented by the Ministry of Trade, Industry and Fisheries of the Norwegian State and Patria Oyj. The Annual General Meeting, held in the second quarter of each year, is where the shareholders exercise their authority. The shareholders' agreement outlines the number of representatives on the Board of Directors for each owner, as well as guidelines for the election of the Chairman of the Board. During the meeting, the Board of Directors' Report and financial statements, prepared in accordance with Norwegian requirements, are approved together with the remuneration policy and annual remuneration report. The proposed dividend by the Board of Directors is also subject to approval. The Annual General Meeting appoints the Board of Directors and the external auditors, and determines the auditor's remuneration. Additionally, all other matters listed in the notice convening the meeting are addressed during the Annual General Meeting.



# 3 | Board of Directors' Report



# Board of Directors



**Esa Rautalinko**  
CHAIR

President & CEO, Patria Oyj



**Dag Schjerven**  
VICE CHAIR



**Cathrine Bjaarstad**  
BOARD MEMBER

Executive Vice President (EVP), Specialists at Skanska Norway.



**Sirpa-Helena Sormunen**  
BOARD MEMBER

General Counsel and EVP Compliance Officer, Uniper SE



**Jan Skogseth**  
BOARD MEMBER



**Ville Jaakonsalo**  
BOARD MEMBER

CFO, Patria Oyj



**Marianne Stensrud**  
BOARD MEMBER

Vice President of the trade union Fellesforbundet, Nammo Raufoss AS



**Petri Kontola**  
BOARD MEMBER

Employee Representative Nammo Lapua Oy

# Board of Directors' Report 2022

In the face of challenging business and geopolitical conditions, Nammo Group maintained its positive market momentum to deliver solid revenues, net profit, and increase in order backlog in 2022. The Group's performance illustrates its resilience and ability to deliver in challenging times as well as its strong position among its customers and of its products and brands in the market.

**BOARD OF DIRECTORS REPORT** 

The outlook for the Group, with more than 2800 employees in 11 countries and headquarters in Raufoss, Norway, remains positive with a strong product and technology development pipeline and its highest ever order backlog.

Still, Nammo remains aware of current and possible challenges affecting supply chains, operations and raw material prices ahead, given changes in the geopolitical environment that lead to increased demand for defense products. The Group will focus on increasing its production capacity as well as risk mitigation efforts, continuous improvements and investments in future technologies.

Group revenues were NOK 7.45 billion in 2022, versus NOK 6.98 billion the previous year due to robust sales of commercial ammunition in the United States and higher revenue from its aerospace propulsion operations. Net income after tax amounted to NOK 508 million. The Board of Directors will propose an ordinary dividend of NOK 253.9 million (NOK 229.6 million) at the Annual General Meeting. The Group's order reserve meanwhile stood at NOK 14.8 billion at year-end, its highest ever. This reflects both Nammo's established market position, and the extraordinary demand for ammunition as many allied governments have sought to bolster stocks, whilst donating considerable volumes to Ukraine.

**GENERAL COMMENTS**

Supply-chain issues remained a factor for the industry

and for Nammo during the year. The Group implemented relevant risk mitigation measures such as ordering material earlier, vigilant monitoring and building more robustness with multiple suppliers, insourcing and developing new suppliers.

Nammo's organizational and legal structure ensured operational flexibility and effectiveness during the year. The Group experienced no COVID-19 related production interruptions and maintained an overall on-time delivery rate of 92 percent to military customers. Moreover, sick-leave at the Group remained stable at 4.9 percent during the year. HESS performance in 2022 was satisfactory, and the Group's number of Lost Time Injuries (LTIs) declined to 4.6 (7.6) as the strengthening of its safety culture remains a key priority for the Group. No serious injuries occurred during the year.

Nammo's focus on ESG performance in support of global initiatives has remained solid during the year. Nammo continued to develop and benefit from its close relationships with key customers. The Group delivered ammunition under Security of Supply contracts to Norway and Finland. Nammo successfully conducted long-range tests for the US Army Ramjet Artillery round together with Boeing. This technology has promising strategic implications and business potential for the Group on both sides of the Atlantic.

The Group bolstered its position in hypersonics with a historic ramjet missile test for the THOR-ER (Tactical High-speed Offensive Ramjet for Extended Range) team. Also, following 10 years of development, Nammo's APEX ammunition, the world's most advanced aircraft combat ammunition, passed all requirements and is qualified for the F-35A version.

## STRATEGY FOR PROFITABLE GROWTH

Nammo maintained its position as the largest independent provider of specialty ammunition and rocket motors for both military and civilian customers in the Western world. The Group's strategy stands firm: to achieve sustainable profitable growth in the US, in Europe and the Nordic markets.

While Nammo has seen a substantial increase in order backlog due to the war in Ukraine, the performance of the Group during the year stands on its own merit and neither sales nor profits were impacted by the war.

The Group's priority ahead is to build upon the profitability and efficiency improvements and maintain R&D spending to strengthen its position as a high-end provider to government customers. Nammo will maintain cost control and focus on operational and process improvements to manage future growth. This will ensure Nammo's long-term resilience.

## OPERATIONS

After two years of managing Covid-19 related supply chain and operations issues, geopolitical upheaval presented new challenges for the Group's manufacturing operations in 2022. The supply chain situation tightened further following Russia's invasion of Ukraine, with many defense companies reacting early to increased demand to secure long-term production slots from the supplier base. This affected availability, prices and lead-times. Nammo adapted well to the extraordinary situation and took measures to scale up

production by securing long-lead time production equipment and production materials.

Group operations were challenged by delays to incoming production material, continued high COVID-19 related sick-leave in the first half of the year, as well as onboarding of many new employees to meet increased production volumes. Still, a professional and resilient organization was able to onboard a significant number of new staff and deliver record high production volume in 2022. Strained supply chains and continued growth in volume and staff are likely to continue in 2023.

Major customer milestones in 2022 include an all-time high order backlog of approximately twice the annual revenue, driven by demand for M72, artillery and tactical rocket motors. Nammo has also continued to strengthen its position as the primary provider of range extension technologies for US artillery systems and programs in 2022. Nammo successfully demonstrated its ramjet technology in live tests during the year, while commercial small caliber ammunition and ammunition components continued to grow with a strong development in the US market.

The new geopolitical situation has led to even closer cooperation among Norway, Sweden and Finland. Nammo is still the main strategic partner and supplier of munitions to these countries. To support the demand from our home markets as well as abroad, Nammo has initiated a number of strategic important investments in facilities

and infrastructure to ensure the long-term ability to have capacity for future deliveries.

The roll out of the Group's Nammo Management System (NMS) was completed in 2022. This has been an important milestone to increase control and to ensure its operations are effective and compliant. NMS is an important tool for Nammo in continuing to deliver world-leading products with world-leading processes and competences.

## FINANCIAL STATEMENTS

Pursuant to Section 3–3a of the Norwegian Accounting Act, the Board of Directors confirms that the financial statements have been prepared under the assumption of a going concern as of the date of the financial statements. The Board confirms that the going concern assumption is valid. The Nammo Group's annual accounts have been prepared in accordance with the Norwegian Accounting Act and Generally Accepted Accounting Principles (N GAAP). The accounting policies used by the Group have also been applied by Nammo AS and all its subsidiaries. For further information, please refer to the financial statements and note disclosures.

The Board confirms that the Directors' report give a true and fair view of the Group's development, operations and results for the year.

### Operating profit and profitability

For 2022, the Group delivered an all-time high revenue of

NOK 7.45 billion (6.98) and profit before tax of NOK 688 million (644). The profitability improvements of 2022 are the result of structured continuous improvement efforts over the latest years, as well as the continued high demand for small caliber commercial ammunition in the US, combined with increased revenues from sales to European countries.

In combination, these have allowed Nammo to generate a 17.4 percent return on Capital Employed (17.9 percent) and a substantial increase in company value due to increased profitability, order backlog and a positive future outlook.

### Cash flow and liquidity

Nammo's net cash flow from operational activities in 2022 was NOK 313 million (1399). The main drivers for the decrease from 2021 to 2022 are related to increased inventory as well as higher accounts receivables at year-end. Cash outflow from investment activities was NOK 613 million (393). This is driven by a significant increase in purchase of fixed assets mainly in its businesses in USA, Finland, Spain and Norway to support growth in new product areas, increased capacity as well as general maintenance investments. Net cash outflow from financing activities in 2022 amounted to NOK 252 million compared to a cash outflow of NOK 556 million last year. The main cash outflow in financing activities for 2022 was a dividend payment to shareholders of NOK 229.6 million, while the change from 2021 is mainly explained by the net effect of the Group refinancing in 2021. The Group's net cash position was

NOK 263 million at 31 December 2022 (815). Nammo had unused credit facilities of NOK 1 400 million (1 400) at the end of 2022.

Based on the cash flow performance in 2022, cash available at year-end, as well as the available unused credit facilities, Nammo's financial flexibility is good. Continued focus on working capital efficiency and careful prioritization of investment requirements remain key priorities going forward.

### Balance sheet

Total assets of the Nammo Group amounted to NOK 8 233 million at the end of 2022 (7 024). Net working capital, excluding cash, was NOK 2 005 million (1 477), while equity was NOK 3 564 million (3 187). Total liabilities were NOK 4 668 million (3 838) and the equity ratio ended at 43.3 percent (45.4 percent). Return on equity was 15 percent (14.8 percent). Total interest-bearing debt to financial institutions amounted to NOK 1 223 million at 31 December 2022 (1 201).

### Risk factors

The COVID-19 pandemic and war in Ukraine have again underlined the inherent risks in Nammo's operations. The past three years have demonstrated how the impact of world events may vary significantly between countries and regions, and have shown the need for continued flexible risk mitigation strategies.

### Market risk

The operational and financial development of the Group is highly reliant on the overall development of military and commercial ammunition markets. The fact that Nammo operates through four business units, each within a number of different segments, and a wide range of products and locations is an advantage, as it diversifies the risk over a broad platform of business activities. Nammo has manufacturing activities in nine different countries, each with its own export regulations with which Nammo is required to comply. Where export licenses are necessary to address a market, Nammo carries the risk that authorities might revoke these at any time, for reasons beyond Nammo's control.

### Operational risk

The Group's value creation consists mainly of products and systems of high technological complexity. Safety is a key priority for Nammo, and the Group has established routines and procedures designed to minimize overall operational risk, particularly those related to the handling of explosives and other hazardous materials.

In recent years, with COVID-19 and the war in Ukraine, Nammo has experienced increased risk of supply chain disruptions. Procedures are implemented to secure deliveries of critical raw materials and key components from suppliers.

**Financial risk**

Nammo has established policies for financial risk management at both corporate and business unit levels. The following have been identified as the key financial risk areas for the Group:

**Currency risk:** Nammo's customer base is global, and currency fluctuations have a major impact on the Group's financial statements. In light of this, monitoring currency risk through internal risk matching and hedging in the market, using financial instruments to secure the calculated earnings on contracts and thereby reducing exposure to fluctuations.

**Commodity price risk:** Price volatility related to copper, steel and other raw materials can directly affect cost of goods sold and hence it can have an effect on the Group's reported operating results. Nammo manages this risk by entering into commodity hedges for significant purchase transactions of metals. This is typically performed through back-to-back agreements with the applicable vendors.

**Liquidity risk:** Management of liquidity risk means maintaining sufficient cash and cash equivalents and having funds available through adequate committed credit facilities. Nammo maintains a high degree of financial flexibility through both of these.

**Credit risk:** Nammo's customers are mainly national defense ministries, armed forces and major companies in the defense and space industry in NATO and EU countries. The inherent credit risk is considered low. Credit risk is continuously monitored, and the risk associated with outstanding trade receivables is currently considered low.

**Interest rate risk:** Interest rate risk for the Nammo Group is monitored and assessed during the year. The main risk is related to long-term financing of the Group and is handled at corporate level. With the Group refinancing in 2021, Nammo issued a bond in the market with a fixed interest rate for the seven-year duration. The interest rate risk is currently considered limited.

**Reputational risk**

Nammo's reputation is one of the company's most valuable assets. To protect the Group's reputation it is important to build a strong company culture from the inside.

Nammo has zero tolerance for corruption and runs training programs aimed at continuously strengthening the understanding of ethics and business integrity within the company. During 2022, Nammo had particular focus on dilemma training of managers and relevant persons in high-risk positions.

In order to maintain a strong reputation and the trust of the societies Nammo serves, the Group's products must always be developed and produced according to international laws and conventions.

Nammo's license to operate is dependent on each Group entity's compliance with strict national export regulations. Failure to do so represents a significant risk to the Group's reputation, and thereby its business. Nammo maintains its management systems to support the various quality and military standards, as well as regulatory and customer requirements. The integrated procedures and routines are essential risk mitigating factors, along with export control training and due diligence of the supply chain.

In 2022 there were no direct actions caused by Nammo or any company practices known of that could be defined as major reputational risk. Nammo did not detect any unacceptable actions by its employees, leaders or anyone who directly represents its business or has a relationship with its business. Nor did the company receive any report on employees or business leaders involved in unethical behavior towards customers or suppliers, apart from one minor incident that has been handled and closed with no further actions deemed necessary.

**ENVIRONMENTAL, SOCIAL AND GOVERNANCE**

Nammo's corporate social responsibility is to ensure security of supply to its national and allied forces in support of their work to preserve peace and democracy.

The Group is committed to support global initiatives such as the UN Global Compact and abide by the OECD Guidelines for Multinational Enterprises, which means that Nammo is to operate in a manner that:



- protects the environment
- has zero tolerance of corruption
- combats modern slavery and child labor

Nammo requires compliance with human and labor rights in all operational sites and requires its overall business to maintain operational quality that prevents any negative effect on the local communities surrounding the facilities.

Nammo reports on sustainability in accordance with legal requirements (the Norwegian Accounting Act) and other industry recognized standards for material topics, such as the Global Reporting Initiative (GRI) standard. In 2022 the Group published its ninth UN Global Compact report. Codification of ESG requirements has taken place across several jurisdictions where Nammo has operations. The Norwegian Transparency Act came into effect on July 1, 2022, setting reporting requirements related to responsible business conduct. Refer to the Sustainability Report for further details.

### Priorities

During 2022, Nammo followed up the work on key performance indicators within the five identified areas material for its sustainability work; Business and Value Chain Integrity, Employee safety and well-being, Environmental and Product Stewardship. Nammo's approach to sustainability is defined in the Group strategy and integrated in the processes of the Nammo Group Management System.

