



Principles for responsible supplier conduct

Valid from: 01/09/2018

KLP's principles for responsible supplier conduct

Approved by: Group Chief Executive Officer KLP

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KLP's vision is to be "the best partner for the days to come", understood as the future and for future generations. Social responsibility forms part of this; KLP exists to manage and develop assets for present and future generations. Our values form the basis for our conduct: open, clear, responsible and committed. These describe how we must conduct ourselves, and what principles form the basis of responsible supplier conduct.

We shall prioritise suppliers who can document applying responsibility within their own business and in their purchasing. The principles' purpose is to ensure that KLP respects the basic requirements for human rights, employees' rights, the environment and performance management in all our businesses. An integral part of this is ensuring that those we conduct business with also respect the same requirements. Our wish is to achieve this in cooperation and dialogue with our suppliers and partners.

KLP shall avoid suppliers that have activities in countries that have had a trading boycott imposed by the UN or Norwegian authorities. KLP shall not buy goods or services from companies that are excluded from KLP's investments. Which companies this applies to at any given time may be found at www.klp.no. Current purchasing agreements with a company that becomes excluded from KLP's investments during the agreement period must be evaluated separately in each individual case.

Responsible procuring

Procuring in the KLP Group constitutes an important part of how we conduct our social responsibility. We therefore have clear principles that show what requirements and expectations we ask of our suppliers.

Our suppliers are responsible for complying with the principles presented here in all of their business, including the parent company, subsidiaries or other units that can be identified with the supplier through an organisational connection.

In addition, we will set concrete requirements for responsibility and the environment adapted to the individual purchase or industry. Such requirements will form part of the agreement between the supplier and KLP, and will apply in addition to the principles presented here.

The compliance requirement also applies to the suppliers' subcontractors that directly contribute to the supply to KLP and KLP expects that our suppliers pass on their own requirements and expectations for these. KLP further expects that our suppliers systematically work for responsibility in their dealings with other sub-contractors and are aware of their responsibility in their own procuring.

The expectations for the scope and level of this work depend on the size and industrial sector of the supplier, as well as conditions in the individual supply chain.

Our principles

KLP's aim is that all goods and services supplied to KLP, have been manufactured in conditions consistent with our principles as specified below. These requirements are based on key UN conventions, ILO conventions, the OECD's guidelines for multinational companies and national legislation at the place of production. Where national legislation and regulations cover the same topic as these guidelines, the highest standard shall apply.

1. Human rights and working conditions

A. FORCED LABOUR AND COMPULSORY LABOUR

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

B. FREEDOM OF ASSOCIATION AND THE RIGHT TO COLLECTIVE BARGAINING

- Workers, without distinction, shall have the right to join or form trade unions of their own choosing and to bargain collectively. The employer shall not interfere with, obstruct, the formation of unions or collective bargaining.
- Workers' representatives shall not be discriminated and shall have access to carry out their representative functions in the workplace.
- Where the right to freedom of association and/or collective bargaining is restricted under law, the employer shall facilitate, and not hinder, the development of alternative forms of independent and free workers representation and negotiations.

C. CHILD LABOUR

- The supplier must not use child labour. Child labour is defined as labour performed by children and other young persons, unless the work is seen as acceptable in accordance with ILO's convention C 138. "Child" is defined as any person under the age of 15, unless relevant legislation states 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 is still discovered that child labour is being used in the suppliers area, the supplier must immediately start measures to correct the situation in accordance with what is in the best interest of the child.
- The supplier must ensure that no individual under the age of 18 performs any hazardous labour. Hazardous labour 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 that involves handling or transport of 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 at the supplier's premises in an unreasonable manner.

D. DISCRIMINATION

- We shall work to promote equality and prevent discrimination due to gender, pregnancy, leave of absence for birth or adoption, care tasks, ethnicity, religion, belief, disability, sexual orientation, gender identity, gender expression, age and other essential conditions of an individual.
- There shall be no discrimination due to union work or political affiliation. The supplier must respect the rights of employees to establish and choose to be a member of a union or any other association.

E. HARSH OR INHUMANE TREATMENT

- Physical abuse or punishment, or threats of physical abuse, is prohibited. The same applies to sexual or other abuse and other forms of intimidation.

F. HEALTH, SAFETY AND THE ENVIRONMENT

- The working environment shall be safe and hygienic, bearing in mind the prevailing knowledge of the industry and of any specific hazards. Hazardous chemicals and other substances shall be carefully managed. Adequate steps shall be taken to prevent accidents and injury to health arising out of, associated with, or occurring in, the course of work, by minimising, so far as is reasonably practicable, the causes of hazards inherent in the working environment.
- Workers shall receive regular and documented health and safety training, and such training shall be repeated for new or reassigned workers.
- Access to clean toilet facilities and to potable water, and, if appropriate, sanitary facilities for food storage shall be provided.

- Accommodation, where provided, shall be clean, safe and adequately ventilated, and shall have access to clean toilet facilities and potable water.

G. WAGES

- Wages and benefits paid for a standard working week must, as a minimum, be in line with the national minimum wage provisions or industry standard; the highest applies. Wages must always be sufficient to cover basic needs as well as something beyond this.
- All workers shall be provided with a written and comprehensible contract outlining their wage conditions and method of payments before entering employment.
- Disciplinary measures must be handled in a fair manner, and must take place following agreed processes for this, where the employee's rights are safeguarded.

