

KLP



KLPs expectations as an investor

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The purpose of this document is to describe how KLP and KLP Mutual funds (KLP), as a responsible investor, expects companies to work with respect to responsible business practice and sustainable value creation. This means profitable business models that are not harmful to people or the environment, and that contribute towards the achievement of globally adopted goals for a sustainable future.

KLP's investments have a long-term perspective. The objective is to derive the best possible return on the pension funds and savings we invest. To enable KLP to increase the value of its investments over time, the underlying economic activity must be responsible and sustainable.

KLP's responsible investment activities are based on the UN's globally endorsed climate agreement and Sustainable Development Goals (SDGs). These agreements seek to ensure safe and well-functioning societies and contribute to sustainable development. At the same time they encapsulate the most important challenges the world is facing, and establish specific targets that nation states, businesses, academic and civil society must work together on to ensure sustainable development.



KLP's expectations with respect to responsible business practice

KLP's expectations are addressed to company boards and managements. This Expectation Document is intended to form the basis for dialogue with the companies we invest in about responsible and sustainable value creation as stated in the KLPs guidelines as a responsible investor.

KLP's expectations encompass the following issues in particular:

- **HUMAN RIGHTS, INCLUDING LABOUR AND CHILDREN'S RIGHTS :**

Companies have an independent responsibility to respect human rights and, in particular, to protect vulnerable individuals and groups of people affected by and associated with their operations. KLP requires companies to abide by the 'International Bill of Human Rights', the UN Convention on the Rights of the Child and the ILO's Core Conventions. Companies shall have a particular focus on preventing child labour, forced labour and any form of discrimination. It is expected that companies ensure decent working conditions. Companies are responsible for ensuring human rights are respected not only in their own organisations, but throughout their entire supply chain. Furthermore, KLP focuses particularly on relevant business standards, such as the UN Guiding Principles on Business and Human Rights

- **CLIMATE, ENVIRONMENT AND BIODIVERSITY:**

KLP expects companies to organise their business activities such that the emissions associated with the production, operation and use of products and services are deemed to be in line with the objective of the UN Framework Convention on Climate Change (Paris Agreement) . KLP expects companies to identify, analyse and report on their exposure to and management of climate risk as part of their financial risk disclosures. KLP expects companies to minimise the negative impact on the environment and biodiversity caused by their use of resources, land occupation and use, and pollution. At the same time, companies must strive to preserve biodiversity.

- **ANTI-CORRUPTION AND OTHER FINANCIAL CRIME:**

Companies shall have zero tolerance for all forms of corruption, money laundering and other financial crimes. They must therefore have a clear policy and effective measures in place to prevent this within their operations. Each company's efforts to prevent financial crime must be tailored specifically to its own risk.

- **CORPORATE GOVERNANCE :**

Boards and managements must be independent of each other, have a high degree of ethics and integrity and there must be a clear allocation of roles and responsibilities. Board members must have and devote sufficient time to fulfil their responsibilities effectively. All shareholders shall be treated equally. The company must also be managed in accordance with KLP's voting guidelines, 2019 SRI International Proxy Voting Guidelines and OECD Guidelines

- **TAX:**

KLP expects companies to have a policy on the responsible payment of tax. This policy must state that business decisions shall have real substance and that the company shall not engage in any practices, through transactions and legal structures, which contribute to tax evasion. Taxes should be paid where the actual economic value is generated. KLP encourages companies to publicly disclose financial key figures, including tax paid, for all related companies using a country-by-country format.

- **REDUCE INEQUALITY:**

Companies shall strive to reduce inequality by, among other things, avoiding a disproportionately large discrepancy between executive compensation and workers' wages. It is expected that employees are paid a decent living wage. Management salaries and remuneration shall be linked to the long-term development of the company. Companies must be transparent and report the actual compensation paid.

- **EQUALITY AND DIVERSITY:**

KLP expects companies to work systematically for gender equality and diversity in the business. A balance between the genders and increased diversity should be the goal in all parts and levels of the business.

For each separate area, or for all of them combined, companies must do following:

- Establish guidelines.
- Have routines and processes that ensure the integration of and compliance with such guidelines/policies in the company's business operations and strategic development.
- Perform risk assessments, demonstrate due diligence and implement measures to ensure the risk they pose to people, the climate and environment in all operations including supply chains is acceptable. This duty goes beyond the strict legal liability that companies have.
- Establish goals and business models that contribute towards the UN's climate agreement and SDGs. Best practice is to integrate the SDGs into the business's own corporate governance, strategy and goals. Based on each country's risks and opportunities, the global SDGs should also provide inspiration for company-specific KPIs and goals.
- Ensure regular follow-up by the board of directors.
- Demonstrate a high level of transparency with respect to their business operations and supply chains, and report openly, accurately and in a timely fashion to their owners, investors and other stakeholders.





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