During 2022 main priority has been to define the baseline to report according to the GHG protocol and implement a reporting system, perform and evaluate two product life cycle assessments and plan for a climate risk evaluation of 13 selected locations out of a total of 27.

On the organizational part Nammo has increased the number of resources in the sustainability team, structured the internal reporting and established site ambassadors.

### Ethics and anti-corruption

In order to keep up the awareness of business integrity, the Code of Conduct is a major part of the onboarding procedure of all new employees and a part of the annual training distributed by the e-learning program.

The total number of incoming reports from both the line organization and from the two grievance mechanisms during 2022 was 12 (27). Five of the total reported concerns were made through the grievance mechanism. One of the reported concerns is still under investigation at year-end. There was a decline in registered concerns in the line organization in 2022 compared to 2021.

Nammo has a zero-tolerance policy for corruption and bribery. Regular training sessions for both Nammo's employees and third parties acting on behalf of the Group is the best risk mitigation strategy. Training in ethics and anti-corruption is divided into three different programs: web-based e-learning, dilemma workshops for employees in high-risk positions, and tailor-made red flag training on

fraud awareness and detection. In 2022, the local entities prioritized dilemma training in business ethics and integrity of their leadership and high-risk positions.

A compliance maturity assessment according to the group compliance program was completed as well as a third party internal audit on export control. Improvements from the assessment and the audit will be followed up by the Risk, Audit and Compliance Committee.

### People

Nammo's People Policy aims to ensure equal opportunities and rights for all employees, as well as preventing discrimination on any grounds. This applies in particular to recruitment, career and competence development, equal pay for equal work and working conditions, though always balanced by the need to observe strict accordance with rules and regulations of national security authorities in the respective countries. Nammo's People Guiding Principles describe its commitment and expectations to all Nammo employees, including Leadership, Workplace Behavior, Fair Employment Practices & Equal Opportunities and Reward.

Nammo's employees are key to the Group's continued success. Through performance management processes Nammo aims to ensure that all employees know what is expected of them, and support them in acquiring the necessary skills, knowledge, values and experience to succeed. In addition, Nammo continues to develop and

strengthen its leadership program “Nammo Academy” and its mentoring program going forward. As a responsible employer, Nammo has in place policies to support a reasonable work-life balance, safety and overall a good working environment, including several family-friendly arrangements. The Group has reason to believe that the company offers a positive working environment as the employee turnover rate in most parts of the Group remains low.

Women account for 27 percent of all employees at the end of the year, and the Group continues its efforts to encourage female employment. The positive development in the female ratio over the latest years supports efforts to increase the number of women in leadership positions at all levels and increase the diversity of the workforce. The goal is for women to comprise 30 percent of Nammo’s workforce by 2030. The female ratio in the executive leadership is 18 percent.

During 2022 Nammo Group had an average of 2679 full-time equivalent employees.

With regards to gender equality and fulfilment of the requirements pursuant to the Norwegian Equality and Discrimination Act. § 26, further details can be found in the Sustainability Report.

**Board and Management insurance**

Nammo has insurance for the Board members and the CEO for their potential liability towards the company or third parties. The insurance coverage is in line with the market for such insurances.

**Health, Environment, Safety and Security (HESS)**

HESS remains vital for all sites within the Nammo Group. Maintaining occupational health and safety focus as an integral part of our daily operations is key to Nammo’s ability to keep its work force safe, and deliver products of the highest quality and on schedule to its customers. Particularly in the face of a war in continental Europe. Through the autumn of 2022, the Nammo Group HESS Policy was updated to reflect a shift towards understanding safety to be more than simply the absence of accidents and acknowledging that we need to focus on fixing systems and working conditions rather than trying to fix people. The Group is redoubling its efforts to involve employees in the identification of hazards and the mitigation efforts to reduce the hazards identified. Nammo Group sites will strive to learn from “normal work” and identify hazards that are present every day rather than wait for the hazards to announce themselves in the form of personal injury or material damage.

COVID-19 continued to affect Nammo sites as reflected in increased rates of sick absence as many countries maintained strict test and quarantine requirements through the first half of 2022. However, the increased sick absence did not adversely impact operations.

**Site assessments**

A total of 24 site assessments were conducted during the year, in accordance with a procedure and plan developed by

the Nammo Group HESS director. Ten of these visits also included other staff functions from Nammo Corporate in order to obtain a more holistic view of site operations.

**Activities and results**

During 2022, the Nammo Group experienced no fatal injuries and no Serious Injuries (SIF). The Group also saw the lowest number of LTIs in its history, with 23 LTIs suffered during 2022 and a LTI Value (# LTIs/1,000,000 working hours) of 4.6 compared to 38 LTIs with an LTI value of 7.6 in 2021. In spite of this positive development in LTI statistics, the Group recognizes that LTIs do not always correlate well with the severity of incidents, and are highly dependent upon the number of hours worked. This means that small sites with low headcounts can have a disproportionately high LTI Value for a single LTI. This metric is also not an indicator of future safety performance and can see large degrees of natural variation from a statistical perspective.

Therefore, Nammo Group tracks SIF potential events closely and shares all SIF LTIs and near-misses/hazardous conditions throughout the Nammo Group via “Safety Flashes” to promote organizational learning.

Nammo Group quarterly safety council meetings continued during 2022 to review issues affecting group companies as well as promote cross-site discussions. The Group continues to have a couple of sites that are experiencing a high number of LTIs and they will continue to receive additional support during 2023. Sick absence increa-

sed from 4.1 percent in 2021 to 4.9 percent in 2022 as COVID-19 continued to affect sites during the first half of the year.

### Environment

The Group's business has a direct impact on the environment through development, testing and production associated with energy usage, water usage, waste stream management, and transportation. The majority of Nammo employees work at sites certified in accordance with the ISO 14001 standard for Environmental Management Systems.

Nammo's efforts to remediate historical pollution at the Mesa site in cooperation with the US Environmental Protection Agency (EPA) and Arizona Department of Environmental Quality (ADEQ) are continuing. The site is awaiting guidance resulting from the preparation of the Conceptual Site Model, in order to determine future remediation efforts following operations conducted at the Mesa site prior to Nammo's acquisition of Talley Defense Systems Inc. in 2007 (today Nammo Defense Systems Inc.).

Ammonium perchlorate remains the primary contaminant of concern and operation of a fluidized bed reactor at the former water bore out site continues to be used for remediation at that location. Studies continue regarding the effectiveness of in situ remediation via perchlorate reducing microorganisms for the former thermal treatment unit location.

### Security

Maintaining physical security has grown in importance due to the war in Ukraine and Nammo's position as a manufacturer of ammunition. Close coordination and cooperation with national and local authorities in every country in which Nammo produces military products has been critical to successfully safeguarding its operations and people. Excellent communication with local authorities is built upon its historical efforts to regularly liaise with them to ensure that Nammo Group sites are in compliance with regulatory requirements while staying abreast of a constantly evolving security landscape. There have been no reports of major security violations during 2022.

The war in Ukraine requires Nammo to have increased focus on cybersecurity and digital preparedness. The Group continues to reduce and limit risk in an unpredictable, complex and ever changing threat landscape, where adversaries attempt to infiltrate company networks using increased sophisticated methods.

Technical improvements are continuously made to Nammo's cybersecurity systems, reducing both probability and consequences of severe security incidents. Employee awareness of IT security was raised through systematic e-learning training throughout the year, in line with Nammo's IT strategy.

Nammo complies with security requirements like ISO 27001 and UK Cyber Essentials where customers require formal certification. Nammo did not identify any data breaches in 2022.

### DISTRIBUTION OF DIVIDEND

At the Annual General Meeting the Board of Directors will propose a dividend payment of NOK 253.9 million for 2022. Nammo AS profit for the year is NOK 223.3 million. The dividend will be covered by distributing the Nammo AS profit for the year and an additional distribution of other equity of NOK 30.6 million.

The proposed dividend represents 50 percent of Nammo Group net profit for the year.

### OUTLOOK FOR THE NAMMO GROUP

Nammo's future outlook is influenced by global geopolitical developments, and Russia's war in Ukraine has affected government spending priorities across Nammo's core product areas.

The effects of the war are likely to be felt during the coming years, both in terms of reestablishing national stocks and continued support to Ukraine. This will have an impact across supply chains and distribution in the defense industry.

Nammo has strengthened its role in domestic security of supply for several of its core markets, but the Group remains an international company, with its long-term prospects closely linked to international partnerships between industry and governments.

The Group will therefore continue to pursue programs and investments and support partnerships and opportunities on both sides of the Atlantic. It will continue to invest in

both the domestic and collective security of supply of its core markets.

NATO and allied countries remain key markets for the Group and these will account for a significant portion of Nammo's growth in the years ahead. As the United States continues to transition to dealing with peer adversaries, this will likely lead to increased demand for the Group's technologies and products, such as rocket motors for long-range artillery and missiles.

In line with previous years, 96 (92) percent of Nammo's 2022 revenues were from these regions, with the United States representing 35 (36) percent of the 2022 Group revenue.

Ahead, Nammo's strategy continues to emphasize growth in its core markets, along with continuous internal improvement efforts and sustainable investments for growth. Nammo's ability to remain reliable partner to allied customers is vital for maintaining its leading market position.

Nammo's prospects remain good, and the Group's investment in production capacity, people, processes and technology will ensure its ability to secure the future for its stakeholders.

The Board of Directors expresses its appreciation to all Nammo's employees and customers for their strong commitment and dedication during the year.

**Raufoss, 20 March 2023**

**Esa Rautalinko**  
CHAIRMAN OF THE BOARD

**Dag Schjerven**  
VICE CHAIRMAN OF THE BOARD

**Jan Skogseth**  
BOARD MEMBER

**Cathrine Bjaarstad**  
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**Ville Jaakonsalo**  
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BOARD MEMBER

**Marianne Stensrud**  
BOARD MEMBER

**Petri Kontola**  
BOARD MEMBER

**Morten Brandtzæg**  
PRESIDENT & CEO

# 4 | Nammo Group



## Income statement

(NOK 1 000)	Notes	2022	2021
<b>Revenue</b>	1, 2	<b>7 451 599</b>	6 977 526
<b>Operating expenses</b>			
Changes in stock of work in progress and finished goods		58 939	40 365
Changes in self-manufactured fixed assets		535	61
Cost of goods sold		(2 936 134)	(2 770 008)
Payroll expenses	3, 4	(2 177 658)	(1 961 440)
Depreciation of tangible and intangible non-current assets	5, 6	(284 929)	(288 001)
Write down of non-current assets	5, 6	(15 983)	(68 793)
Other operating expenses		(1 360 286)	(1 254 757)
<b>Total operating expenses</b>		<b>(6 715 516)</b>	(6 302 573)
<b>Operating result</b>		<b>736 083</b>	674 953
<b>Financial income and expenses</b>			
Income from associates and joint ventures – equity method	7	130	(2 208)
Interest income		37 907	11 876
Other financial income	8	43 650	28 156
Interest expenses		(60 658)	(37 588)
Other financial expenses	8	(69 156)	(31 337)
<b>Net financial income (expense)</b>		<b>(48 127)</b>	(31 101)
<b>Profit before tax</b>		<b>687 956</b>	643 852
<b>Income taxes</b>	9	<b>(180 332)</b>	(184 822)
<b>Profit (loss) for the year</b>		<b>507 624</b>	459 030

## Balance sheet

(NOK 1 000)

Notes

As of 31.12.22

As of 31.12.21

### ASSETS

#### Non-current assets

##### Intangible assets

Deferred tax asset	9	58 700	59 504
Licenses, trademarks and other intangible assets	5	213 089	233 193
Research and development	5	193 662	180 375
Goodwill	5	99 216	133 462
<b>Total intangible assets</b>		<b>564 667</b>	606 534

##### Tangible assets

Buildings	6	478 292	422 375
Land	6	53 407	50 749
Machines and equipment	6	855 951	774 779
Fixtures and fittings, tools, office machinery, etc.	6	124 202	108 077
Plant under construction	6	654 602	348 358
<b>Total tangible assets</b>		<b>2 166 454</b>	1 704 338

##### Financial fixed assets

Shares in joint controlled companies	7	8 040	7 910
Other shares and participations	7	17 653	17 873
Pension assets	4	145 117	109 673
Other receivables	10	10 992	9 576
<b>Total financial fixed assets</b>		<b>181 802</b>	145 032

#### **Total non-current assets**

**2 912 923** 2 455 904

#### Current assets

##### Inventory

Raw materials		1 558 666	1 138 678
Work in progress		1 333 974	1 168 037
Finished goods		351 559	275 591
<b>Total inventory</b>		<b>3 244 199</b>	2 582 306

##### Receivables

Accounts receivable	11	1 189 189	852 300
Other receivables	10	368 777	153 658
Advance payments to suppliers		254 358	165 245
<b>Total receivables</b>		<b>1 812 324</b>	1 171 203

#### **Cash and cash equivalents**

12 **263 257** 814 723

#### **Total current assets**

**5 319 780** 4 568 232

#### **Total assets**

**8 232 703** 7 024 136

## Balance sheet

(NOK 1 000)

Notes

As of 31.12.22

As of 31.12.21

### EQUITY AND LIABILITIES

#### Equity

Share capital	13	100 000	100 000
Other paid in capital	13	258 670	258 670
Other equity	13	3 205 769	2 827 911
<b>Total equity</b>		<b>3 564 439</b>	3 186 581

#### Liabilities

##### Non-current liabilities

Pension liabilities	4	186 979	186 690
Deferred tax liabilities	9	80 375	49 708
Other provisions		6 466	1 528
<b>Total non-current liabilities</b>		<b>273 820</b>	237 926

##### Other non-current liabilities

Liabilities to financial institutions	14	1 222 609	1 201 422
Other non-current liabilities		120 201	121 542
<b>Total other non-current liabilities</b>		<b>1 342 810</b>	1 322 964

##### Current liabilities

Warranty provisions	15	129 686	130 430
Accounts payables		543 452	383 699
Current tax payables	9	70 410	74 418
Public duties		205 791	142 561
Dividend payable		253 900	229 600
Prepayments from customers		1 351 865	891 797
Other short-term liabilities		496 530	424 160
<b>Total current liabilities</b>		<b>3 051 634</b>	2 276 665

#### Total liabilities

4 668 264

3 837 555

#### Total equity and liabilities

8 232 703

7 024 136

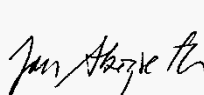
Raufoss, 20 March 2023



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BOARD MEMBER



Morten Brandtzæg  
PRESIDENT & CEO



## Cash flow

(NOK 1 000)	2022	2021
<b>Cash flow from operational activities</b>		
Result before tax	687 956	643 852
Tax payments	(166 903)	(131 934)
Gain and loss on sale of fixed assets	(312)	413
Ordinary depreciations	284 929	288 001
Write-down fixed assets	16 118	68 793
Net interest cost	22 751	25 712
Changes in inventory	(557 622)	(44 378)
Changes regarding accounts receivables	(319 630)	35 303
Changes regarding accounts payables	141 424	78 395
Difference pension costs and paid pension premiums	(30 025)	(30 552)
Changes in other dispositions	234 519	464 782
<b>Net cash flow from operational activities (a)</b>	<b>313 205</b>	1 398 387
<b>Cash flow from investment activities</b>		
Sale of fixed assets	9 874	2 571
Purchase of fixed assets	(623 032)	(394 565)
Purchase of other long-term investments	-	(750)
<b>Net cash flow from investment activities (b)</b>	<b>(613 158)</b>	(392 744)
<b>Cash flow from financing activities</b>		
Payments received regarding new long-term loans	21 963	1 220 330
Installments on long-term loans	(21 245)	(1 539 507)
Net interest payments	(22 751)	(25 712)
Payments received from dividend	120	-
Paid dividend	(229 600)	(211 300)
<b>Net cash flow from financing activities (c)</b>	<b>(251 513)</b>	(556 189)
Net changes in cash and bank accounts (a+b+c)	(551 466)	449 454
Cash and bank accounts as of 01.01.	814 723	365 269
<b>Cash and bank accounts as of 31.12.</b>	<b>263 257</b>	814 723

Total unused cash credits as of 31 December 2022 is NOK 1400 million. See note 14.

