



Principles for socially responsible supplier conduct

Valid from: 08.02.2024

KLP's principles for socially responsible supplier conduct

Approved by: CEO of KLP

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Introduction

At KLP, we incorporate social responsibility into all of our operations. This includes being a socially responsible buyer.

These principles for responsible supplier conduct describe our requirements and expectations of our suppliers. Our goal is that all goods and services that we purchase should be produced under conditions consistent with these principles.

The principles are based on good business practice, key UN and ILO Conventions and the OECD Guidelines For Multinational Companies, and apply in addition to national legislation. Where national legislation and regulations cover the same area as these principles, the highest standard will apply.

By accepting these principles, suppliers undertake to comply with them in its own business, and in any subsidiaries where they have a controlling ownership interest. The supplier must impose similar requirements on its own suppliers and strive to exercise social responsibility in the supply chain.

The principles

1. Climate, nature and environment

- Negative effects on climate, nature and the environment shall be minimised throughout the value chain. Among other things, the supplier must take the necessary measures to minimise harmful emissions and promote efficient and sustainable use of resources. Greenhouse gas emissions shall be minimised in production and transport. The environment and nature at the place of production shall not be overexploited or compromised.
- KLP expects its suppliers to have set science-based climate targets to reduce emissions in line with the ambitions in the Paris Agreement.
- Suppliers shall comply with national and international environmental legislation and regulations, and shall obtain the relevant emission permits.

2. Social matters: Human rights and decent working conditions

A. FORCED LABOUR AND SLAVE LABOUR (ILO CONVENTIONS NOS 29 AND 105)

- There shall not be any form of forced labour, slave labour or involuntary labour.
- Workers shall not be required to lodge deposits or identity papers with their employer and shall be free to terminate their employment after reasonable notice.

B. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING (ILO CONVENTIONS NOS 87, 98, 135 AND 154)

- Workers, without distinction, shall have the right to join or form trade unions of their own choosing and to engage in collective bargaining. The employer shall not interfere in, prevent or oppose the organisation of labour or the right to collective bargaining.
- Union representatives shall not be discriminated against or prevented from performing their organisational work.
- Where the right to freedom of association and/or collective bargaining is restricted under law, the employer shall facilitate, and not hinder, alternative mechanisms for free and independent representation and negotiation.

C. CHILD LABOUR (UN CONVENTION ON THE RIGHTS OF THE CHILD, ILO CONVENTIONS NOS 138, 182 AND 79, ILO RECOMMENDATION NO 146)

- The supplier shall not use child labour unless the work is considered acceptable in accordance with ILO Convention C138.

- “Child labour” means work done by children and other young persons. “Child” means any person under the age of 15, unless relevant legislation sets a higher minimum age for completion of compulsory schooling or for access to work, in which case the higher minimum age shall apply. If it should nevertheless be found that child labour is being used in the supplier’s area, the supplier must take immediate steps to rectify the situation in accordance with the best interests of the child.
- The supplier must ensure that no individual under the age of 18 performs any risky work. “Risky work” is defined as work exposing children to physical, psychological or sexual abuse, work under ground, under water, at a dangerous height or in enclosed places, work with dangerous machinery, dangerous equipment or tools or involving handling or transporting heavy loads, exposure to hazardous substances, chemicals, processes, temperatures, noise levels or vibrations or especially demanding conditions such as long working hours, night work or work where the child must be present on the supplier’s premises in an unreasonable manner.

D. DISCRIMINATION (ILO CONVENTIONS NOS 100 AND 111 AND THE UN CONVENTION ON DISCRIMINATION AGAINST WOMEN)

- There shall be no discrimination with regard to employment, remuneration, training, promotion, termination or retirement based on ethnic affiliation, caste, religion, age, disability, sex, marital status, sexual orientation, union work or political affiliation. Suppliers must establish safeguards against sexually intrusive, threatening, abusive or exploitative conduct, and against discrimination or termination on an unfair basis, e.g. marriage, pregnancy, parental status or HIV infection.

E. HARSH OR INHUMANE TREATMENT (UNIVERSAL DECLARATION OF HUMAN RIGHTS/UDHR)

- Physical abuse or punishment, or the threat of physical abuse, is prohibited. The same applies to sexual or other abuse and other forms of humiliation.

F. HEALTH, SAFETY AND THE ENVIRONMENT (ILO CONVENTION NO 155 AND RECOMMENDATION NO. 164)

- The supplier shall provide its workers with a safe and healthy working environment, and take the necessary measures to prevent and minimise accidents and damage to health resulting from or related to conditions at the workplace. Hazardous chemicals and other substances must be properly handled.

- Workers shall receive regular and documented training in health and safety. Health and safety training shall be repeated for new employees and redeployed workers.
- Workers must all have access to clean sanitary facilities and clean drinking water. Where relevant, the employer must also provide access to facilities for safe food storage.
- If the employer offers accommodation, this must be clean, secure, adequately ventilated and with access to clean sanitary facilities and clean drinking water.

G. WAGES (ILO CONVENTION NO 131)

- Pay to workers for a normal working week must be at least in line with national minimum wage provisions or industry standards; the highest of these will apply. The level of pay must be sufficient to live on and enable workers to provide for themselves and their families.
- Remuneration conditions and payment of salaries must be set down in a written agreement before work starts. The agreement must be understandable to the worker. Deductions from wages as a disciplinary measure are not permitted.

H. WORKING HOURS (ILO CONVENTIONS NOS 1 AND 14)

- Working hours must comply with national laws and industry standards, and with current international conventions. Normal weekly working hours must not generally exceed 48 hours.
- Workers must be given at least one day's leave every 7 days.
- Recommended maximum overtime is 12 hours per week, i.e. total working hours of 60 hours per week. Exceptions can be accepted if regulated by a collective agreement or national legislation.
- Workers must always be given an overtime supplement for working more than normal working hours, as a minimum in accordance with current legislation.