H. WORKING HOURS

- Working hours shall comply with national laws and benchmark industry standards, and not more than prevailing international standards. Weekly working hours should not on a regular basis be more than 48 hours.
- Workers shall be provided with at least one day off for every 7 day period
- Recommended maximum overtime is 12 hours per week, meaning total working hours of 60 hours per week. Exceptions can be accepted if regulated by a collective agreement or national legislation.
- Workers shall always receive overtime pay for all hours worked over and above the normal working hours (see first point above), minimum in accordance with relevant legislation.

I. REGULAR APPOINTMENTS

- Obligations to employees under international conventions, national law and regulations concerning regular employment shall not be avoided through the use of short term contracting (such as contract labour, casual labour or day labour), sub-contractors or other labour relationships.
- All workers are entitled to a contract of employment in a language they understand.
- Apprentice program¹ must be clearly defined in terms of duration and content.

2. Environment and marginalised populations

A. ENVIRONMENT

- Measures to minimize adverse impacts on human health and the environment shall be taken throughout the value chain. This includes minimizing pollution, promoting an efficient and sustainable use of resources, including energy and water, and minimizing greenhouse gas emissions in production and transport. The environment at the place of production must not be overexploited or diminished.
- National and international environmental legislation and regulations shall be respected and relevant discharge permits obtained.

B. MARGINALISED POPULATIONS

- Production and the use of natural resources shall not contribute to the destruction and/or degradation of the resources and income base for marginalized populations, such as in claiming large land areas, use of water or other natural resources on which these populations are dependent.

3. Ethical and responsible performance management

A. ECONOMIC CRIME

- The employer must comply with all relevant legislation relating to economic crime, including bribery, corruption, fraud and all other prohibited business practices.

¹ See the special decent work principles for building and construction in the last paragraph of the document.

- The supplier must not offer, promise or provide an improper benefit, service or reward to any public employee, international organisation or other third party. This applies regardless of whether the improper benefit is provided directly or through an intermediary.

B. MONEY LAUNDERING AND OTHER FORMS OF WHITE-COLLAR CRIME

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

C. DATA PROTECTION

- The supplier must at all times comply with the current data protection regulations. All personal data and information must be processed securely, and not be handed over without permission.
- The employees of the supplier have an obligation of confidentiality.

D. WHISTLEBLOWING

- The supplier must have satisfactory procedures for whistleblowing.
- Employees must be able to notify of conditions at the workplace relating to breaches of legislation and rules, internal guidelines and regulations, and what is a common understanding of what is ethically sound and acceptable.
- The employees of the supplier must also be able to notify about conditions they become aware of at the workplace that mean that an employee is exposed to errors or omissions that may cause damage to life and health, conditions that may lead to injury or illness, as well as persecution, bullying or discrimination.

E. VIOLATION OF COMPETITION LAW

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

F. MANAGEMENT SYSTEM

- KLP emphasises the importance of the supplier having a management and control system that supports the implementation of social responsibility, including the environment, in the organisation and setting requirements for responsibility in the supplier chain. The system should be adapted to the company's size, type and exposure to risk. This means that the company has guidelines, that these are known, that the company has appointed an individual responsible for the implementation and follow-up and that where goods and services are produced or implemented can be demonstrated.

G. GIFTS, PERSONAL BENEFITS AND REPRESENTATION

- Employees of KLP must not be offered any gifts or other benefits by KLP's suppliers and business partners that might influence or affect their judgement or actions.
- KLP or our employees must never be offered any illegal or unlawful gifts of money or other benefits in order to achieve business or private advantage for the company or others.

4. Compliance with and fulfilment of KLP's principles

A. SUPPLIER IMPLEMENTATION

- The supplier must appoint one or more individuals at management level with responsibility for ensuring that the principles are in fact complied with, including the systematic follow-up, in such a manner as is relevant to the supplier's size and exposure to risk.
- Conditions at the supplier, in breach of the principles presented above, must have improvement plans prepared which must be made known to KLP.

B. REPORTING AND INFORMATION

- Over and above the requirements set by KLP in any contract with a single supplier, the supplier is encouraged to report the status of these principles publicly.

C. BREACH OF THE REGULATIONS

- If the supplier becomes aware of any deviations from the principles in its own activities or at sub-contractors essential to deliveries to KLP, KLP must be informed of the situation.
- Serious actual breaches or suspicions of a breach of these principles must be notified using the KLP group's external notification solution².

D. FOLLOW UP AND CONTROL

- The supplier must fulfil the criteria set in the agreement and deliver in a responsible manner according to what is expected. If this is not possible, the partnership will be terminated and the supplier will not be re-engaged unless it meets the current requirements.

Decent work principles for building and construction

The largest purchases in the KLP group are linked to building and construction, through our property business. For this type of purchases we have, in addition to the general principles above that are applicable to all our suppliers, adopted special decent work principles.

KLP cares about promoting 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. Therefore, KLP will work for:

- Using permanent employees or otherwise employment contracts securing these individuals pay tariffs between subsequent assignments
- Using skilled craftsmen for at least 50 percent of working hours
- Using apprentices for at least 10 percent of working hours
- Using a maximum of two levels of sub-contractors
- That the most central people in the project are able to make themselves understood in Norwegian, because of safety
- Setting requirements for HSE cards from day one and a system for electronic crew monitoring
- Having the supplier put the necessary resources and documentation at the disposal of KLP

² <https://www.klp.no/kontakt-oss/kritikkverdige-forhold-1.38521>

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