NAMMO GROUP

# Consolidated financial statements 2022

## Content Notes

<b>Accounting policies Nammo Group</b>	<b>91</b>
<b>Notes to the financial statements</b>	
NOTE 1 Revenue	94
NOTE 2 Financial market risk	95
NOTE 3 Employee and management remuneration and auditor's fees	96
NOTE 4 Pension liability and pension cost	97
NOTE 5 Intangible assets	98
NOTE 6 Fixed assets	99
NOTE 7 Shares in other companies	99
NOTE 8 Financial items	100
NOTE 9 Income taxes	100
NOTE 10 Other receivables (current and non-current)	101
NOTE 11 Receivables and losses on bad debts	101
NOTE 12 Cash reserve	102
NOTE 13 Equity and shareholders	102
NOTE 14 Interest bearing loans and guarantees	103
NOTE 15 Warranty provision	103

# Accounting policies Nammo Group

## General

The Nammo Group consists of Nammo AS and its subsidiaries. Nammo AS is a public limited liability company (Aksjeselskap). Nammo AS headquarters are located in Raufoss, Norway.

The consolidated financial statements consist of the Group and its interests in associated companies and joint ventures.

The consolidated financial statements have been prepared in accordance with the Norwegian Accounting Act and the Norwegian General Accepted Accounting Principles.

## Basis of consolidation

The consolidated financial statements include Nammo AS and subsidiaries where Nammo AS, directly or indirectly have a controlling interest. Controlling interest is usually achieved when Nammo has more than 50 percent of voting rights. In some situations, de facto control of an entity may be achieved through contractual agreements. Subsidiaries that are acquired or sold during the year are included or excluded from consolidation when the Group achieves control or ceases to have control. All inter-company transactions and balances between Group companies are eliminated.

Minority interests of consolidated subsidiaries are identified separately from equity attributable to equity holders of Nammo AS. Minority interests consist of the amount of those interests at the acquisition date (see below) and the minority's share of changes in equity since the acquisition date.

## Foreign currencies

The individual financial statements of a subsidiary are prepared in the company's functional currency, normally the currency of the country where the company is located. Nammo AS uses NOK as its functional currency, which is also used as the presentation currency for the consolidated financial statements.

In preparing the consolidated financial statements, the financial statements of foreign subsidiaries are translated to NOK using the exchange rates at year-end for balance sheet items and

yearly average exchange rates for income statement items. Translation gains and losses, including effects of exchange rate changes on transactions designated as hedges of net foreign investments, are included in shareholder's equity.

In individual subsidiaries, transactions in currencies other than the entity's functional currency are recorded at the exchange rate at the date of the transaction. Gains and losses arising on transactions, assets and liabilities other than the translation gains/losses, are recognized in the income statement, except for gains and losses on transactions designated and effective as hedge accounting.

To hedge the Group's currency exposure the Group enters into currency-based derivative financial instruments. The Group's accounting policies for such hedge contracts are explained in these accounting policies.

## Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given and liabilities incurred or assumed, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under NRS 17, are recognized at their fair values at the acquisition date. If acquiring less than 100 percent of a company, the interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognized.

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized at cost and then amortized according to the assessed economic lifetime.

Negative goodwill arising as part of a business combination is amortized periodically over 5 years.

## Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for products provided in the normal course of business, net of discounts and sales related taxes. Revenue from the sale of products is recognized when all of the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold
- The amount of revenue can be measured reliably
- It is probable that the economic benefits associated with the transaction will flow to the Group
- The costs incurred or to be incurred in respect of the transaction can be measured reliably

## Dividends received

Dividends from investments are recognized in the income statement when the Group has a right to receive the dividends.

## Interest income

Interest income is recognized in the income statement as it is accrued.

## Government grants

Government grants are recognized in the consolidated financial statement when the Group has reasonable assurance that it will receive them and comply with conditions attached to them.

Government grants that compensate the Group for expenses are recognized in the income statement as the expenses are incurred. Government grants that compensate the Group for the cost of an asset are recognized as a reduction to the total investment and thus also to the future depreciations of the asset.

**Income taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable income. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill that is not deductible for tax purposes.

Current and deferred taxes are recognized as expense or income in the income statement, except when they relate to items recognized directly in equity, in which case the tax is also recognized directly in equity.

In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of Nammo’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities over cost.

**Intangible assets**

Separately acquired intangible assets are recognized at cost at the time of acquisition. Intangible assets acquired as a result of contracts or legal rights or rights that can be separated from the acquired entity, are recognized at fair value.

Cost relating to significant development projects for new technologies, products, tooling etc., which is estimated to give future positive cash flow, is recognized as research and development costs in the balance sheet. All other research and development costs are expensed when incurred.

Intangible assets are amortized on a straight-line basis over their expected useful life. Capitalized R&D is amortized over future deliveries of the applicable product/technology, classified as cost of goods sold in the profit and loss.

**Property, plant and equipment**

Property, plant and equipment are measured at historic cost less accumulated depreciation and any impairment loss.

Expenses in connection with ordinary maintenance and repairs are recognized in the income statement as they incur. Expenses incurred in connection with major replacements and renewals are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life.

Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value and is recognized in the income statement.

Interest is capitalized as part of the historical cost of major assets constructed.

**Associated companies**

Associated companies are investments in companies where the Group has significant influence, but not control. Significant influence normally exists when the Group controls between 20 percent and 50 percent of the voting rights. The share of net income, assets and liabilities of associated companies are incorporated into the consolidated financial statements using the equity method of accounting.

**Joint ventures**

A joint venture is a contractual arrangement whereby the Group and one or more parties undertake an economic activity that is subject to joint control, which is when the strategic and financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control. Accounting for participation in joint ventures is based on the equity method as described under

the accounting principles for associated companies.

**Inventory**

Inventories comprise of finished goods, work in progress and raw materials. Finished goods refer to own produced products and goods purchased for resale. Work in progress are partly processed, unfinished products. Raw materials include materials purchased from external parties such as metals, chemicals, ammunition powder, explosives, acquired components etc.

Inventories are recorded at the lower of cost, using the first-in, first-out method (FIFO) and net realizable value. Net realizable value is estimated sales price reduced by costs of completion and other sales costs.

The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. This include direct materials, direct labor, and an appropriate portion of production overhead, or the purchase price of the inventory.

**Impairment of non-current assets**

The Group assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered material by the Group trigger an impairment test.

These include:

- Significant underperformance relative to historical or projected future results, or
- significant changes in the manner of the Group’s use of the assets or the strategy for the overall business, or
- Significant negative industry or economic trends

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators

of impairment, an impairment charge is measured based on discounted projected cash flows. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Previously recognized impairment losses are reversed if the assumptions for impairment are no longer present.

**Dividend liability**

A dividend liability is recognized based on the Board of Directors proposal to be approved by the annual General Meeting.

**Defined benefit plans**

The Group's net obligation in respect of defined benefit plans are calculated separately for each plan, based on the legislation in the respective countries where Group companies have defined benefit plans. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets and unvested past service cost is deducted. The discount rate is based on the risk free rate (interest rate on long term government bonds) and the recommendation from The Norwegian Accounting Standards Board (Norsk Regnskapsstiftelse), plus a risk premium. Qualified actuaries perform the calculations.

The actuarial gains or losses are recognized using a corridor. The corridor is defined as 10 percent of the highest of the defined benefit obligation (DBO) and total plan assets. The net actuarial gain or loss exceeding the corridor is amortized in the income statement over the estimated remaining period of service from the members in the plan.

**Defined contribution plans**

Contributions to defined contribution pension plans are recognized as an expense in the income statement when employees have rendered services entitling them to the contributions.

**Onerous contracts**

Present obligations arising under onerous contracts are recognized and measured as a provision. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceeds the economic benefits expected to be received from it.

**Warranties**

Provisions for warranties are recognized when the products or services are sold. This is done to meet future claims on already sold products and services. The provision is based on an assessment of the business Nammo operates in, historical information on actual warranty payments incurred, and the probability that claims will be made.

**Cash and cash equivalents**

Cash and cash equivalents include cash and bank deposits.

**Trade receivables and other short-term receivables**

Trade receivables and other short-term receivables are recognized at the lower of the transaction amount (historic cost) and the fair value at the time of reporting.

**Trade payables and other short-term liabilities**

Trade payables are recognized at the higher of the transaction amount (historic cost) and the fair value at the time of reporting.

**Impairment of financial assets**

Financial assets, other than those recognized at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at historic cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at historic costs including transaction costs.

**Financial instruments**

The Group uses financial instruments to hedge exposure against foreign exchange risk in operating, financing and investment activities. The financial instruments are entered into based on a 'back-to-back' process, meaning that we usually make a hedge based on a specific underlying sale or purchase contract.

**Hedge accounting**

The Group designates certain financial instruments as either hedges of foreign currency risk of future cash flows (cash flow hedges), or hedges of net investments in foreign operations.

**Cash flow hedges**

The effect of the financial instruments used as hedging instrument in a cash flow hedge are recognized in the profit and loss in the same period as the underlying hedged transaction is recognized.

**Hedge of net investment**

Changes in book value of financial instruments used as hedges of net investment in foreign operations are recognized directly in equity.

**Leasing**

Property, plant and equipment which is leased on conditions which substantially transfer all the economic risks and rewards to Nammo (finance lease) are accounted for as property, plant and equipment at the present value of minimum lease payments or fair value if this is lower. The corresponding finance lease liabilities are included in other non-current liabilities. Property, plant and equipment is depreciated over the estimated useful lives of the assets.

The related liabilities are reduced by the amount of lease payments less the effective interest expense. Other leases are accounted for as operating leases, with lease payments recognized as an expense over the lease terms.

# Notes to the financial statements

## NOTE 1: Revenue

The Nammo Group consists of subsidiaries in Norway, Sweden, Finland, Germany, Switzerland, Spain, USA, England, Ireland, Poland, India, Australia and Canada.

### Revenue from Nammo subsidiaries per country

(NOK 1 000)	2022	2021
England	150 159	99 925
Finland	790 164	654 603
Germany	1 001 572	797 266
Ireland	17 639	13 794
Norway	2 141 652	2 129 895
Spain	373 877	409 885
Sweden	1 106 954	1 075 616
USA	1 869 582	1 796 542
<b>Total</b>	<b>7 451 599</b>	<b>6 977 526</b>

### Revenue per geographical location of customers

(NOK 1 000)	2022	2021
Norway, Sweden and Finland	2 229 260	2 173 382
Other Europe	2 167 263	1 669 065
North America	2 749 469	2 585 781
Asia	117 198	337 636
Other countries	188 409	211 662
<b>Total</b>	<b>7 451 599</b>	<b>6 977 526</b>

## NOTE 2: Financial market risk

The Nammo Group has both sales and purchases in foreign currencies. To reduce the financial risk of currency changes, secured exchange rate instruments (forwards contracts) is used to hedge contracts in foreign currency with both the customers and suppliers.

Transactions are recorded at the hedged rates of exchange.

### Cash flow hedges as of December 2022

(Amounts in currency 1 000)

Transaction type	Buy/Sell(-)	CAD	CHF	EUR	GBP	SEK	DKK	USD
<b>FX Forward</b>	Buy	-	14 770	80 471	3 319	24 249	1 609	39 250
	Sell (-)	(5 565)	-	(116 628)	(926)	(67 426)	-	(65 583)
<b>FX SWAP</b>	Buy	-	6 270	38 068	145	-	-	173
	Sell (-)	-	-	(44 913)	(2 095)	(165)	-	(149 168)

### Maturity FX Forward's and FX SWAP's – percentage allocation based on nominal value in NOK

Transaction type	Buy/Sell(-)	Year 2023	Year 2024	Year 2025
<b>FX Forward</b>	Buy	84,6%	15,2%	0,2%
	Sell (-)	56,4%	27,7%	16,0%
<b>FX SWAP</b>	Buy	100%	-	-
	Sell (-)	100%	-	-

According to the Norwegian accounting legislation the hedging instrument is recognized in the profit and loss in the same period as the underlying transaction.

In some cases the underlying transaction does not happen at the maturity date of the hedging instrument. In these cases FX SWAPs are placed with a maturity date matching the new estimated time of the underlying transaction. The profit and loss effect of both the FX Forward and FX SWAP is matched with the underlying transaction.