I. REGULAR APPOINTMENTS

- Obligations to workers, in accordance with international conventions, national legislation and regulations about regular appointments, shall not be circumvented by the misuse of short-term appointments, sub-contractors or other working relationships.
- All workers are entitled to a contract of employment in a language they understand.
- Apprenticeship programmes must be clearly defined in terms of duration and content.

J. MARGINALISED POPULATION GROUPS

- Production and use of natural resources must not contribute to destroying the resources and income basis for marginalised populations, for example by seizing large areas of land, irresponsible use of water or other natural resources the population depends upon.

3. Ethics and corporate governance

A. ECONOMIC CRIME

- The supplier must not be involved in any economic crime, including corruption, fraud and tax evasion.
- The supplier shall not provide, offer, request, accept or receive any improper advantage or service to or from KLP, business associates and public authorities, international organisations, or other third parties, either companies or individuals. This applies whether the improper benefit is provided directly or through an intermediary.
- The supplier shall not, directly or indirectly, offer, give or accept gifts, hospitality or expenses that could provide or be perceived as an improper advantage, in connection with a person's position, job duties or assignment, unless the gift is of modest value. Gifts in the form of cash or cash equivalents are never acceptable.
- The supplier shall not give or receive any hospitality, gifts or expenses in connection with any bidding process or contract negotiation. The exception is normal hospitality in relation to a legitimate business purpose, where costs are kept within reasonable limits.
- Suppliers shall not sponsor political parties or politicians in connection with the contract concluded with KLP. Any form of lobbying must comply with applicable laws.
- The supplier shall provide its employees with adequate and appropriate training to enable them to understand, recognise and react to economic crime. The supplier's board of directors and management shall be offered bespoke training as required.

B. MEASURES AGAINST MONEY LAUNDERING AND TERRORIST FINANCING

- The supplier must avoid all types of money laundering and terrorist financing and must implement measures to prevent the company being involved in or used for such purposes.
- The supplier must take steps to prevent others using the supplier's financial transactions for money laundering.

C. INTERNATIONAL SANCTIONS AND RESTRICTIVE MEASURES

- The supplier shall take appropriate precautions and not be involved in violating applicable sanctions regulations and rejoicing obligations or circumventing them.
- The supplier shall take active steps with its own suppliers and business associates to avoid agreements and transactions with entities and natural persons listed on sanctions lists or subject to restrictive measures adopted by the United Nations and the European Union or any national authority.
- At any given time, the supplier shall actively assess whether other countries' sanctions lists and restrictive measures should also be checked.
- The supplier shall notify KLP without delay if suppliers or business associates in the supply chain for goods and services are listed in sanctions lists or subject to restrictive measures.

D. DATA PROTECTION

- The supplier must comply with the latest data protection rules at all times. All personal data and other information shall be processed in a secure manner.

E. WHISTLEBLOWING

- The supplier must have satisfactory procedures for whistleblowing.
- The supplier's employees must be able to report any issues in the workplace relating to breaches of legislation and rules, internal guidelines and regulations, and anything contrary to a common understanding of what is ethically sound and acceptable.
- The supplier's employees must be able to report any matters in the workplace that could cause harm to life and health, conditions that may lead to injury or illness, and harassment, bullying or discrimination.

F. BREACHES OF COMPETITION LAW

- The supplier must not under any circumstances cause or participate in a breach of general or special competition rules, for example by participating in illegal price fixing, illegal market sharing or any other behaviour in breach of relevant competition law.

G. MANAGEMENT AND CONTROL SYSTEM

- The supplier shall maintain the necessary management and governance mechanisms to provide for the implementation of corporate social responsibility in the business and set

requirements for corporate social responsibility in the supply chain. The system should be adapted to the company's size, type and exposure to risk.

- The supplier must be able to document where goods and services offered to KLP are produced or delivered from.

H. ANIMAL WELFARE

- Animal welfare shall be respected. Measures must be taken to minimise any adverse effect on the welfare of farm animals and working animals.
- National and international animal welfare laws and regulations shall be observed.

Ethical requirements and due diligence checks for building and construction

The contents of this chapter only apply to suppliers who provide goods and services within building and construction.

KLP works to promote decent working conditions and fair competition. This is true of all industries but has historically been a particular problem area in the building and construction industry. Within building and construction, we look to the Oslo model, which consists of ethical and due diligence requirements for a serious business sector.

Among other things, we require suppliers:

- To place the same requirements on their subcontractors that we impose on our own
- To use permanent employees in 100% positions on our construction projects
- To use skilled workers for at least 50 percent of the hours worked on our construction projects
- To use apprentices for at least 10 percent of the hours worked on our construction projects
- To use no more than two levels of subcontractors on our construction projects
- To use people in key positions on our construction projects who can make themselves properly understood in Norwegian
- To set requirements for HSE cards from day one, with a system for electronic crew monitoring
- To comply with the “Act relating to enterprises' transparency and work on fundamental human rights and decent working conditions”
- To place the necessary resources and documentation at the disposal of KLP
- To inform their workers of their rights under the “Act relating to the working environment, working hours and employment protection, etc.”
- To ensure satisfactory quality in the accommodation they offer to their workers, which must at least meet the requirements for accommodation published by the Norwegian Labour Inspection Authority on its website
- To provide separate changing facilities for women and men on all of our construction sites
- To pay all wages and salaries electronically into workers' bank accounts
- Never to pay for sub-contracts, materials, goods, equipment, machinery etc. in cash
- To ensure that suppliers and subcontractors are registered in StartBANK on entry into the contract and that the register has been authorised to obtain tax information

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