### NOTE 3: Employee/management remuneration and auditor's fees

(NOK 1 000)	2022	2021
Salaries	1 681 445	1 519 174
Employment taxes	199 061	132 456
Pension costs	160 501	146 193
Other personnel costs	136 651	163 617
<b>Total</b>	<b>2 177 658</b>	<b>1 961 440</b>
<b>Average number of man-years</b>	<b>2 679</b>	<b>2 648</b>

### Remuneration CEO, Board of Directors and corporate management

(NOK)	Function	Salary	Additional pension element	Earned bonus for 2022	Other comp	Pension cost	Total
Morten Brandtzæg	President and CEO	4 805 131	2 530 980	2 919 143	569 645	222 724	11 047 623
Kjell Kringsjå	President Nammo Inc.	3 316 608	234 792	1 048 470	135 723	211 365	4 946 959
Christian Rykke	CFO	2 752 058	239 088	829 252	244 955	277 227	4 342 580
Stein Erik Nodeland	EVP AP	2 025 124	113 994	711 392	153 855	211 170	3 215 534
Vegard Sande	EVP LCS	2 428 132	193 062	429 280	333 067	170 857	3 554 397
Reijo Bragberg	EVP SMCA	1 853 056	–	608 397	11 371	923 730	3 396 553
Raimo Helasmäki	EVP CA	3 204 727	–	1 144 544	150 731	675 056	5 175 058
Tomas Ramse Andersen	SVP Business Development	1 451 120	37 560	474 506	122 021	174 424	2 259 631
Anne Haugen-Flermoe	SVP Legal & Regulatory Affairs	1 831 866	91 014	514 327	65 543	253 706	2 756 456
Sissel Solum	SVP Sustainability and Compliance	1 771 505	65 052	490 579	102 692	228 192	2 658 019
Fredrik Tangeraas	SVP Communications	1 781 657	75 642	463 250	153 872	282 839	2 757 259

#### Board of Directors

#### Remuneration

Esa Rautalinko	Chairman	476 000
Dag Schjerven	Vice Chairman	459 000
Cathrine Bjaarstad	Board Member	267 000
Sirpa-Helena Sormunen	Board Member	274 000
Ville Jaakonsalo	Board Member	289 000
Marianne Stensrud	Board Member	267 000
Petri Kontola	Board Member	274 000
Jan Steffen Skogseth	Board Member	274 000

All Norwegian corporate management members are included in a collective defined benefit pension plan in Norway. For further information see the separate management remuneration report.



### Auditor's fee

All numbers are presented exclusive VAT.

(NOK 1 000)	2022	2021
Group auditors fees	6 897	6 948
Fees for other assurance work	106	163
Tax advisory services	175	137
Other services	274	995
<b>Total</b>	<b>7 452</b>	<b>8 243</b>

### NOTE 4: Pension liability – pension cost

The companies with pension arrangements, which provide the employees with the right to defined future pension payments, are included in the calculations of the pension liability (defined benefit plans). The pension liability at 31 December 2022 was NOK 187.0 million and is derived from the companies in Sweden, Germany and Finland. Pension assets in Norway were 145.1 million at 31 December 2022. The defined benefit plan in Norway has 409 (430) active members, whereas in Sweden there are 100 (97) active members. In addition, contribution pension plans exist in the other countries where we operate.

The total periodic pension costs for both defined benefit plans and defined contribution plans are included in personnel costs in the profit and loss statement. The different pension plans are structured and based upon the laws and regulation in the respective countries. The assumptions used for the actuary calculations are as follows:

Assumptions	Norway	Sweden
Discount rate	3,20 %	3.70%
Yield from pension funds	4.90 %	–
Annual salary increase	3.75 %	2.50%
Annual increase in G	3.50 %	–
Annual expected adjustment of pensions under payment	1.70 %	–
Annual increase Income Base amount	–	2.50%
Inflation	–	2.00%

### Pension costs

(NOK 1 000)	2022	2021
Service costs	45 420	78 653
Amortization of net actuarial losses (gains)	4 946	11 140
Interest costs (income)	(94)	12 512
Pension cost related to defined contribution plans	110 229	51 247
Settlement pension plans	–	(7 359)
<b>Net periodic pension costs</b>	<b>160 501</b>	<b>146 193</b>

### Pension liabilities/assets

(NOK 1 000)	2022	2021
Defined benefit obligation incl. social security tax	767 478	754 732
– Fair value of plan assets	(501 324)	(472 655)
<b>Net pension obligation</b>	<b>266 154</b>	282 077
Items not recorded in the profit and loss:		
Unrecognized net actuarial loss (gain)	(224 292)	(205 060)
<b>Net pension liability</b>	<b>41 862</b>	77 017
<b>Classified as pension asset in the balance sheet</b>	<b>145 117</b>	109 673
<b>Classified as pension liabilities in the balance sheet</b>	<b>186 979</b>	186 690

### NOTE 5: Intangible assets

(NOK 1 000)	Patents, trademark and other intangible assets	Goodwill	Research and Development	Total assets
Acquisition cost as of 01.01.22	821 898	431 512	310 075	1 563 485
Additions during the year	6 234	–	18 548	24 782
Disposals during the year	(14 030)	–	–	(14 030)
Exchange difference acq. cost	78 510	54 659	–	133 164
Acquisition cost 31.12.22	892 612	486 171	328 623	1 707 406
Accumulated amortizations 31.12.22	(663 290)	(386 955)	(69 957)	(1 120 202)
Accumulated write-down 31.12.22	(16 233)	–	(65 004)	(81 237)
<b>Book value as of 31.12.22</b>	<b>213 089</b>	<b>99 216</b>	<b>193 662</b>	<b>505 967</b>
<b>Amortization this year</b>	<b>27 757</b>	<b>47 457</b>	<b>5 048</b>	<b>80 262</b>
<b>Write-down this year</b>	<b>1 990</b>	–	–	<b>1 990</b>
Economic lifetime (years)	1–10	5–10	1–10	
Depreciation plan	Linear	Linear	Linear	

Goodwill amortized over more than five years is goodwill originating from companies with products strongly rooted with the customers and a strong market position, which is expected to last materially longer than five years.

Amortizations and write-downs related to research and development is classified as cost of goods sold in the P&L.

## NOTE 6: Tangible fixed assets

(NOK 1 000)	Buildings	Land	Machinery and equipment	Fixtures, fittings, tools, office machinery, etc	Plants under construction	Total assets
Acquisition cost as of 01.01.22	1 037 786	75 889	2 613 480	503 961	399 457	4 630 473
Additions during the year	85 043	1 439	198 179	37 033	319 427	641 171
Disposals during the year	-	-	(6 318)	(3 440)	(38 347)	(48 105)
Exchange difference acq. cost	42 225	4 108	96 938	22 366	30 887	196 524
Acquisition cost 31.12.22	1 165 054	81 336	2 902 279	559 920	711 424	5 420 013
Accumulated depreciations 31.12.22	(631 420)	(27 929)	(2 000 179)	(425 425)	(17 895)	(3 102 848)
Accumulated write-down 31.12.22	(55 342)	-	(46 149)	(10 293)	(38 927)	(150 711)
<b>Book value as of 31.12.22</b>	<b>478 292</b>	<b>53 407</b>	<b>855 951</b>	<b>124 202</b>	<b>654 602</b>	<b>2 166 454</b>
<b>Depreciations this year</b>	<b>48 373</b>	<b>1 687</b>	<b>133 197</b>	<b>26 458</b>	-	<b>209 715</b>
<b>Write-down this year</b>	<b>455</b>	-	<b>13 538</b>	-	-	<b>13 993</b>
Annual leasing cost of assets not recognized in balance sheet	36 080	64 877	22 718	6 641	-	126 248
Economic life time (years)	10-50	-	5-20	3-10	-	-
Depreciation plan	Linear	Linear	Linear	Linear	-	-

Included in machinery and equipment there are two financial lease contracts in Finland capitalized with NOK 65,6 million. The lease expires in 2029 and 2032 respectively. Yearly lease cost is NOK 8.9 million.

## NOTE 7: Shares in other companies

(NOK 1 000)	Company's share capital	Number of shares owned	Nominal value	Booked value NOK	Ownership
<b>Joint controlled companies</b>					
SN Technologies SA, Meyrin, Switzerland	CHF 200 000	100	CHF 100 000	8 040	50%
<b>Total</b>				<b>8 040</b>	
<b>Other shares and participations</b>					
Komm-In AS, Norway				4 500	8%
Sintef Raufoss Manufacturing AS, Raufoss, Norway				1 302	14%
Raufoss Industripark Holding AS, Raufoss, Norway				11 080	2%
Nordic Additive Manufacturing AS				750	12%
Others				21	-
<b>Total</b>				<b>17 653</b>	

Joint controlled companies are recognized according to the equity method in the consolidated financial statements. In 2022 the Nammo Group accounted for a share of the net income from SN Technologies SA at NOK 0.13 million.

For information about the Nammo AS subsidiaries, reference is made to Nammo AS' financial statement note 8.

## NOTE 8: Financial items

(NOK 1 000)	2022	2021
Gain on exchange	42 103	27 414
Other financial income	1 547	742
<b>Total other financial income</b>	<b>43 650</b>	28 156
Loss on exchange	(60 015)	(19 160)
Other financial expenses	(9 141)	(12 177)
<b>Total other financial expenses</b>	<b>(69 156)</b>	(31 337)

## NOTE 9: Income taxes

### Deferred tax liability/deferred tax asset (-)

The deferred tax liabilities/tax asset has been calculated on the basis of the temporary differences existing at the end of the accounting year between accounting values and taxation values. The specification below shows the temporary differences and the calculation of the deferred tax liabilities/tax advantages as at the end of the accounting year.

(NOK 1 000)	2022	2021	Change
<b>Temporary differences:</b>			
Intangible assets	38 645	(3 983)	(42 628)
Fixed assets	12 532	(26 512)	(39 044)
Accounts receivables	(54 530)	(51 275)	3 255
Inventory	(436 256)	(384 613)	51 643
Pension liabilities	109 298	65 498	(43 800)
Warranty liabilities	(123 130)	(131 692)	(8 562)
Other non-current temporary differences	643 381	405 554	(237 827)
Other current temporary differences	(187 787)	(89 188)	98 599
<b>Temporary differences</b>	<b>2 153</b>	(216 211)	(218 364)
Carried forward losses for tax purposes	(704 224)	(527 115)	
<b>Total temporary differences</b>	<b>(702 071)</b>	(743 326)	
Gross deferred tax/deferred tax assets (-)	(196 041)	(197 491)	
Deferred tax assets not recognized in the balance sheet	217 716	187 695	
<b>Net deferred tax liability/deferred tax asset (-)</b>	<b>21 675</b>	(9 796)	
<b>Classified as deferred tax asset</b>	<b>58 700</b>	59 504	
<b>Deferred tax liability in the balance sheet</b>	<b>80 375</b>	49 708	

### Payable income taxes

(NOK 1 000)	2022
Net income before tax	687 956
Changes in temporary differences	(218 364)
Exchange differences temporary differences	(38 830)
Permanent differences	128 050
Use of carried forward losses	(7 431)
Taxable income	551 381
<b>Payable income tax</b>	<b>167 575</b>

### Tax expense in profit and loss

(NOK 1 000)	2022
Payable tax on this year's result	167 575
Adjustments prior years	(5 146)
<b>Payable tax in this year's tax cost</b>	<b>162 429</b>
Change in deferred tax/deferred tax asset	40 695
Other items	(22 792)
<b>Tax expense in the P&amp;L</b>	<b>180 332</b>

### Payable tax in the balance sheet

(NOK 1 000)	2022
Payable taxes	171 519
Prepaid taxes	(115 889)
Other items	14 780
<b>Payable tax in balance sheet</b>	<b>70 410</b>

### NOTE 10: Other receivables (current and non-current)

These items include accrued revenue, receivables from employees, VAT receivables and other receivables.

### NOTE 11: Accounts receivables and losses on bad debts

(NOK 1 000)	2022	2021
Accounts receivables	1 260 535	914 106
Provision for bad debt	(71 346)	(61 806)
<b>Book value of accounts receivables</b>	<b>1 189 189</b>	<b>852 300</b>

No receivables fall due later than five years from 31 December 2022.

**NOTE 12: Cash reserve**

(NOK 1 000)	2022	2021
<b>Total available cash and cash credits 31 December</b>	<b>1 663 257</b>	2 214 723

Nammo AS has established an international cash pool together with the following group companies:

- Finland** Nammo Lapua Oy and Nammo Vihtavuori Oy.
- Germany** Nammo Schönebeck GmbH, Nammo Germany Defence GmbH and Nammo Germany GmbH.
- Norway** Nammo AS, Nammo Raufoss AS and Nammo NAD AS.
- Sweden** Nammo Sweden AB and Hansson Pyrotech AB.
- USA** Nammo Inc., Nammo Defense Systems Inc., Nammo Composite Solutions LLC., Nammo Tactical Ammunition LLC., Nammo Pocal Inc., Nammo Technologies Inc., Capstone Precision Group LLC., Nammo Energetics Indian Head Inc. and Nammo Perry Inc.
- Spain** Nammo Palencia S.L.
- Ireland** Nammo Ireland Ltd.
- UK** Nammo (U.K.) Ltd.

All parties participating in the cash pool are mutually liable.

**NOTE 13: Equity and shareholders**

(NOK 1 000)	Share capital	Other paid in capital	Other equity	Minority interest	Total
<b>Equity as of 31.12.21</b>	<b>100 000</b>	<b>258 670</b>	<b>2 827 911</b>	-	<b>3 186 581</b>
Profit for the year	-	-	507 624	-	507 624
Proposed dividend to shareholders <sup>1)</sup>	-	-	(253 900)	-	(253 900)
Other items	-	-	72 030	-	72 030
Exchange differences	-	-	52 104	-	52 104
<b>Equity as of 31.12.22</b>	<b>100 000</b>	<b>258 670</b>	<b>3 205 769</b>	-	<b>3 564 439</b>

<sup>1)</sup> Board of director’s proposal to the general meeting of shareholders.

Nammo AS shareholders are disclosed in Nammo AS’ financial statement, note 11.

**NOTE 14: Interest-bearing loans, available cash credits and guarantees**

(NOK 1 000)	2022	2021
<b>Total interest bearing loans/bonds</b>	<b>1 222 609</b>	1 201 422

**Nammo AS long-term loans and bond as of December 31, 2022 consist of:**

(NOK 1 000)	Final maturity date	Facility total	Utilized	Available
Term loan facility, NOK 600 millions	December 22, 2026	600 000	600 000	-
Bond Issuance, NOK 600 millions	October 13, 2028	600 000	600 000	-
Revolving credit facility, NOK 1 000 millions	December 22, 2026	1 000 000	-	1 000 000

**Available unused cash credits at 31 December 2022:**

(NOK 1 000)	Cash credits
Revolving credit facility	1 000 000
Additional cash credits available	400 000
<b>Total unused cash credits at year-end</b>	<b>1 400 000</b>

**The financial covenants related to the long-term loans from credit institution are:**

- Net Debt to EBITDA maximum 3.0, and
- Total Equity to Total assets, minimum at 30%

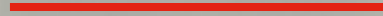
At December 31, 2022 there are no default related to the financial covenants.

Guarantees not recognized in the balance sheet as of 31 December 2022 is NOK 959 million.

**NOTE 15: Warranty provision**

(NOK 1 000)	2022	2021
Warranty provision 01.01.	130 430	93 303
Exchange differences	689	(3 711)
Change in provision during the year	(1 433)	40 838
<b>Warranty provision 31.12.</b>	<b>129 686</b>	130 430

# 5 | Nammo AS





## Income statement

(NOK 1 000)	Notes	2022	2021
<b>Revenue</b>	1	<b>138 633</b>	114 426
<b>Operating expenses</b>			
Payroll expenses	2, 3	(87 107)	(76 386)
Depreciation	4	(1 849)	(1 181)
Other operating expenses	5, 6	(99 188)	(76 567)
<b>Total operating expenses</b>		<b>(188 144)</b>	(154 134)
<b>Operating profit</b>		<b>(49 511)</b>	(39 708)
<b>Financial income and expenses</b>			
Received Group contribution		200 000	150 000
Interest income	5	67 069	32 567
Other financial income	5	177 801	291 038
Interest expenses	5	(25 738)	(24 855)
Other financial expenses	5, 6	(93 106)	(16 980)
<b>Net financial income (expense)</b>		<b>326 026</b>	431 770
<b>Profit before tax</b>		<b>276 515</b>	392 062
<b>Income taxes</b>	7	<b>(53 190)</b>	(36 657)
<b>Profit (loss) for the year</b>		<b>223 325</b>	355 405
<b>The Board's proposal for allocation of the profit</b>			
Dividend		253 900	229 600
Other equity		(30 575)	125 805
<b>Total</b>		<b>223 325</b>	355 405

## Balance sheet

(NOK 1 000)

Notes

As of 31.12.22

As of 31.12.21

### ASSETS

#### Non-current assets

##### Intangible assets

Licenses and other intangible assets	4	2 306	2 935
<b>Total intangible assets</b>		<b>2 306</b>	2 935

##### Tangible assets

Buildings	4	6 908	500
Machines and equipment	4	8	25
Fixtures and fittings, office machines etc.	4	649	1 448
Fixed assets under construction	4	1 860	431
<b>Total tangible assets</b>		<b>9 425</b>	2 404

##### Financial fixed assets

Investments in subsidiaries	8	609 365	609 365
Investments in other shares and participations		11 080	11 300
Loans to Group companies		1 095 103	1 047 390
Pension assets	3	8 626	6 305
Other receivables		2 126	1 611
<b>Total financial fixed assets</b>		<b>1 726 300</b>	1 675 971

#### **Total non-current assets**

**1 738 031** 1 681 310

#### Current assets

##### Receivables

Accounts receivables		976	646
Receivables from Group companies	9	170 562	133 658
Receivable Group contributions		200 000	150 000
Prepayments to vendors		10 104	14 942
Other receivables		7 811	4 753
<b>Total receivables</b>		<b>389 453</b>	303 999

##### Cash and cash equivalents

9, 10 **204 753** 700 992

#### **Total current assets**

**594 206** 1 004 991

#### **Total assets**

**2 332 237** 2 686 301

## Balance sheet

(NOK 1 000)

Notes

As of 31.12.22

As of 31.12.21

### EQUITY AND LIABILITIES

#### Equity

Share capital	11, 12	100 000	100 000
Premium fund	12	258 670	258 670
<b>Total paid in capital</b>		<b>358 670</b>	358 670
Other equity	12	314 883	345 457
<b>Total earned equity</b>		<b>314 883</b>	345 457
<b>Total equity</b>		<b>673 553</b>	704 127

#### Liabilities

##### Non-current liabilities

Deferred tax	7	54 389	35 530
<b>Total non-current liabilities</b>		<b>54 389</b>	35 530

##### Other non-current liabilities

Liabilities to financial institutions	13	1 220 317	1 200 000
<b>Total other non-current liabilities</b>		<b>1 220 317</b>	1 200 000

##### Current liabilities

Accounts payable		10 168	8 660
Payables to Group companies		58 046	478 437
Income tax payable	7	34 329	2 174
Public duties payable		6 854	4 645
Dividend payable to shareholders	12	253 900	229 600
Other current liabilities		20 681	23 128
<b>Total current liabilities</b>		<b>383 978</b>	746 644

#### Total liabilities

**1 658 684** 1 982 174

#### Total equity and liabilities

**2 332 237** 2 686 301

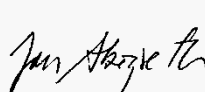
Raufoss, 20 March 2023




Esa Rautalinko  
CHAIRMAN OF THE BOARD



Dag Schjerven  
VICE CHAIRMAN OF THE BOARD



Jan Skogseth  
BOARD MEMBER



Cathrine Bjaarstad  
BOARD MEMBER

Ville Jaakonsalo  
BOARD MEMBER



Sirpa-Helena Sormunen  
BOARD MEMBER



Marianne Stensrud  
BOARD MEMBER



Petri Kontola  
BOARD MEMBER



Morten Brandtzæg  
PRESIDENT & CEO

## Cash flow

(NOK 1 000)	2022	2021
<b>Cash flow from operational activities</b>		
Result before tax	276 515	392 062
Tax payments	(2 174)	(22 293)
Ordinary depreciation	1 849	1 181
Changes in accounts receivable	(37 234)	(18 727)
Changes in accounts payable	(14 760)	15 535
Pension cost less paid pension premium	(2 320)	(2 095)
Changes in loans to group companies	(47 713)	10 449
Changes in other dispositions	(637 551)	288 400
<b>Net cash flow from operational activities (a)</b>	<b>(463 388)</b>	664 512
<b>Cash flow from investment activities</b>		
Purchase of fixed assets	(8 241)	(1 990)
<b>Net cash flow from investment activities (b)</b>	<b>(8 241)</b>	(1 990)
<b>Cash flow from financing activities</b>		
Payments from new long-term loans	–	1 200 000
Installments long term loans	–	(1 515 026)
Received dividend	54 990	233 691
Received Group contribution	150 000	100 000
Paid dividend	(229 600)	(211 300)
<b>Net cash flow from financing activities (c)</b>	<b>(24 610)</b>	(192 635)
Net changes in cash and bank accounts (a+b+c)	(496 239)	469 887
Cash and bank accounts as of 01.01.	700 992	231 105
<b>Cash and bank accounts as of 31.12.</b>	<b>204 753</b>	700 992

Unused credit facilities is NOK 1 400 million. See note 13.

NAMMO AS

# Financial Statements 2022

## Content Notes

<b>Accounting policies Nammo AS</b>	<b>110</b>
<b>Notes to the financial statements</b>	
NOTE 1 Related party transactions and revenue	112
NOTE 2 Salaries and social cost	112
NOTE 3 Pension liability and pension costs	113
NOTE 4 Fixed and intangible assets	114
NOTE 5 Financial items	114
NOTE 6 Impairment investment in subsidiary	115
NOTE 7 Income taxes	115
NOTE 8 Shares in subsidiaries	116
NOTE 9 Cash reserve	116
NOTE 10 Cash pool	116
NOTE 11 Share capital	117
NOTE 12 Equity	117
NOTE 13 Interest bearing loans and guarantees	117

# Accounting policies Nammo AS

## General

Nammo AS is a public limited company (Aksjeselskap). The Nammo AS headquarters are located in Raufoss, Norway.

The financial statements for Nammo AS have been prepared in accordance with the Norwegian Accounting Act and the Norwegian General Accepted Accounting Principles.

Nammo AS provides financing to most of the subsidiary companies in the Nammo Group.

## Foreign currencies

Realized and unrealized gains and losses on transactions, assets and liabilities denominated in a currency other than the functional currency (NOK) of Nammo AS and that do not qualify for hedge accounting, are included in net income.

## Revenue recognition

Revenues are mainly sale of Group services to other Group companies. Revenue from services is recognized as the services are rendered.

## Dividends received

Dividends from investments are recognized in the income statement when Nammo AS has a right to receive the dividends.

## Interest income

Interest income is recognized in the income statement as it is accrued.

## Government grants

Government grants are recognized in the consolidated financial statement when Nammo AS has reasonable assurance that it will receive them and comply with conditions attached to them.

Government grants that compensate Nammo AS for expenses are recognized in the income statement as the expenses are incurred. Government grants that compensate Nammo AS for the cost of an asset are recognized as a reduction to the total investment, and thus also to the future depreciations of the asset.

## Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements, and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences, and deferred tax assets are generally recognized for all deductible temporary differences, to the extent of probability that taxable profits will be available against which those deductible temporary differences can be utilized.

Current and deferred taxes are recognized as expense or income in the income statement, except when they relate to items recognized directly in equity, in which case the tax is also recognized directly in equity.

## Intangible assets

Intangible assets include capitalized software licenses and software development costs measured at historic cost, less accumulated amortization. Intangible assets are amortized on a straight-line basis over their expected useful life.

## Property, plant and equipment

Property, plant and equipment are measured at historic cost, less accumulated depreciation and any impairment loss.

Expenses in connection with ordinary maintenance and repairs are recognized in the income statement as they are incurred.

Expenses incurred in connection with major replacements and renewals are capitalized and depreciated on a systematic basis.

Property, plant and equipment are depreciated on a straight-line basis over their expected useful life.

Gain or loss due to sale or retirement of property, plant and equipment is calculated as the difference between sales proceeds and carrying value, and is recognized in the income statement.

## Subsidiaries

Shares in subsidiaries are recognized according to the historic cost method.

## Impairment of non-current assets

Nammo AS assesses the carrying amount of tangible assets and identifiable intangible assets annually, or more frequently if events or changes in circumstances indicate that such carrying amounts may not be recoverable. Factors considered to be material which trigger an impairment test include:

- Significant underperformance relative to historical or projected future results, or
- Significant changes in the manner of the company's use of the assets or the strategy for the overall business, or
- Significant negative industry or economic trends

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less cost to sell and value in use. When it is determined that the carrying amount of tangible assets and identifiable intangible assets may not be recoverable based upon the existence of one or more of the above indicators of impairment, an impairment charge is measured based on discounted projected cash flows. An impairment loss is recognized to the extent that the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. Previously recognized impairment losses are reversed if the assumptions for impairment are no longer present.

**Dividend liability**

A dividend liability is recognized based on the board of directors proposal to be approved by the annual general meeting.

**Defined benefit plans**

The net obligation in respect to defined benefit plans are calculated separately for each plan. The amount is an estimation of future benefits that the employees have earned in return for their service in current and prior periods. The benefit is discounted to determine its present value, and the fair value of the plan assets, and then unvested past service cost is deducted. The discount rate is based on the risk free rate (interest rate on long-term government bonds) and the recommendation from The Norwegian Accounting Standards Board (Norsk Regnskapsstiftelse), plus a risk premium. Qualified actuaries perform the calculations.

The actuarial gains or losses are recognized using a corridor. The corridor is defined as 10 percent of the highest of the Defined Benefit Obligation (DBO) and total plan assets. The net actuarial gain or loss exceeding the corridor is amortized in the income statement over the estimated remaining period of service from the members in the plan.

**Cash and cash equivalents**

Cash and cash equivalents include cash and bank deposits.

**Trade receivables and other short-term receivables**

Trade receivables and other short-term receivables are recognized at the lower of the transaction amount (historic cost) and the fair value at the time of reporting.

**Trade payables and other short-term liabilities**

Trade payables are recognized at the higher of the transaction amount (historic cost) and the fair value at the time of reporting.

**Impairment of financial assets**

Financial assets, other than those recognized at fair value through the income statement, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at historic cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows.

**Interest-bearing borrowings**

Interest-bearing borrowings are recognized initially at historic cost including transaction costs.

**Financial instruments**

Nammo AS uses financial instruments to hedge exposure against foreign exchange risk in operating, financing and investment activities. These are mainly forward currency contracts to hedge risk of currency fluctuations (cash flow hedges). The effect of the financial instruments used as hedging instruments in a cash flow hedge, are recognized in the income statement in the same period as the hedged transaction is recognized (hedge accounting).

# Notes to the accounts Nammo AS

## NOTE 1: Related party transactions and revenue

Sales and purchase transactions with group companies are conducted in compliance with normal commercial terms and the arm's length principle. Agreements with related parties are concluded in writing.

### Revenue

(NOK 1 000)	2022	2021
Management service fee Group companies	131 102	109 004
Other	7 531	5 422
<b>Total</b>	<b>138 633</b>	114 426

## NOTE 2: Salaries and social cost

(NOK 1 000)	2022	2021
Salaries	67 729	58 233
Employment taxes	9 662	8 366
Pension costs	7 397	6 185
Other social costs	2 319	3 602
<b>Total</b>	<b>87 107</b>	76 386
<b>Average number of man-years</b>	<b>27</b>	23

For details about the remuneration to the CEO and the Board of Directors, refer to note 3 in the Group financial statements.

### Auditor's fee

(NOK 1 000) All numbers are presented exclusive VAT	2022	2021
Auditor's fee	871	723
Tax advisory services	-	12
Other services	91	218
<b>Total</b>	<b>962</b>	953



### NOTE 3: Pension liability and pension costs

The pension liabilities are calculated based on the Norwegian accounting standard. Nammo AS has established a collective pension plan according to Norwegian tax law and the law for pensions for all employees (Lov om foretakspensjon). The plan includes 29 active members. Nammo AS is a member of the LO/NHO AFP-plan. The old plan is closed and the corresponding pension liability deriving from the plan is de-recognized in the balance sheet. The pension liability in the new AFP-plan is not possible to estimate reliably at year-end; therefore, this pension liability is not recognized in the balance sheet.

The net periodic pension cost is based on this year's actuarial calculations of earning of pension rights, and is included in payroll expenses in the profit and loss.

The actuarial calculation was performed in December 2022 with the following assumptions:

Discount rate	3.20%
Yield from pension funds	4.90%
Annual salary increase	3.75%
Annual expected adjustment of pensions under payment	1.70%
Annual increase in G	3.50%

#### Pension cost

(NOK 1 000)	2022	2021
Service costs	7 184	5 414
Amortization of net actuarial losses (gains)	826	826
Interest costs	26	319
Pension cost related to defined contribution plans	50	29
Expected return on plan assets	(688)	(403)
<b>Net pension costs</b>	<b>7 397</b>	6 185

#### Pension liabilities

(NOK 1 000)	2022	2021
Defined benefit obligation incl. payroll tax	61 468	53 560
– Fair value of plan assets	(49 220)	(42 063)
<b>Gross pension liability</b>	<b>12 248</b>	11 497
Items not recognized in the profit and loss:		
Unrecognized net actuarial loss (gain)	(20 874)	(17 802)
<b>Net amount recognized in the balance sheet</b>	<b>(8 626)</b>	(6 305)

## NOTE 4: Fixed and intangible assets

(NOK 1 000)	Licenses and other intangible assets	Buildings	Machines and equipment	Fixtures, fittings and office equipment	Assets under construction	Total assets
Acquisition cost as of 01.01.22	3 145	1 399	694	11 051	431	16 720
Additions during the year	–	6 811	1	–	1 429	8 241
Acquisition cost as of 31.12.22	3 145	8 210	695	11 051	1 860	24 961
Accumulated depreciations 31.12.22	(839)	(1 302)	(687)	(10 402)	–	(13 230)
<b>Book value as of 31.12.22</b>	<b>2 306</b>	<b>6 908</b>	<b>8</b>	<b>649</b>	<b>1 860</b>	<b>11 731</b>
<b>Ordinary depreciations for the year</b>	<b>(629)</b>	<b>(403)</b>	<b>(18)</b>	<b>(799)</b>	<b>–</b>	<b>(1 849)</b>
Annual leasing cost on assets not in the balance sheet	–	(1 977)	(3)	(107)	–	(2 087)
Economic lifetime (years)	5 years	5 years	3–5 years	3–10 years		
Depreciation plan	Linear	Linear	Linear	Linear		

## NOTE 5: Financial items

(NOK 1 000)	2022	2021
Interest income from group companies	45 255	22 423
Other interest income	21 814	10 144
<b>Total interest income</b>	<b>67 069</b>	<b>32 567</b>
Gain on exchange	122 811	57 347
Dividend from subsidiaries	54 870	233 691
Other financial income	120	–
<b>Total other financial income</b>	<b>177 801</b>	<b>291 038</b>
Other interest cost	(25 738)	(24 855)
<b>Total interest cost</b>	<b>(25 738)</b>	<b>(24 855)</b>
Loss on exchange	(67 751)	(180)
Write-down receivable Nammo Defence Germany GmbH, see note 6	(19 806)	(6 706)
Other financial expenses	(5 549)	(10 094)
<b>Total other financial expenses</b>	<b>(93 106)</b>	<b>(16 980)</b>

## NOTE 6: Impairment investment in subsidiary

At 31 December, 2022 Nammo AS had a cash credit receivable towards our subsidiary Nammo Defence Germany GmbH at a total of NOK 135.6 million. At year-end we performed an impairment test and concluded that this asset is impaired, hence the amount is written down in full at year end (of which NOK 115.8 million was written off as of December 31, 2021). The write-down is related to a cash credit receivable, and therefore the write-down is classified as other financial expenses in the profit and loss.

## NOTE 7: Income taxes

### 7.1. This year's tax cost

The difference between the net income before tax and the basis for the tax calculation is specified below.

(NOK 1 000)	2022	2021
Profit before tax	276 515	392 062
Permanent differences	20 238	8 250
Changes in temporary differences	(85 726)	(156 739)
Non-taxable income	(54 986)	(233 691)
<b>Taxable income</b>	<b>156 041</b>	<b>9 882</b>

Specification of the tax cost in the profit and loss:

(NOK 1 000)	2022	2021
Tax payable	34 329	2 174
Changes in deferred tax	18 861	34 483
<b>This year's tax cost</b>	<b>53 190</b>	<b>36 657</b>

Effective tax rate:

(NOK 1 000)	2022
<b>Profit before tax</b>	<b>276 515</b>
22% of profit before tax	60 833
22% of permanent differences	(7 643)
<b>Calculated tax cost</b>	<b>53 190</b>
<b>Effective tax rate</b>	<b>19.2%</b>

### 7.2. Deferred taxes

The deferred tax liabilities/tax assets have been calculated based on the temporary differences existing at the end of the accounting year between accounting values and taxation values. The specification below shows the temporary differences and the calculation of the deferred tax liabilities/tax assets at the end of the accounting year.

(NOK 1 000)	31.12.22	31.12.21
Tangible fixed assets	(198)	48
Accounts receivables	-	-
Other receivables	238 796	155 145
Pension liability/asset	8 626	6 305
<b>Net temporary differences as basis for deferred tax /tax asset (-) calculation</b>	<b>247 224</b>	<b>161 498</b>
<b>Deferred tax/deferred tax asset (-)</b>	<b>54 389</b>	<b>35 530</b>

## NOTE 8: Shares in subsidiaries

Name of the company (NOK 1 000)	Company's share capital	Number of shares owned	Nominal value	Booked value	Ownership
Nammo Raufoss AS, Raufoss	NOK 150 000 000	150 000	150 000	175 000	100%
Nammo Sweden AB, Karlsborg	SEK 10 000 000	100 000	10 000	59 961	100%
Nammo Lapua Oy, Lapua	EUR 4 793 000	285 000	–	105 006	100%
Nammo Defence Germany GmbH, Storkow	EUR 26 000	1	26	–	100%
Nammo Incorporated, Virginia	USD 38 380 000	–	–	239 981	100%
Nammo NAD AS, Løkken Verk	NOK 4 782 000	23 910	2 391	8 136	100%
Nammo Polska SP. Z. O. O, Warsaw	PLN 50 000	1 000	50	108	100%
Nammo India Ltd, New Delhi	INR 100 000	10 000	100	13	100%
Nammo UK Holding Ltd., Westcott	–	–	–	–	100%
Nammo Ireland Ltd., Dublin	EUR 476 250	375 000	476 250	21 160	100%
Nammo Technologies Inc., Virginia	–	–	–	–	100%
<b>Total</b>				<b>609 365</b>	

## NOTE 9: Cash reserve

Cash is reduced with the draw that the group companies has in the international cash pool of NOK 92,8 million. NOK 42,9 million of this is classified as payables to group companies. Refer to note 6 and 10.

The company has no restricted bank deposits.

## NOTE 10: Cash pool

Nammo AS has established an international cash pool together with the following group companies:

**Finland** Nammo Lapua Oy and Nammo Vihtavuori Oy

**Germany** Nammo Schönebeck GmbH, Nammo Defence Germany GmbH and Nammo Germany GmbH.

**Norway** Nammo AS, Nammo Raufoss AS and Nammo NAD AS

**Sweden** Nammo Sweden AB and Hansson Pyrotech AB.

**USA** Nammo Inc., Nammo Defense Systems Inc., Nammo Composite Solutions LLC., Nammo Tactical Ammunition LLC., Nammo Pocal Inc., Nammo Technologies Inc., Capstone Precision Group LLC., Nammo Energetics Indian Head Inc. and Nammo Perry Inc.

**Spain** Nammo Palencia S.L.

**Ireland** Nammo Ireland Ltd.

**UK** Nammo (U.K.) Ltd.

Nammo AS subsidiaries' balance on the cash pool is included in payables from group companies. This amounts to NOK 42,9 million. See note 9.

## NOTE 11: Share capital

As of 31 December 2022, Nammo AS's share capital is NOK 100 million, split on 1 000 000 shares of NOK 100 each.

### Nammo AS shareholders as of 31 December 2022

(NOK 1 000)	Number of shareholders	Number of shares	Ownership/vote
The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries		500 000	50%
Patria Oyj, Finland		500 000	50%
<b>Total</b>	<b>2</b>	<b>1 000 000</b>	<b>100%</b>

## NOTE 12: Equity

(NOK 1 000)	Share capital	Other paid in capital	Other equity	Total
<b>Equity as of 01.01.22</b>	<b>100 000</b>	<b>258 670</b>	<b>345 457</b>	<b>704 127</b>
Net income	-	-	223 325	223 325
Dividend *)	-	-	(253 900)	(253 900)
Other items	-	-	1	1
<b>Equity as of 31.12.22</b>	<b>100 000</b>	<b>258 670</b>	<b>314 883</b>	<b>673 553</b>

\*) Board of directors proposal for the annual general meeting.

## NOTE 13: Interest bearing loans and guarantees

(NOK 1 000)	2022	2021
<b>Total interest bearing loans/bonds</b>	<b>1 220 317</b>	1 200 000

### Nammo AS long term loans and bonds as of 31 December, 2022 consist of:

(NOK 1 000)	Final maturity date	Facility total	Utilized	Available
Term loan facility, NOK 600 millions	December 22, 2026	600 000	600 000	-
Bond issuance, NOK 600 millions	October 13, 2028	600 000	600 000	-
Revolving credit facility, NOK 1 000 millions	December 22, 2026	1 000 000	-	1 000 000

### Available unused cash credits at 31 December 2022:

(NOK 1 000)	Cash credits
Revolving credit facility	1 000 000
Additional cash credits available	400 000
<b>Total unused cash credits at year-end</b>	<b>1 400 000</b>

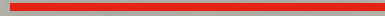
### The financial covenants related to the long term loans from credit institution are:

- Net Debt to EBITDA maximum 3.0, and
- Total Equity to Total assets, minimum at 30%

At December 31, 2022 there are no default related to the financial covenants.

Guarantees not recognized in the balance sheet as of 31 December 2022 is NOK 955 million.

# 6 | Report and Index



# Independent Auditor's Report



Statsautoriserte revisorer  
Ernst & Young AS

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www.ey.no  
Medlemmer av Den norske Revisorforening

## INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Nammo AS

### Opinion

We have audited the financial statements of Nammo AS (the Company), which comprise the financial statements of the Company and the consolidated financial statements of the Company and its subsidiaries (the Group). The financial statements of the Company and the Group comprise the balance sheet as at 31 December 2022, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements comply with applicable legal requirements and give a true and fair view of the financial position of the Company and the Group as at 31 December 2022 and their financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the requirements of the relevant laws and regulations in Norway and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

Other information consists of the information included in the annual report other than the financial statements and our auditor's report thereon. Management (the board of directors and the general manager) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the board of directors' report contains the information required by legal requirements and whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information or that the information required by legal requirements is not included, we are required to report that fact.

We have nothing to report in this regard, and in our opinion, the board of directors' report is consistent with the financial statements and contains the information required by applicable legal requirements.

### Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or the Group, or to cease operations, or has no realistic alternative but to do so.

# Independent Auditor's Report



## Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Oslo, March 20, 2023  
ERNST & YOUNG AS

Anders Gøbel  
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been prepared for information purposes only.)



# Annual Statement on The Norwegian Transparency Act

Nammo AS is a limited liability company established under Norwegian law with a governance structure based on the Norwegian Companies Act. Nammo is subject to reporting requirements for corporate governance in accordance with the Norwegian Accounting Act. As a 50 percent state-owned company, we are also expected to adhere to the main principles of "The Norwegian Code of Practice for Corporate Governance," which our Board evaluates and discusses periodically to ensure good management principles for corporate governance.

The Nammo Group is present in 11 countries, with production facilities in nine of them. As of the end of 2022, Nammo had 2 800 employees, with 900 located in Norway.

Our commitment to responsible business conduct includes conducting due diligence, applying the precautionary principle, and respecting human rights, all of which align with the OECD guidelines for multinational enterprises. We apply our commitment to respecting human rights to all our activities and business relationships, with particular attention given to at-risk or vulnerable groups such as workers in our supply chain. Our policy commitments have been approved at the most senior level of our organization and apply to all our activities and business relationships.

On 1 July 2022, the Norwegian Transparency Act came into effect. Although Nammo AS, as the parent company not selling products or services, is not covered by the Act, Nammo Raufoss AS is covered. Therefore, Nammo AS will report on the overall duties related to the Act, including those for Nammo Raufoss AS. Additionally, a separate statement will be published in the Nammo Raufoss AS annual report. The Norwegian Consumer Authority (Forbrukertilsynet) monitors compliance with the provisions of the Act.

The Consumer Authority is an independent administrative body under the Ministry of Children and Family Affairs.

## Products

Nammo develop, produces, and sell commercial and military ammunition, rocket motors for missiles and space industries, and commercial sea safety products.

## Market

Nammo's military market is primarily located in EU and North America, with national armed forces material command and the western defense and aerospace industry as our customer base. Sales of military products are highly regulated and strictly controlled by national export control authorities. Commercial market products are sold through distributors, retailers, and national sport shooting and biathlon associations. Our customers are primarily located in Europe and North America, markets that represented more than 96 percent of the Group's revenue in 2022.

## Organization

Nammo's Human Resources department is responsible for following up on human rights and decent working conditions for our employees in accordance with the national working environment act and Nammo's People Policy and People Guiding Principles.

We strongly support freedom of association and collective bargaining as per the ILO standard, and approximately 76 percent of Nammo's workforce is covered by collective bargaining agreements. The figure is impacted by the number of employees in the US where such collective bargaining agreements are not as common as they are in Europe. All employees are covered by such agreements where they exist, regardless of whether or not an employee is a union member (with the exception of the executive management team). We deem there to be a low risk of violation when it comes to Nammo's own operations. However, we consider there to be a higher risk in our supply chain.

Our Health Environment Safety & Security (HESS) department regularly reviews operations' adherence to the HESS policy on safety and security and employees' occupational well-being.

As a multinational enterprise, Nammo places a high value on ensuring the well-being of its employees and adhering to ethical standards in its supply chain. To achieve this, Nammo has established an Employee Works Council (EWC) that meets twice a year with union representatives. The EWC serves as an additional control function to corporate management, providing insight into employees' well-being in local entities. (Note: EWCs are standing bodies that facilitate the information and consultation of employees in European companies and groups of companies, as required by the 1994 European Works Council Directive, updated by Directive 2009/38/EC).

Nammo's procurement departments in each legal entity are responsible for the onboarding and due diligence of suppliers. The procurement process is defined in the Nammo Management System, and the due diligence of the supply chain is performed based on a risk-based approach, where different elements are evaluated, such as product categories, quality and environmental standards, country, human rights risk, and decent work conditions.

Direct suppliers such as suppliers of critical components, conflict minerals, textile and construction services represent high risks. To mitigate these risks, suppliers respond to a self-assessment questionnaire and commit to complying with Nammo's Supplier Conduct Principles and our Code of Conduct, if they do not have equivalent policies. All direct and strategic suppliers undergo a screening process that covers risks as sanctions, watch lists, adverse media, finance, country. When there is a high-risk match, Legal & Compliance is responsible for approving the supplier. In 2022, Nammo had 1 084 third parties under monitoring, including approximately 700 direct and strategic suppliers, 10 percent of which were categorized as high-risk suppliers.

To further enhance its procurement processes, Nammo established a centralized function in 2022 to coordinate procurement and created a new Procurement Forum that works across countries and legal entities to share best practices and improve standardization of procurement processes. The established procurement process in the Nammo Management System was revised in 2022, and continuous improvements will be made in 2023.

**Grievance mechanisms for detecting negative impacts**

Nammo has established a digitalized SpeakUp channel for our employees which allows them to report concerns anonymously and in their native language. To ensure that all employees are aware of the SpeakUp channel, we provide annual training and information on the group communication network and e-learning module.

For suppliers or other business partners who wish to report concerns, we have an email address provided in the Supplier Conduct Principles, Terms and Conditions, and on the Nammo website.

Additionally, we work collaboratively with other industry peers to share information regarding concerns related to certain categories of third parties.

**How we mitigated the negative impacts**

Nammo is committed to mitigating any negative impacts on human rights and decent work conditions that may arise from its operations. In 2022, we did not discover any such negative impacts in our supply chain. However, we did identify other negative impacts, including suppliers holding sanctioned beneficial owners, supplier managers under investigation for corruption, and suppliers that posed a high risk and were not onboarded or terminated.

In cases where a supplier presents a higher risk, Nammo conducts thorough due diligence. All stakeholders in the relevant value chain participate in the evaluation process. For instance, in a recent case involving a US supplier with production facilities in Vietnam, legal and compliance, procurement, logistics, and sales in the relevant Nammo country were involved in the evaluation process. Risk evaluation meetings were held to discuss various risks, including those relating to human rights and labor, country, regulatory and export control, currency, security of supply, transport, contract terms and conditions, and customer flow down requirements.

The risk classification of suppliers can be found in the Nammo Raufoss disclosure to the Norwegian Transparency Act, which is available at [www.nammo.com](http://www.nammo.com).

**Duty to provide information**

The aim of the Transparency Act is that we are open and transparent about how we are working with these issues. Companies have the duty to respond to request for information. Both request and answer must be in writing. Nammo have established routines of how to handle such information request. We have received one request from the media since the law came into force and we responded within the time schedule of three weeks.

The annual statement can be found on [www.nammo.com](http://www.nammo.com) in both Norwegian and English language.

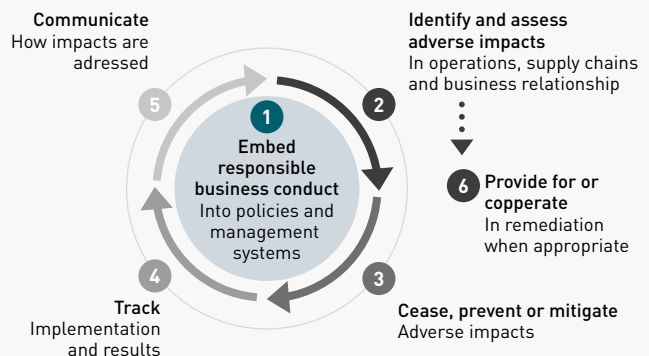
**Risk mitigation measures**

We are concerned about the increasing number of reporting requirements related to ESG in the supply chain, which, coupled with the unstable geopolitical situation in Europe, puts a lot of pressure on our procurement and contracting organization. The increased requirement for control requires more capacity and efficient systems. As we move forward, we plan to:

- Enhance our background control and screenings of our business partners with an improved ESG risk evaluation tool
- Further strengthen our supplier audits for all ESG aspects.
- Implement a digitalized system to onboard third parties that handles ESG reporting requirements
- Provide our human rights training module to all employees with computer access, increasing our competency and understanding of international human rights.

Nammo is committed to ensuring that our supply chain operates sustainably, respects human rights, and adheres to anti-corruption standards. We will continuously monitor the ESG performance of our suppliers and we look forward to collaborating with them on risk management and sustainability.

**DUE DILIGENCE PROCESS AND SUPPORTING MEASURES**



Source: OECD Due Diligence Guidance for Responsible Business Conduct.

# Report by Nammo AS pursuant to the Norwegian Equality and Discrimination Act. 26

In 2022, an analysis was carried out of the situation in Nammo AS with regard to gender equality and what is done to fulfill the activity obligation pursuant to the Norwegian Equality and Discrimination Act, section 26.

Nammo AS employees normally work on a full-time basis and no employees were engaged on temporary contracts in 2022. The opportunity to work part-time is considered a benefit that is considered on a case-by-case basis.

## Gender equality – Temporary and part-time employees and parental leave

Diversity		Temporary employees		Norwegian statutory parental leave (average weeks)		Part-time employees	
Female	Male	Female	Male	Female	Men	Female	Male
7	22	0	0	0	2	0	0

For the calculation of salary differences between men and women, we included fixed salary and various supplements, bonuses and benefits for the financial year 2022. We also assessed equal work and work of equal value in the design of the job levels, based on existing job categories in the company and an assessment of which positions are included in the various levels. Salary analysis for 2022, below the CEO-level (level 2 and 3) showed an average female salary of 83 percent compared to average salary for male employees. This analysis

excludes the CEO as no other employee has comparable responsibilities.

There are various causes for the differences. Male employees who have retained their salary from previous higher positions can explain some of the difference while car allowance which is offered to senior executives (details explained in Remuneration policy) can explain bias under taxable benefits.

## Gender equality – Salary

Description	Gender ratio, different job levels				Salary (NOK 1 000)															
	Female	Male	Female %	Total	Total benefits				Base salary				Incentives				Taxable benefits			
					Female average	Male average	Female vs. male %	Average all	Female average	Male average	Female vs. male %	Average all	Female average	Male average	Female vs. male %	Average all	Female average	Male average	Female vs. male %	Average all
<b>Total</b>	7	22	24%	29	1 445	1 868	77.4%	1 657	1 280	1 600	80%	1 440	145	227	64%	186	20	41	49.7%	31
Level 1	-	1	-	1	-	9 322	-	9 322	-	6 560	-	6 560	-	2 556	-	2 556	-	205	-	205
Level 2	2	3	40%	5	2 292	2 724	84.1%	2 508	1 811	2 064	87.7%	1 938	455	521	87.2%	488	26	138	18.6%	82
Level 3	5	18	22%	23	1 107	1 341	82.6%	1 224	1 067	1 248	85.6%	1 157	21	77	27.5%	49	18	16	115.4%	17

# GRI INDEX

This report has been prepared in accordance with the GRI Standards [2021]. The consolidation approach used for calculating emissions is financial control. The content provided in the report is to the best of our knowledge the most correct information available.

**Statement of use:** Nammo Group has reported in accordance with the GRI Standards for the period of January 1 to December 31, 2022.

**GRI 1 used:** GRI 1 Foundation 2021

**Applicable GRI Sector Standard(s):** None

Disclosure	Location	Omission																																																																																																																								
<b>GRI 2: GENERAL DISCLOSURES 2021</b>																																																																																																																										
2-1	Organizational Details	Annual and Sustainability Report (ASR) Pages 8–10																																																																																																																								
2-2	Entities included in the organization’s sustainability reporting	ASR Page 20																																																																																																																								
2-3	Reporting period, frequency, and contact point	SR Page 20																																																																																																																								
2-4	Restatements of information	<p>Restatement of GHG emissions for 2021.</p> <p>As Nammo has started using a software for GHG reporting and in addition has increased the amount of data gathered for GHG emissions, the values for 2021 have been recalculated.</p> <ul style="list-style-type: none"> <li>• Scope 1 emissions changed from 3 791 tCO<sub>2</sub>e to 28 499 tCO<sub>2</sub>e. Burning of peat in Vihtavuori was not included in the original calculations.</li> <li>• Scope 2 emissions changed from 14 379 tCO<sub>2</sub>e to 12 000 tCO<sub>2</sub>e based on slightly changed factors (Location based).</li> <li>• Scope 3 emissions changed from 1 116 tCO<sub>2</sub>e to 15 000 tCO<sub>2</sub>e. This change is due to improved reporting now including employee commuting and the emissions from fuel transport.</li> </ul>																																																																																																																								
2-5	External assurance	This report has not been externally assured.																																																																																																																								
2-6	Activities, value chain, and other business relationships	ASR Page 10																																																																																																																								
2-7	Employees	<table border="1"> <thead> <tr> <th colspan="2"></th> <th colspan="2">Employees</th> <th colspan="2">Temporary</th> </tr> <tr> <th colspan="2"></th> <th>Female</th> <th>Male</th> <th>Female</th> <th>Male</th> </tr> </thead> <tbody> <tr> <td><b>India</b></td> <td>Nammo India Private Ltd.</td> <td>0</td> <td>1</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td><b>India</b></td> <td><b>0</b></td> <td><b>1</b></td> <td><b>0</b></td> <td><b>0</b></td> </tr> <tr> <td><b>Germany</b></td> <td>Nammo Defence Germany GmbH</td> <td>1</td> <td>4</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td>Nammo Schönebeck GmbH</td> <td>13</td> <td>54</td> <td>5</td> <td>14</td> </tr> <tr> <td></td> <td>ND PressTec GmbH</td> <td>13</td> <td>67</td> <td>0</td> <td>10</td> </tr> <tr> <td></td> <td><b>Germany</b></td> <td><b>27</b></td> <td><b>125</b></td> <td><b>5</b></td> <td><b>24</b></td> </tr> <tr> <td><b>Spain</b></td> <td>Nammo Palencia S.L.</td> <td>36</td> <td>134</td> <td>3</td> <td>1</td> </tr> <tr> <td></td> <td><b>Spain</b></td> <td><b>36</b></td> <td><b>134</b></td> <td><b>3</b></td> <td><b>1</b></td> </tr> <tr> <td><b>Switzerland</b></td> <td>Nammo MTH SA</td> <td>11</td> <td>10</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td><b>Switzerland</b></td> <td><b>11</b></td> <td><b>10</b></td> <td><b>0</b></td> <td><b>0</b></td> </tr> <tr> <td><b>Finland</b></td> <td>Nammo Lapua Oy</td> <td>78</td> <td>187</td> <td>1</td> <td>1</td> </tr> <tr> <td></td> <td>Nammo Vihtavuori Oy</td> <td>29</td> <td>90</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td>NorDis OY</td> <td>1</td> <td>6</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td><b>Finland</b></td> <td><b>108</b></td> <td><b>283</b></td> <td><b>1</b></td> <td><b>1</b></td> </tr> <tr> <td><b>Norway</b></td> <td>Nammo AS</td> <td>8</td> <td>21</td> <td>0</td> <td>0</td> </tr> <tr> <td></td> <td>Nammo NAD AS</td> <td>3</td> <td>15</td> <td>1</td> <td>2</td> </tr> <tr> <td></td> <td>Nammo Raufoss AS</td> <td>195</td> <td>664</td> <td>11</td> <td>24</td> </tr> <tr> <td></td> <td><b>Norway</b></td> <td><b>206</b></td> <td><b>700</b></td> <td><b>12</b></td> <td><b>26</b></td> </tr> </tbody> </table>			Employees		Temporary				Female	Male	Female	Male	<b>India</b>	Nammo India Private Ltd.	0	1	0	0		<b>India</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>Germany</b>	Nammo Defence Germany GmbH	1	4	0	0		Nammo Schönebeck GmbH	13	54	5	14		ND PressTec GmbH	13	67	0	10		<b>Germany</b>	<b>27</b>	<b>125</b>	<b>5</b>	<b>24</b>	<b>Spain</b>	Nammo Palencia S.L.	36	134	3	1		<b>Spain</b>	<b>36</b>	<b>134</b>	<b>3</b>	<b>1</b>	<b>Switzerland</b>	Nammo MTH SA	11	10	0	0		<b>Switzerland</b>	<b>11</b>	<b>10</b>	<b>0</b>	<b>0</b>	<b>Finland</b>	Nammo Lapua Oy	78	187	1	1		Nammo Vihtavuori Oy	29	90	0	0		NorDis OY	1	6	0	0		<b>Finland</b>	<b>108</b>	<b>283</b>	<b>1</b>	<b>1</b>	<b>Norway</b>	Nammo AS	8	21	0	0		Nammo NAD AS	3	15	1	2		Nammo Raufoss AS	195	664	11	24		<b>Norway</b>	<b>206</b>	<b>700</b>	<b>12</b>	<b>26</b>
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Disclosure	Location	Omission			
		Employees		Temporary	
		Female	Male	Female	Male
2-7 Employees (continuations)	<b>Sweden</b>				
	Hansson Pyrotech	15	21	0	0
	Nammo Sweden AB	108	215	3	4
	<b>Sweden</b>	<b>123</b>	<b>236</b>	<b>3</b>	<b>4</b>
	<b>USA</b>				
	Capstone Precision Group LLC	31	74	6	2
	MAC LLC	13	18	1	1
	Nammo Composite Solutions LLC	19	68	0	0
	Nammo Defense System Inc	69	180	0	0
	Nammo Inc	2	4	0	0
	Nammo Perry Inc	45	59	0	0
	Nammo Pocal Inc.	30	30	0	0
	<b>USA</b>	<b>209</b>	<b>433</b>	<b>7</b>	<b>3</b>
	<b>Ireland</b>				
	Nammo Ireland Ltd	2	22	0	0
<b>Ireland</b>	<b>2</b>	<b>22</b>	<b>0</b>	<b>0</b>	
<b>UK</b>					
Nammo UK Ltd	7	56	0	0	
<b>UK</b>	<b>7</b>	<b>56</b>	<b>0</b>	<b>0</b>	
<b>Total</b>		<b>729</b>	<b>2,000</b>	<b>31</b>	<b>59</b>
2-8	Workers who are not employees	None			
2-9	Governance and structure composition	ASR Pages 70–75 <a href="http://www.nammo.com/about-us/board-of-directors">www.nammo.com/about-us/board-of-directors</a>			
2-10	Nominating and selecting the highest governance body	ASR Page 73 <a href="http://www.nammo.com/about-us/board-of-directors">www.nammo.com/about-us/board-of-directors</a>			
2-11	Chair of the highest governance body	ASR Pages 73, 75			
2-12	Role of the highest governance body in overseeing the management of impacts	ASR Pages 18–20, 57–60, 70–72			
2-13	Delegation of responsibility for managing impacts	ASR Pages 57–60			
2-14	Role of the highest governance body in sustainability reporting	ASR Pages 18–20			
2-15	Conflicts of interest	ASR Pages 55–60  <a href="#">Anti-Bribery &amp; Corruption Policy</a> <a href="#">Nammo Group Code of Conduct</a>			
2-16	Communicating critical concerns	ASR Pages 57–60			
2-17	Collective knowledge of highest governance body	ASR Page 64			
2-18	Evaluating the highest governance body's performance	ASR Pages 72–84			
2-19	Remuneration policies	ASR Page 72  Note 3, Group financial statement  Nammo Executive remuneration policy Nammo Executive Remuneration Report 2022			
2-20	Process for determining remuneration	ASR Page 72  Nammo Executive Remuneration Report 2022			
2-21	Annual total compensation ratio	Nammo Executive Remuneration Report 2022			
2-22	Statement on sustainable development strategy	ASR Pages 18–19			
2-23	Policy commitments	ASR Page 20			
2-24	Embedding policy commitments	ASR Pages 19–20			

Disclosure	Location	Omission
2-25	Processes to remediate negative impacts	ASR Pages 57–60
2-26	Mechanisms for seeking advice and raising concerns	ASR Pages 57–60
2-27	Compliance with laws and regulations	ASR Page 56
2-28	Membership associations	ASR Pages 22–24
2-29	Approach to stakeholder engagement	ASR Pages 22–24
2-30	Collective bargaining agreements	ASR Page 121

**GRI 3: MATERIAL TOPICS 2021**

3-1	Process to determine material topics	ASR Page 20
3-2	List of material topics	ASR Pages 21, 26, 40, 47

**ENVIRONMENT: Environmental Stewardship**

**Climate risk resilience**

**GRI 3 Material Topics 2021**

3-3	Management of material topics	ASR Pages 27–28
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**GRI 201 Economic Performance 2016**

201-2	Financial implications and other risks and opportunities due to climate change	ASR Pages 27–28
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**GHG emissions**

**GRI 3 Material Topics 2021**

3-3	Management of material topics	ASR Page 29
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**GRI 305 Emissions 2016**

305-1	Direct (Scope 1) GHG emissions	ASR Page 30  Consolidated approach for emissions: financial approach Emission factors: DEFRA Conversion Factors 2021 GWPs: based on the IPCC Fourth Assessment Report (AR4) over a 100-year period
305-2	Energy indirect (Scope 2) GHG emissions	ASR Page 30  Grid mix emissions factors from GHG Protocol Calculation Tool 2021, AIB Residual Mix and AIB Production Mix. For district heating emissions factors national factors have been applied, or where not available, European average has been applied for European countries.  Consolidated approach for emissions: financial approach GWPs: based on the IPCC Fourth Assessment Report (AR4) over a 100-year period
305-3	Other indirect (Scope 3) GHG emissions	ASR Page 29–30  Consolidated approach for emissions: financial approach GWPs: based on the IPCC Fourth Assessment Report (AR4) over a 100-year period
305-4	GHG emissions intensity	ASR Page 30
305-5	Reduction of GHG emissions	ASR Pages 29–30

Disclosure	Location	Omission		
<b>Energy use</b>				
<b>GRI 3</b>	<b>Material Topics 2021</b>			
3-3	Management of material topics	ASR Page 31		
<b>GRI 302</b>	<b>Energy 2016</b>			
302-1	Energy consumption within the organization	ASR Page 31		
		<b>2022</b>		
	<b>Fuel consumption</b>	<b>Bioenergy</b>		
		Biodiesel HVO	6053.56	
		Biofuel	33427281.74	
		<b>Fuels</b>	Diesel	1373257.73
			Fuel oil	10890486.30
			Gasoline/petrol	206744.81
			LPG (Propane)	93737.07
			Natural gas	5025026.77
		<b>Purchased Energy</b>	<b>Electricity</b>	
			Electricity with Guarantee of origin	58000.05
	Electricity without Guarantee of origin		83072839.46	
	<b>Heat and steam</b>	District heating	13393156.71	
		<b>Total (kWh)</b>	<b>142399784.20</b>	
		<b>Requirement Omitted: d</b>		
		<b>Reason:</b> Not applicable		
<b>Water management</b>				
<b>GRI 3</b>	<b>Material Topics 2021</b>			
3-3	Management of material topics	ASR Page 32		
<b>GRI 303</b>	<b>Water and Effluents 2018</b>			
303-1	Interactions with water as a shared resource	ASR Page 32		
303-2	Management of water discharge-related impacts	ASR Pages 32, 57–60		
		The Nammo Group does not have internally developed water quality standards or guidelines; we adhere to national and local requirements at each of our sites. No sector-specific standards are currently considered. The profile of receiving waterbody is considered where required by national or local regulation.		
303-5	Water consumption	Total water consumption: 1 152 008 m <sup>3</sup>		
		<b>Requirement Omitted: b-d</b>		
		<b>Reason:</b> Not applicable		
<b>Waste and hazardous materials</b>				
<b>GRI 3</b>	<b>Material Topics 2021</b>			
3-3	Management of material topics	ASR Page 33		
<b>GRI 306</b>	<b>Waste 2020</b>			
306-1	Waste generation and significant waste-related impacts	ASR Page 33		
		Scrap metal from manufacturing processes is the largest source of waste generation. Wherever possible, scrap is returned to the original manufacturer to recycle it into new raw materials. Scrap metal is primarily generated by our own activities, and then sent back upstream to the original manufacturer to be recycled and incorporate into new raw materials.		
306-2	Management of significant waste-related impacts	ASR Pages 33, 57–60		

Disclosure		Location			Omission
		Hazardous waste (tons)	Non-hazardous waste (tons)	Total (tons)	
306-3	Waste generated	<b>660.91</b>	<b>11601.42</b>	<b>12262.33</b>	
		Recycling	73.69	10,195.83	10269.52
306-5	Waste directed to disposal				
		Incineration	412.53	482.54	895.07
		Landfill	174.69	188.61	363.30
		Composting	0	14.44	14.44

**ENVIRONMENT: Product stewardship**

**Life cycle management**

**GRI 3 Material Topics 2021**

3-3 Management of material topics ASR Page 36

**Product safety**

**GRI 3 Material Topics 2021**

3-3 Management of material topics ASR Page 38

**GRI 416 Customer Health and Safety 2016**

416-1 Assessment of the health and safety impacts of products and service categories  
 There were no incidents of non-compliance concerning the health and safety impacts of our products and services. Health and safety requirements are specified in product contracts.

**SOCIAL: Employee safety and well-being**

**Occupational health and safety**

**GRI 3 Material Topics 2021**

3-3 Management of material topics ASR Pages 41–42

**GRI 403 Occupational Health and Safety 2018**

403-1 Occupational health and safety management system  
 The HESS management system follows ISO 45001 and ISO 31000 guidelines. All operating locations meet national and local occupational health and safety requirements per the HESS Policy. All permanent and temporary employees in the Nammo Group are covered by this system.

403-2 Hazard identification, risk assessment, and incident investigation  
 The HESS management system identifies and evaluates hazards, determining risks and mitigating actions. Monthly reports are collected, and hazard analyses are reviewed when changes occur or every five years. Quality and competence are ensured through annual assessments and continuous training.  
 Workers report hazards through various methods, including automated systems or paper-based tracking. Anonymous reporting is available via SpeakUp in Europe and Ethics Point in the US. Reprisals against whistleblowers are prohibited by our Ethical Code of Conduct.  
 Each site follows national regulations for reporting hazards, self-removal from hazardous situations, and access to non-occupational medical services.  
 Lost Time Injuries (LTI) are reported to the Group HESS director with information on root cause analysis and actions taken. High-potential near misses and accidents are shared company-wide via "Safety Flash" to promote organizational learning.

403-3 Occupational health services ASR Page 42

403-4 Worker participation, consultation, and communication on occupational health and safety ASR Pages 41–42  
 New employees receive occupational health and safety training during onboarding. Sites also have annual training plans covering work-related hazards, delivered through web-based and face-to-face methods in native languages. Attendance is recorded, feedback is sought, and site training plans are reviewed during the annual Group HESS site assessment.



Disclosure	Location	Omission
403-5	Worker training on occupational health and safety	ASR Pages 41–42
403-6	Promotion of worker health	Non-occupational medical and healthcare services are provided for full-time Nammo employees, with scope varying based on national laws in the nine countries they operate. Non-Nammo employees receive services per their employer. Employee Assistance Programs (EAPs), including wellness programs, smoking cessation, mental health screening, and physical exercise, also differ by country. Nammo employees are informed of available EAPs during onboarding and through annual communication.
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Nammo’s employees are exposed to health and safety risks related to handling energetic materials, mechanical manufacturing, heat treatment, chemical surface treatment, and assembly operations. Regular health checkups are provided to employees exposed to hazards related to these operations.
403-8	Workers covered by an occupational health and safety management system	All workers, including temporary workers, are covered by the Nammo Group’s HESS reporting systems at each site. The reporting systems undergo annual review during HESS assessments with each production site. National authorities regularly audit all sites, for example OSHA in the US and Arbeidstilsynet in Norway.
403-9	Work-related injuries	ASR Page 42  Zero fatalities Number of high-consequence work-related injuries: Zero Regularly review risk analyses in accordance with national/local regulations, safety walks/site level and corporate level HESS assessments, increased use of root cause analysis techniques for all accident, near-miss and hazardous conditions reports. Main type of work-related injury: Ergonomic injuries that resulted in minor finger, hand or back injuries. Total number of hours worked: 5 042 653 The Nammo Group calculates injury rates based on lost workdays per 1 000 000 hours worked.
403-10	Work-related ill health	a. Zero fatalities as a result of work-related ill health. 3 cases of recordable work-related ill health. Ergonomic/overuse injuries with painful joints are the most common types of work-related ill health. b. Zero fatalities, recordable cases, or types of work-related ill-health for workers who are not employees. c. Our organization conducts regular risk analyses to identify work-related hazards that pose a risk of ill health. During the reporting period, ergonomic risks such as lifting and turning while under load were determined to be contributing factors to the cases of ill health. To address these hazards, we have implemented various measures, following the hierarchy of controls. Affected sites are conducting ergonomic surveys to eliminate unnecessary lifting and turning wherever possible. Time and motion studies are also being used to further minimize these risks. d. No workers have been excluded. e. N/A

**Diversity and gender equality**

GRI 3	Material Topics 2021	
3-3	Management of material topics	ASR Pages 43–44
<b>Nammo own disclosure</b>		
	Female employees at year end (share of total)	ASR Page 44
	Women in group management (percentage of total)	ASR Page 44
	Women on the board of directors (share of total)	ASR Page 44
<b>Competence development</b>		
GRI 3	Material Topics 2021	
3-3	Management of material topics	ASR Page 45

Disclosure	Location	Omission
<b>GOVERNANCE: Value chain integrity</b>		
<b>Business partner due diligence</b>		
<b>GRI 3</b>	<b>Material Topics 2021</b>	
3-3	Management of material topics	ASR Pages 48–49
<b>Nammo own disclosure</b>		
	Number of local representative agreements terminated after being subjected to updated due diligence and risk evaluations	ASR Page 49
<b>Supply chain governance, human rights, and anti-corruption standards</b>		
<b>GRI 3</b>	<b>Material Topics 2021</b>	
3-3	Management of material topics	ASR Pages 50–51
<b>GRI 308</b>	<b>Supplier Environmental Assessment 2016</b>	
308-1	New suppliers that were screened using environmental criteria	Strategic new suppliers are screened using reputational risk criteria, incorporating environmental performance reputation.
<b>GRI 414</b>	<b>Supplier Social Assessment 2016</b>	
414-1	New suppliers that were screened using social criteria	Strategic new suppliers are screened using reputational risk criteria, incorporating social performance reputation.
414-2	Negative social impacts in the supply chain and actions taken	ASR Page 51
<b>Nammo own disclosure</b>		
	Discussion of processes and due diligence procedures for assessing and managing risks related to business ethics resulting from business partners	ASR Pages 50–51
	Description of salient human rights issues and approach to managing associated risks	ASR Pages 52–54
<b>GOVERNANCE: Business Integrity</b>		
<b>Anti-bribery and corruption</b>		
<b>GRI 3</b>	<b>Material Topics 2021</b>	
3-3	Management of material topics	ASR Pages 55–56
<b>GRI 205</b>	<b>Anti-corruption 2016</b>	
205-2	Communication and training about anti-corruption policies and procedures	ASR Pages 55–56
205-3	Confirmed incidents of corruption and actions taken	ASR Pages 51, 58
<b>GRI 206</b>	<b>Anti-competitive behavior 2016</b>	
206-1	Legal action for anti-competitive behavior, anti-trust, and monopoly practices	ASR Page 56
<b>SASB</b>	<b>RT-AE-510a.1</b>	
	Total amount of monetary losses as a result of legal proceedings associated with incidents of corruption, bribery, and/or illicit international trade	ASR Page 51

Disclosure	Location	Omission
<b>Internal control, risk, and compliance</b>		
<b>GRI 3</b>	<b>Material Topics 2021</b>	
3-3	Management of material topics	ASR Pages 62–67
<b>Nammo own disclosure</b>		
	Description of approach to identifying and addressing data security risks	ASR Page 67
<b>Nammo own disclosure</b>		
	Description of approach to identifying and addressing export control risks	ASR Pages 65–66
<b>Corporate governance</b>		
<b>GRI 3</b>	<b>Material Topics 2021</b>	
3-3	Management of material topics	ASR Pages 70–73
<b>Nammo own disclosure</b>		
	Number of group-wide procedures (e.g., code of conduct, procurement policy)	ASR Page 20
<b>Nammo own disclosure</b>		
	Number of group-wide trainings (e.g., share of employees receiving training on code of conduct)	ASR Page 56



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